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EXPLORING THE ROLE OF TRADE ASSOCIATIONS IN INDUSTRY EVOLUTION:

BANKING AND MOTOR INDUSTRIES IN IRELAND

THESIS SUBMITTED FOR THE DEGREE OF PH.D.

2011

ANNA HANCHAR

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Anna Hanchar

April 2011

SUMMARY

The principal aim of this study was to explore and describe the role of trade associations in the evolution of industrial structures. The justification for the research is based on a number of theoretical and empirical grounds. These included the general neglect of the issue in the literature, the potential implications for future research and policy development recognised by practitioners, policy makers, and academics, and the relevance of the subject to the long-standing debate on the optimal balance between self-regulation and government regulation that has become particularly pertinent in light of the latest developments in the financial sector.

The empirical research was based on the contextual methodology developed at the Warwick Centre for Corporate Strategy and Change. The study employed a comparative longitudinal case study method, where the archival/document and interview data were collected, coded, and analysed. Due to the time-consuming nature of this research method, the number of cases was limited to two: the Irish motor industry and the Irish banking industry. Due to its complex, underutilised, and understudied nature, qualitative exploratory historical/document research has been rarely undertaken in the strategy field, and its validity issues have often been questioned. In order to address the possible biases of the historical and interview methods, particular attention has been paid to the soundness of the design of this study. Sources of invalidity of the measures and possible errors have been acknowledged and where possible addressed.

The impact of trade associations on the structural change of their industries was often defined by the contextual drivers of the relative trade associations' strategies and by the type of strategy used. Three main sets of trade associations' strategies and actions were identified: their establishment and restructuring, market activities, and non-market activities. The establishment and restructuring of trade associations was initiated by changes in the outer context, expanding industry boundaries, the emergence of new sectors, and increasing competition. The market activities were mostly driven by (a threat of) national/international changes and at later stages by the increasing importance of transparency and reputation, which helped associations to retain members and increased the associations' power over them. Finally, the non-market strategies were initiated by national-level developments, increasing competition, and customer and member expectations. The trade association's establishment/restructuring, market, and non-market activities contributed to industry-level structural changes. Specifically, they created new institutions, changed industry-level relationships by increasing their own capabilities and capabilities of their members, generated/transformed knowledge and information, increased industry capabilities, protected

industry boundaries by erecting barriers to entry, and prevented state regulation through self-regulation.

Economic theories proved to be more limited in their explanation of the influence of trade associations on their industries. While their explanatory power captured the establishment and some of the non-market actions of representative associations, they often failed to account for the trades associations promotion and member training activities. Sociological theories offered the legitimisation explanations for most of the trade associations' actions and impact on the later stages of industry evolution, but often failed to deal with the lobbying and negotiation actions of trade associations.

By exploring the role of trade associations in the evolution of their industries this study fills the gap in the literature and makes a valuable contribution to knowledge of industry evolution and trade associations. Multi-modal design of the study, which utilises four theories common to both fields, and the innovative application of evolutionary approach to the within-case analysis make theoretical and conceptual contribution. Two substantial case studies constructed to answer the research question became the first comprehensive accounts of the evolution of the two Irish industries: motor and banking. These cases not only offer great historical data, but also stand as great pools of information for policy-makers, trade associations, and academics, making the unique contribution to practice. Finally, the longitudinal processual comparative case study approach used in this research required a well-built methodological base and well-constructed data collection and analysis method. This, combined with a detailed account of the research validity issues, rare in these types of studies, makes the methodological contribution of this work.

.

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ACRONYMS, TERMS, ABBREVIATIONS

AA	Automobile Association
ACC	Agricultural Credit Corporation
AGEMOU	Automotive, General Engineering and Mechanical Operatives' Union
AIFTA	Anglo-Irish Free Trade Area Agreement
AITA	Anglo-Irish Trade Agreement
AMA	Automobile Mutual Association
BANK	While the word 'bank' has a specific legal meaning, in this dissertation unless indicated to the contrary, 'banks' and 'banking sector mean financial institutions which take deposits from the general public and/or make loans to the general public
BIA	Business Interest Associations
BIK	Benefit-in-kind taxation
BNUVB	British National Union of Vehicle Builders
BVRLA	British Vehicle Rental and Leasing Association
c.k.d.	Completely-knocked-down
CA	Competition Authority
CAI	Consumers' Association of Ireland
CAP	Common Agricultural Policy
CBFSAI	Central Bank and the Financial Services Authority of Ireland
CCCTB	Common Consolidated Corporate Tax Base
CCSC	Centre for Corporate Strategy and Change
CEB	Central European Bank
CEBS	Committee of European Bankers Supervisors
CEC	Commission of the European Communities
CECRA	European Council for Motor Trades and Repairs
CENTRAL BANK	Sometimes referred to as the Bank
CII	Confederation of Irish Industry
CLEARING BANKS	The terms 'Clearing Banks' and 'IBSC' are used interchangeably for the description of the evens commencing in 1920 and ending in 1973
CMP	Comparative Manifesto Project
CMTB	Contribution to Manufacturing Trade Balance
CP	Consultation Paper
CRCI	Car Rental Council of Ireland
CSO	Central Statistics Office (Ireland)
DBCC	Dublin Banks' Clearing Committee
DIMA	Reinsurance and International Insurance Association
DIRT	Deposit Interest Retention Tax
DTA	Dublin Transportation Authority
EBF	European Banking Federation
EC	European Commission
ECB	European Central Bank
EDI	Electronic Data Interchange
EDP	Enterprise Development Programme
EEC	European Economic Community
ELV	End of Life Vehicle
EMI	European Monetary Institute

EMPN	Numbers Engaged, Total Employment (OECD Indicator)
EMPSH	Employment Shares in the Total Economy (OECD Indicator)
EMS	European Monetary System
EMU	European Monetary Union
EPA	Environmental Protection Agency
EPTRS	Export Profit Tax Relief Scheme
ERM	European Exchange Rate Mechanism
ESB	Electivity Supply Board
ESRI	Economic and Social Research Institute
EU	European Union
EXPO	Total Exports at Current Prices (OECD Indicator)
f.b.u	Fully built-up
FÁS	Training and Employment Authority
FB	Federation of Builders
FIBI	Federation of International Banks in Ireland
FIGIEFA	International Federation of Automotive Aftermarket Distributors
FII	Federation of Irish Industries
FIM	Federation of Irish Manufacturers
FSI	Financial Services Ireland
FTA	Free Trade Area
FUE	Federal Union of Employers
GATT	General Agreement of Tariffs and Trade
IAIM	Irish Association of Investment Managers
IBEC	Irish Business and Employer Confederation
IBF	Irish Banking Federation (formerly Irish Bankers' Federation)
IBIS	Irish Banks' Information Service
IBOA	Irish Bank Officials' Association
IBSA	Irish Building Societies Association (later IMSA)
IBSC	Irish Banks' Standing Committee
ICC	Industrial Credit Company
ICSO	Irish Clearing Service Organisation
ICTU	Irish Congress of Trade Unions
IDA	Industrial Development Authority
IEA	Irish Exporters Association
IFIA	Irish Funds Industry Association
IFRS	International Financial Reporting Standards
IFSC	Irish Financial Services Centre
IFSRA	Irish Financial Services Regulatory Authority
IGT	Interest Group Theory
IIT	Intra-Industry Trade (OECD Indicator)
ILCU	Irish Insurance Federation, Irish League of Credit Unions
ILO	International Labour Organisation
IMAA	Irish Motor Agents' Association (later SIMT, IMTA, and SIMI)
IMCWA	Irish Motor & Cycle Wholesale Traders' Association
IMDA	Irish Motor Dealers Association (formed in 1996)
IMF	International Monetary Fund
IMI	Irish Management Institute

IMPO	Total Imports at Current Prices (OECD Indicator)
IMSA	Irish Mortgage and Savings Association (formerly IBSA)
IMTA	Irish Motor Trade Association (after renamed into IMAA)
IMTA	Irish Motor Traders Association (between IMAA and SIMI)
IMWA	Irish Motoring Writers Association
IoMI	Institute of the Motor Industry
IOMTR	International Organisation for Motor Trades and Repairs
IAC	Irish Automobile Club (later known as IRAC or RIAC)
IPCCC	Irish Paper Credit Clearing Company
IPDCC	Irish Paper Debit Clearing Company
IPSO	Irish Payment Services Organisation
IRAC	Royal Irish Automobile Club (sometime referred to as RIAC)
IRECC	Irish Retail Electronic Clearing Company
IRISCO	Irish Real-Time Interbank Settlement Company
ISIC	International Standard Industrial Classification of all economic activities (OECD)
ISME	Irish Small and Medium Enterprises Body
ISO	International Standards Organisation
IT	Institutional Theory
ITGWU	Irish Transport and General Workers' Union
KYC	Know Your Credit policies
LABEMP	Labour Compensation per Employee for the Total Economy (OECD Indicator)
LABR	Labour Compensation at Current Prices (OECD Indicator)
MAA	British association
MEP	Member of European Parliament
MPEN	Import Penetration (OECD Indicator)
MSAI	Motor Schools Association of Ireland
MSH	Composition of Total Imports of Goods (OECD Indicator)
MSPEC23	Import Propensity Relative to OECD23 & the total Economy (OECD Indicator)
MTA	Motor Traders Association
NACE	Statistical Classification of Economic Activities developed in the European Community (Nomenclature générale des Activités économiques dans les Communautés Européennes)
NCAC	National Consumer Advisory Council
NCBs	National Central Banks
NESC	National Economic and Social Council
NI	Northern Ireland
NIB	National Irish Bank
NIEC	National Industrial Economic Council
NIT	New-Institutional Theory
NPC	National Prices Commission
NVTA	National Vehicle Testing Authority
ODCA	Office of the Director of Consumer Affairs
OECD	Organisation for Economic Cooperation and Development
OECD23	OECD Countries Excluding Czech Republic, Hungary, Korea, Luxemburg, Mexico, Poland, & Slovak Republic
PAC	Committee of Public Accounts
PDDE	Parliamentary Debates: Dáil Éireann
PDSE	Parliamentary Debates: Seanad Éireann

PESP	Programme for Economic and Social Progress
PIU	Project Identification Unit
PNR	Programme for National Recovery
POSB	Post Office Savings Bank
PRSI	Pay Related Social Insurance
RAC	Royal Automobile Club
RDT	Resource Dependency Theory
RGDATA	Retail, Grocery, Dairy & Allied Trades Association
RIAC	Royal Irish Automobile Club (sometime referred to as IRAC)
RoI	Republic of Ireland
RPC	Restrictive Practices Commission
RTGS	Irish Real-Time Gross Settlement Company
SEA	Single European Act
SECTOR	Particular aspects of economy, *e.g.* industrial sector, manufacturing sector, export sector, public sector, & foreign sector
SEGMENT	(1) Category and Division (ISIC Rev3); (2) Section and Division (ISIC Rev4); (3) other segments of motor and banking industries
SIMI	Society of Irish Motor Industry
SIMT	Society of Irish Motor Traders (before IMAA, later SIMI)
SIVI	Society of Irish Vehicle Importers
SMMT	Society of Motor Manufacturers and Traders
SMTA	Scottish Motor Trade Association
SSB	State Sponsored Bodies
SSP	Single Shared Platform
STAN	OECD Structural Analysis
STMA	British Association
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TA	Trade associations (in tables)
TA/M	Trade association and its members
TARGET	Trans-European Automated Real-Time Gross Settlement Express Transfer
TCC	Transport Consultative Commission
TCE	Transaction Cost Economics
TD	Teachta Dála
VASH	Value Added Shares Relative to the Total Economy (OECD Indicator)
VBRA	Vehicle Builders and Repairers Association
VLAI	Vehicle Leasing Association of Ireland
VSR	Processes of variation, selection, and retention
VRT	Vehicle Registration Tax
XM	Export/Import Ratio (OECD Indicator)
XMSO23	Export Shares Relative to OECD23 (OECD Indicator)
XSH	Composition of Total Exports of Goods (OECD Indicator)
XSPEC23	Export Specialisation Relative to OECD & the Total Economy (OECD Indicator)

CHAPTER 1 INTRODUCING THE STUDY

1.1 RESEARCH RATIONALE

The question of what drives the process of economic development was one of the three guiding questions raised by Adam Smith[1] (Nelson & Winter, 2002). A partial answer is that firms and industries change over time and ultimately lead to economic development and growth (Audrersch & Klepper, 2000). Many studies from different perspectives were concerned with exploring features of industrial evolution and change. Malerba and Orsenigo (1996: 52), however, suggest that these studies 'did not enter into the details of how industries change over time in terms of their structural features and forms of organisation' (1996: 52), and that 'we still do not know much about the dynamics and evolution of industries as a whole' (1996: 53). In particular, the authors refer to a broader view of the evolution of industrial structure, which incorporates elements of structural dynamics and looks at; the generation and transformation of technologies and products, the development and change of capabilities, the changing boundaries of firms, vertical integration, diversification, the development of networks, and the role played by institutions. The article raising these concerns was published in 1996, but the situation in the field has not significantly improved since then. Studies that focus on the structural evolution of whole industries and the drivers of these changes are still rare. Several recent studies of the structural evolution of industries (Quinn, 2002a; Quinn & Leavy, 2002, 2004, 2005; Quinn & Murray, 2005; Quinn & Sparks, 2007) suggest that trade associations influence industry structures by 'controlling members' behaviour, limiting entry, securing a favourable regulatory environment and appropriating value from suppliers' (Quinn, 2002a: 253). Cooperation through trade associations is a widely used strategy within the international business community. Associations can create value at multiple levels: organisations can benefit from collective action and from capital integration, industry segments stabilise through self-regulation, and economies gain from intermediation between industries and policy-making bodies. At the same time, failure of self-regulation and lack of government oversight are popular explanations of the latest financial crisis. The crucial impact of trade associations on their members, segments, industries, governments, and economies in general is frequently acknowledged in the business press. Recent examples related to associational activities include horizontal cooperation through trade associations in the UK motor[2] and travel agent industries[3], the Swiss watchmaker industries[4], the US and UK hedge fund industry[5], and the European pharmaceutical industry[6]. The impact of trade associations has been acknowledged not only by member organisations and other industry players, but also by governments. For example, Patricia Hewitt, the former British Secretary of State for Trade and Industry and President of the Board of Trade (2001-2005), stated that 'trade associations have a vital role to play in promoting best

practice, helping firms become more competitive and formulating effective public policy' (McDonald, 2001: 2).

There has also been a resurgence of academic interest in cooperative activity between organisations both within and across sectors and national economies (Child, Faulkner, & Tallman, 2005; Faulkner, 2003; Inkpen, 2005). This interest has been driven by increasing levels of resource amalgamation and coordination by organisational actors within a globalising economy. The formal and informal inter-organisational relationships used by firms take diverse forms and range from simple distributor or supplier agreements to strategic alliances and to the larger scale and higher-level instances of cooperation through trade associations. Much of the recent research has been concerned with dyadic relationships between firms, such as those found in strategic alliances, while the cooperative role played by trade associations has received less attention. Nevertheless, the role of trade associations as 'both a manifestation and a primary legal means of industry-wide intentional cooperation' (Barnett, 2006: 1755) has also been long recognized. Over the years, significant efforts have been made to achieve a better understanding of the impact of associational activity on economic policy making, national industry development, and overall economic performance (Barnett, 2006; Bennett, 1997; Boleat, 2002; Jaffe, 1988; Lindblom, 1977; Lynn & McKeown, 1988; Pal, Bennison, Clarke, & Byrom, 2001; Porter, 2000; Quinn, 2002a; Quinn & Leavy, 2004, 2005; Quinn & McHugh, 2006; Quinn & Murray, 2005; Shaffer, 1995; Vatta, 1999). However, the multifaceted nature of trade associations and diverse inputs from different academic disciplines including; economics, political science, sociology, and organisation theory, has resulted in a significant level of fragmentation within this research field. As a result, much of the knowledge that was developed over many decades has dissipated.

1.2 RESEARCH GOALS AND POTENTIAL CONTRIBUTION

A clarification of goals has a twofold impact on research. First, at the most basic level it helps to ensure that the study is worth doing. Second, it helps justify the study. Maxwell (2005) distinguishes between three different kinds of goals: personal, practical, and scholarly. Personal goals reflect the intrinsic needs and desires of the researcher. Practical goals are focused on accomplishing something (for example, meeting a need, changing a situation, or achieving an objective). Intellectual goals are aimed at understanding, gaining an insight into something, or/and answering the question not addressed before. Thus, achieving intellectual goals contributes to achieving practical goals.

1.2.1 Intellectual (Conceptual) Goals / Contribution

The main conceptual aim of this research is to explore and describe the impact of trade associations on the evolution of their industries by using contextual and longitudinal data. The 'explanatory

place' in this type of analysis is given to business and economic factors outside trade associations, processes within those associations, and the interplay between these contextual layers 'as providers of both the necessary and sufficient conditions for continuity and change' (Pettigrew, 1985b: 26). The analysis aims not only to describe and interpret the way trade associations affect their industries, but also to pinpoint common historical features that initiated particular developments. The following intellectual goals should be achieved by this research:

- Explore the inner and outer context within which trade associations emerge, evolve, and dissolve;
- Understand what strategies trade associations develop and implement, and how these strategies relate to the outer and inner context;
- Explore the impact trade associations have on the evolving structure of their industries.

1.2.2 Practical Goals / Contribution

The practical goals, i.e. the intended contribution of this research to practice, are twofold. First, this study intends to contribute to the knowledge pool of associations' management, of industry executives, and of policy-makers more generally. This knowledge will be especially significant within the context of the latest financial crises, where the debates on the industry self-regulation/state regulation balance have been of major interest across the world and have therefore surfaced as an important theme of major recent academic conferences.

Second, the two cases constructed following primary data collection and analysis will offer the first historical interpretation of the development of the Irish motor and banking industries from an industry interests perspective. To date no chronological record has been constructed of the development, activities, achievements, and failures of trade associations within the context of their industries and Irish economic development. In addition, many of the respondents in this study admitted that they would be very interested in such a historical account as both a historical record and a source of new managerial and policy-making knowledge.

1.3 STRUCTURE OF THE THESIS

The relevant reading for this research is literature on industry evolution and on trade associations. Chapter 2 reviews this literature, develops the theoretical framework of the study, and discusses the study's research design. Overall, Chapter 2 describes the objective of the study and framework for the analysis. It develops a theoretical framework, the design of the study, and its conceptual framework. Section 2.2 on industry evolution provides an overview of the approaches to the study of change and process. It suggests the evolutionary approach is the most suitable one for this study. A reflection on industry evolution theories and perspectives follows an overview of the evolutionary approach and its perspective on the drivers of change. This section also suggests that there are a number of evolutionary theories suitable for dealing with industry evolution. Section 2.3

focuses on trade associations and previous work on trade associations is reviewed after a brief discussion of definitional issues of and varying attitudes towards trade association over time. Subsection 2.3.4 critically evaluates previous work on trade associations across three analytical levels: member firm, trade associations as organisations, and polity. This structure of systemising the field is based on the 'political economy framework' proposed by Knoke (1986). Among other conclusions, subsection 2.3.4 suggests that trade associations have primarily been studied from the economics and organisational theory perspectives. In particular, the field has been informed by: Interest group theory (IGT), Transaction cost economics (TCE), Resource dependency theory (RDT), and the New-institutional theory in sociology (NIT). Based on the literature review (Sections 2.2 and 2.3), Section 2.4 discusses the four principal theories that are suitable for an analysis of the impact of trade associations on industry evolution, and builds an integrated theoretical framework. Section 2.5 offers a detailed explanation of the design of this research study and concludes with a discussion of the components of its conceptual framework. It discusses research questions and a conceptual framework as a frame of reference in this research study. The remaining two components of the research design are described in detail in the subsequent chapters.

Chapter 3 explores the methodology employed in this study. First, an overview of the philosophy of science is explored and its relevance to this research project is discussed. This is followed by a discussion of the philosophical and methodological orientations employed in this research, and a discussion of contextualism as a theory of method. Section 3.3.4 elaborates on the choice and description of the comparative case study method. It provides a detailed description of data collection and data analysis techniques used. A detailed diagram is presented here to demonstrate the step-by-step logic used in the data collection and analysis, and various types of research outputs are discussed. Due to the innovative and complex nature of this research, Section 3.4 considers issues of research validity, the soundness of methods used, research implementation, and the definition and choice of industries. This section commences with a discussion of the general validity issues threatening a research project and then follows up with a discussion of credibility, external validity, dependability, and confirmability threats. A description of how these threats are dealt with is followed by a discussion of sources of invalidity, which are categorised with the purpose of identifying the ones relevant to this research study. Section 3.4.3 discusses issues regarding the invalidity of archival, historical, and interview data, and the way these can be addressed. The choice of industries and selection of approaches to defining the banking and motor industries in this research study concludes this chapter.

Following a brief introduction (Section 4.1), Section 4.2 of Chapter 4 supplies a description of the outer context of the two case studies and provides an overview of Irish economic history, within

which the evolution of the banking and motor industries took place. First, this context acts as a control and/or explanatory variable in the analysis of the role of trade associations. For example, such contexts might help in understanding whether a rapid increase in motor industry lobbying activity is an industry-level issue, or a countywide trend. Second, it helps to identify and explain periods of potential increases in industrial activity driven by political and economic factors. Section 4.3 offers insights into the specifics of the Irish political system and country's legal and administrative framework that regulate business representation. This information aids in understanding county-specific issues in trade association activities by describing the general lobbying strategies available for Irish interest groups, their regulation, and involvement in social dialog arrangements specific to Ireland. Chapter 5 and Chapter 6 detail the two cases constructed following data collection and primary analysis of data. While the economic history chapter follows the period structure generally accepted by economic historians, the motor and banking industry cases are arranged around the developments of trade associations such as establishment, achievements, or failures. Each chapter starts with an overview of the industry, including major developments, regulation, and industry cooperation issues. The industry overviews are followed by a description of the industries' contexts: trends, employment dynamics, value added to the overall economy, employee compensation and other national and international statistics-based facts and records. Data sources are listed as endnotes at the conclusion of each chapter.

Chapter 7 presents the cross-case analysis, framed by the conceptual framework. This chapter begins with the overview of within-case analysis (Section 7.2) and moves on to the analysis of the outer and inner contexts (Section 7.3 and Section 7.4), and trade associations' strategies (Section 7.5). It then proceeds with the findings on the impact of trade associations on the evolution of their industries (Section 7.6). Finally, Section 8.2 of the final Chapter links the study's findings on industry evolution and trade association to the broader literature (Section 8.2). Section 8.2.3 discusses the application of evolutionary framework to this research. The Chapter then moves on to an overview of the study's contributions to knowledge (Section 8.3), and proposes a future research agenda (Section 8.4).

Chapters 4-6 heavily rely on statistical and other data, which often requires additional methodological, conceptual, and other clarifications. In addition, some of the data used to construct and analyse economic and individual industry contexts have been collected from complex statistical databases, and have been represented in graphs and tables. Due to its size, a substantial amount of the data used in this research study is provided in the appendices at the end of the thesis.

ENDNOTES TO CHAPTER 1

[1] The two remaining questions were concerned with (1) the order (coordination of economic activity) and with (2) the constellation of process, inputs, and outputs (Nelson, R. R., & Winter, S. G. 2002. Evolutionary theorizing in economics. ***Journal of Economic Perspectives***, 16, (2): 23-46.)

[2] Ineffective self-regulation, attempts to avoid accusations of collusion (Griffiths, J. 2005. BSI kitemark to protect motorists, ***Financial Times***, Vol. Sep 15, Sherwood, B. 2005. Competition law threatens to turn friendly exchanges into collusion, ***Financial Times***, Vol. Jan 25.)

[3] British Travel Agents Association's vs. Civil Aviation authority (Tait, N. 2006. Victory for travel agents in licensing battle, ***Financial Times***.)

[4] Attempts of the Federation of the Swiss watch industry to tighten watch-making rules (Simmonian, H. 2007. Top Swiss brands call time on inferior watches Ibid.)

[5] Industry's unregulated activities (Economist. 2006. Hedge funds: Frontier justice. Oct 19, Grant, J. 2006. A fresh look at hedge, ***Financial Times***, Vol. Dec 12. London, Morley, I. 2007. Hedge funds and regulators can work together, ***Financial Times***, Vol. Jan 05. London.)

[6] Supply chain, security and drug safety announcements (Jack, A. 2007. EU drug industry to clamp down on repackaging of medicines, ***Financial Times***. London.)

CHAPTER 2 LITERATURE REVIEW

2.1 INTRODUCTION

The context for the research of the role of trade associations in industry evolution originates from two bodies of literature: industry evolution and trade associations. This chapter reviews this literature, develops the study's theoretical & conceptual frameworks, and discusses the research design.

This chapter commences with a discussion of the literature on industry evolution, thus placing the study within the context of this literature. This section explores various approaches to the study of industry evolution/industry-level change, as well as its drivers, and provides a detailed discussion of the evolutionary framework and evolutionary processes adopted as an overarching framework. Three main theories (one from economics and two from sociology) are identified as the most relevant for the analysis of the drivers of industry-level change. The review of industry evolution literature is followed by a critical analysis of works on trade associations. The approach that was taken to systemise this complex and diverse field is based upon the 'political economy framework' used by Knoke (1986). Trade associations are reviewed across three analytical levels: member firm, trade associations as organisations, and polity. The theoretical framework section of this study reviews four theories that bridge both fields. It explores their commonalities, explanations, and conceptual propositions in relation to trade associations and industry evolution. This section culminates in the typology of theories based on the type of question they address. The final section discusses research design issues and concludes with the conceptual framework for this research.

2.2 INDUSTRY EVOLUTION

This study focuses on industry evolution from the strategy perspective. It treats industry evolution as change and undertakes a 'broader view of industrial structure and its evolution over time' (Malerba & Orsenigo, 1996: 54). This also differs from the traditional market structure view (Malerba & Cantner, 2007). Along with entry, exit, size and concentration features, it deals with the emergence of new industries, generation and transformation of technologies and products, the development and change of capabilities, changing boundaries of firms, the development of networks, relationships between actors, and the roles played by institutions (Malerba & Cantner, 2007; Malerba & Orsenigo, 1996). The authors argue that while there have been many studies of the specific dimensions and structural dynamics of industry evolution, there is a 'lack of empirical evidence which would allow us to construct generalisations, taxonomies, or theories about how industries evolve over time in terms of structure' (Malerba & Orsenigo, 1996: 54).

Within the strategy field, issues of industry evolution have been informed by a range of studies, including Porter's (1980) work on competitive strategy, McGahan & Baum's (2004) and McGahan's (2004) analysis of business strategy over the industry lifecycle, Durand's (2006) work on organisational evolution and strategy, and Lovas & Ghoshal (2000) and Augier & Teece (2008) research on the role of managers in shaping the direction and outcomes of evolutionary processes. According to Malerba & Orsenigo (1996, 2002) and Malerba (2006), despite the fact that over the last decade more attention has been paid to the specificities and histories of various industries in the evolutionary tradition, there is still little knowledge about the structural evolution of entire industries and about the role played by institutions. Acknowledging that 'we still do not know much about the dynamics and evolution of industries as a whole', Malerba & Orsenigo (1996: 53) suggest that there is a need for empirical evidence on structural evolution. Quinn & Leavy (2005) further emphasise the importance of studying industry change over time.

The question of what drives change is a key element in the study of change (Quinn, 1999). While in recent years there has been a noticeable shift towards a historical analysis of technological innovation and structural changes at the industry level, examinations of the drivers of industrial transformations rarely went beyond the scope of the economics discipline (Quinn & Leavy, 2004), hardly ever highlighted factors other than technology (Quinn & Leavy, 2004), barely took place in sectors other than manufacturing (Quinn & Leavy, 2005), and were almost never addressed from a non-equilibrium[7] or dynamic perspective (Meyer *et al.*, 2005; Quinn & Leavy, 2004). The only notable work in this area has been done by Quinn (2002a), who studied the evolution of the Irish wholesaling, and by Quinn & Leavy (2004), who identified the significance of trade associations in the structural evolution of Irish industries. In their recent work Quinn & McHugh (2006) and Quinn & Leavy (2005) highlight trade associations as the point of interplay for institutional power and exchange power and bring neglected industry associations into the spotlight by advocating their role as an important driver of industry evolution.

2.2.1 Approaches to the Study of Industry Evolution

In order to understand how environments and organisations change, organisational scholars have utilised concepts, theories, and approaches from other disciplines, such as biology, sociology, political science, and economics. These concepts have become an aid in understanding the general rules and regularities of evolutionary processes, population dynamics, and development paths.

Scholars of the so-called first generation of evolutionary models were often criticised for paying little attention to empirical reality, for their inherent static nature, and for an over-reliance on the equilibrium approach, thus leaving dynamics and evolutionary aspects understudied (Malerba & Orsenigo, 1996; Quinn & Leavy, 2004). Since the second half of the 19th century, many authors

engaged in studies of the emergence, development, and decline of industries. Marshall (1879, 1890) and Schumpeter (1939) looked into variations across different sectors and their changing relevance to economies. Kuznets (1930) and Clark (1940) suggested that economic growth is related to shifts in the importance of leading industries. Rostow (1952, 1960) argued that there were regularities in the dynamics of industries. The Industrial organisation school of the 1970s, which took over the focus on industry, was preoccupied with the determinants of industrial structure and performance. In the 1980s the stage was then taken over by the 'new industrial organisation' approach, which focused on the motives and rational decision procedures of individual actors (Malerba & Orsenigo, 1996). But the industrial economics scholars, the Harvard tradition, and the new industrial organisation approach that prevailed in the 1980s were all criticised for showing 'a static and equilibrium flavour' in their work (Malerba & Orsenigo, 1996: 53).

The two main explanatory models of the process of industry evolution in strategy have originated from economics and sociology fields. The population ecology model (Hannan & Freeman, 1977; Hannan & Freeman, 1989), based on the natural selection model of biological ecology, explains organisational change by examining the nature and distribution of resources in organisational environments. It attempts to explain processes underlying change, takes into account historical contexts, and also pays attention to political and economic conditions (Aldrich, 2006). This model identifies three stages of organisational change – variation introduced through new organisations, selection resulting from the fit between organisations and the environment, and retention through external pressures and internal inertia (Aldrich & Ruef, 2006). An impact in the strategic management field has also been made through evolutionary economics (Malerba, Nelson, Orsenigo, & Winter, 1999, 2007, 2008; Nelson & Winter, 1982; Winter, Kaniovski, & Dosi, 2003) built on the Schumpeterian approaches and the evolutionary tradition of industrial dynamics. The processes of industrial evolution have been represented through multiple 'boundedly rational' agents interacting with each other. Accordingly, 'agents have a limited understanding of the causal structure in which they are embedded', and a 'much lower ability to think through future contingencies', but are capable of learning and thus improving their performance over time by changing their technologies and organisational practices (Dosi & Nelson, 2010: 51). According to Malerba & Orsenigo (1996), despite its contribution to evolutionary issues, the main focus of this approach has been on industry demographics and entry-exit dynamics, not on structural evolution. The most prominent contribution to the development of industry evolution in the strategy field has been made by Porter's (1980) industry analysis framework, and by recent work on the industry life-cycle model (Abernathy & Utterback, 1975; Baum & McGahan, 2004; Klepper, 1993, 1997, 2002; Utterback, 1994; Utterback & Suarez, 1993). The latter remains the most cited and empirically

verified model. Among the latest works, Klepper (1997) mapped the general phenomenon of industry life-cycle, while Baum & McGahan (2004) studied business strategy over industry life-cycles.

2.2.2 Drivers & Process of Industry Evolution

Many modern accounts of industry change and its drivers are based on the five forces model proposed by Michael Porter (1980). This model suggests that these forces (technology, demographics, trade barriers, political conditions, and regulations) influence industries. This model was also criticised, as it did not 'explicitly account for the role of government, except when the government is a supplier or buyer' (Besanko, Dranove, & Shanley, 2004). The sixth force, government as a policy maker, was introduced later and referred to all government actions, including regulation (also taxation policy, trade policy and industrial policy), which affect the performance and profitability of firms (Oster, 1994). Another view on what drives industrial change is concerned with industry self-regulation as a driver. Self-regulation at the industry level is defined as 'a regulatory process whereby an industry-level organisation (such as trade association) sets and enforces rules and standards relating to conduct of firms in the industry' (Gupta & Lad, 1983).

There is a multiplicity of theoretical propositions on what drives industry-level change. First, there is an efficiency-power debate. Originating in economics and dominating the organisational theory 'efficiency' explanation of change drivers (Williamson, 1996), it has been criticised by supporters of 'power' explanations (Pfeffer & Salancik, 1978). There are also those who suggest that social norms, culture and traditions should also be considered (Granovetter, 1985; Roberts & Greenwood, 1997). Secondly, there is the notion of single/uni-dimensional (transaction cost economics, resource dependency theory) vs. multiple/multi-dimensional change drivers (population ecology, institutional theory). Finally, some theorists view drivers as being external to organisations, while others propose that an organisation itself can act as one. The last two points are related to the level of analysis (individual organisation vs. population).

Recently an insight into the theoretical drivers of industrial change has been offered by Quinn and McHugh (2006) and Quinn and Leavy (2005). The authors focus on the power and efficiency drivers dominant in the literature and examine their relative significance. They use New-institutional theory, Transaction cost economics, and Resource dependency theory as explanations of industry evolution through the lenses of institutional power, efficiency, and exchange power respectively. At the same time, Quinn and Leavy (2005) argue that these drivers cannot fully explain industry change and suggest that there is also a leadership factor, 'thymos'.

According to Pettigrew (1992: 6), much of the existing research into organisational change has been 'ahistorical, aprocessual, and acontextual in character', and there are very few studies of change that allow the change process 'to reveal itself in any kind of substantially temporal or contextual manner':

> Where the change project is treated as a unit of analysis the focus is often on a single event or a set of discrete episodes somehow separate from the immediate and more distant antecedents that give those event form, meaning and substance. Such episodic views on change ... fail to provide data on the mechanisms and processes through which change is created. Studies of organisational change are ... often preoccupied with the intricacies of narrow *changes* rather than the holistic and dynamic analysis of *changing* (Pettigrew *et al.*, 1992: 6) (emphasis in original).

Malerba & Orsenigo (1996) state that the change process remains the least understood process of industry evolution. The authors suggest that to some extent it is caused by an insufficient level of research. According to Fox-Wolfgramm, Boal & Hunt (1998), Miller & Friesen (1984), Pettigrew *et al.* (1992), and Woodman & Cameron (2001), any study of change should adopt a multilevel perspective that simultaneously examines institutional and organisational contexts. In addition, according to van de Ven & Poole (1995), the diversity of theories and approaches has created 'theoretical pluralism' and initiated 'compartmentalisation of perspectives' that causes remoteness and the segregation of different research streams rather than collaboration and the enhancement of each research stream. Since any single theoretical perspective offers only a partial view of the subject of interest, there is a need for interaction between various perspectives in order to gain a more comprehensive understanding and a stronger explanatory power (van de Ven & Poole, 1995). According to van de Ven & Poole (1995), this is possible if 'different perspectives are viewed as providing alternative pictures of the same ... processes without nullifying each other' (van de Ven & Poole, 1995: 511).

2.2.3 The Evolutionary Approach

2.2.3.1 Process Theories

The change literature has been criticised for its eclectic and diverse nature. Over the years there have been many attempts to classify and arrange change process theories in a systematic way. One of these classification approaches is the adaptation-selection classification approach. Supporters of the adaptational mechanism of organizational change assume that change occurs through the adaptive responses of individual organisations to prior changes in technology and other drivers[8] (Barnett & Carroll, 1995). Supporters of the selectional mechanism of organizational change assume that individual organisations cannot change quickly and easily, and that changes entail great risks. Technology and other drivers of change cause organisational failures and births thus creating a selection mechanism (Barnett & Carroll, 1995). However, Barnett and Carroll (1995) highlight a contradiction resulting from the fact that selection supporters admit that organisations can successfully change, while adaptation supporters admit that some organisations fail because

they do not change how and when they should. Out of this contradiction emerged a new stream of research that reaches beyond the adaptation/selection argument.

Meyer, Brooks, & Goes (1990) look at change from a two-dimensional perspective. The authors suggest a model based on the modes of change and levels of analysis, and propose that, depending on the way organisations maintain their alignments with environments, different theoretical approaches should be employed. Thus, continuous change at the firm level is better explained by adaptation theories, where adaptation refers to broad denotations in the literature. Evolution theories better explain how industries undergo continuous change. Metamorphosis theories look at 'frame-breaking' changes within the boundaries of a firm. Revolution theories postulate that industries restructure during brief periods of quantum change. Van de Ven & Poole (1995) classified process theories into four types that explain the cause and process of change and serve as facilitators of theoretical integration: life-cycle, teleological, dialectical, and evolutionary (Table 2-1).

	Prescribed/First Order	Constructive/Second Order
Single Entity/Firm Level	**Life Cycle**	**Teleology**
Multiple Entity/Industry Level	**Evolution**	**Dialectic**

Table 2-1: Process Theories Types of Organisational Development and Change (Adapted from van de Ven & Poole (1995))

Life-cycle theories have been the most common explanations of development in the literature (van de Ven & Poole, 1995). These theories propose that change is imminent, the progression of change is a cumulative, and that change occurs in a prescribed order. In organisational science, life-cycle theories explain development in terms of institutional rules and often rely on logical or natural sequences. The *teleological* theories view change as a repetitive sequence of goal formation, implementation, evaluation and modification. Teleological theories do not prescribe sequences of events. These theories view development as the process of moving to the final stage. The process and accomplishments are constrained by the environment and resources. The *dialectical* theories assume that organisations exist in a pluralistic environment of events, forces, and values that compete with each other for domination and control. Stability (change) is explained by the balance of power (change in the balance of power) between entities. The maintenance of the status quo represents stability (van de Ven & Poole, 1995). Finally, *evolutionary* theories focus on the adoption of a biological analogy, where change proceeds through cycles of variation, selection, retention, and struggle.

A similar framework is offered by Aldrich & Ruef (2006), who classify and interpret historical transformation/organisation change models into life-cycle, non-life-cycle (teleological and dialectical), and evolutionary models. The authors, who advocate the use of an evolutionary approach, suggest that both life-cycle models and non life-cycle models are not embedded in

history. In addition, these models imply a set of 'nearly inevitable outcomes and destinations' (Aldrich & Ruef, 2006: 163). Evolutionary models, by contrast, treat origins and persistence as 'inseparable', 'encompass many levels and units of analysis', 'take interdisciplinary perspective on change processes' (Aldrich & Ruef, 2006: 3), allow for choice and chance, as well as for 'human agency, ambiguity, and uncertainty' (Aldrich & Ruef, 2006: 163). This approach has been chosen as the overarching framework of this study. The next section provides an overview, and defines and explains the relevant evolutionary processes.

2.2.3.2 The Evolutionary Approach as Generic Framework

The evolutionary approach is an overarching approach for studying the processes through which organisations, populations and communities emerge and change. According to Aldrich (1999: 2), it is 'a generic framework for understanding social change'. It is applicable at multiple levels and looks at the processes of variation, selection, and retention (VSR), which together 'produce patterned change in evolving systems'. The idea that organisational evolution follows similar patterns to biological processes is now widely employed in the social sciences.[9] It stems from the notion of 'universal Darwinism', a term often used to describe the application of ideas and theories of Darwinism beyond organic evolution on Earth. The non-biology (non-scientific) understanding of evolution varies greatly across fields and disciplines. Depending on the context, the concept also has different meanings and has often been treated as just a change at the individual, group, or population levels. In his acclaimed book on evolutionary biology, Douglas J. Futuyma, one of the most respected evolutionary biologists, said that 'like all important concepts evolution generates controversy; like many important concepts it has been used as a foundation or just a rationale for philosophical, ethical, or social views' (Futuyma, 1986: 7). Broadening the concept of biological and organic evolution, Futuyma (1986: 7) defined it as 'merely change, and so is all-pervasive; galaxies, languages, and political systems all evolve'. Larry Moran added that 'evolution is a process that results in heritable changes' (Moran, 2007). He explains that evolution refers to populations, not individuals, and that the changes must be genetic, or heritable (they must be passed on to and spread over succeeding generations). Therefore, an important issue in studying evolution is to account for 'heritable' processes, not merely 'change'.

Using the VSR principles, evolutionary theorists explain how 'particular forms of organisations come to exist in specific environments' (Aldrich, 1999: 33). The evolutionary perspective deals with the indeterminacy of outcomes and treats the future 'as an open question' (Aldrich, 1999: 33). Solutions are sought to deal with specific problems occurring within historically constrained environments. The accumulation of such solutions may eventually lead to the formation of organisations, populations and communities (Aldrich, 1999). Sources of variation and selection pressures can cause selection processes at the level of routines and competences within

organisations. Similarly, they can influence bounded entities that have activities and structures, such as entire organisations and populations. Therefore, according to Aldrich (1999), the evolutionary model should be general enough to encompass the evolutionary processes at different levels, such as groups, organisations, populations, industries, and communities.

2.2.3.3 Evolutionary Processes

Any deviation from routine or tradition, and change in organisational form is referred to as *variation*. A high frequency of variations creates more opportunities for change. An example of an intentional environmental variation is the development of a strong new organisation by an outsider to an industry. Alternately, variation is created by new legislation or regulation, by the strengthening of unions or other interest groups within an industry, or by other factors that may lead to a change of status quo. Sources of intentional variation internal to an organisation may include programs of experimentation and imitation, employee incentives, or restructuring (Aldrich, 1999).

Selection as an evolutionary process is generated by forces that 'differentially select or selectively eliminate certain type of variations' (Aldrich, 1999: 26). The selection criteria are set by the operation of factors like market forces, competitive pressures, organisational structure, and conformity with norms. Consistent selection pressures usually lead to a high degree of similarities across organisations and associations (Aldrich, 1999). For example, following government pressure and customer expectations for more ethical and transparent industries, many associations resort to self-regulation and develop codes of ethics and conduct, and firms seek membership in such associations. This leads to firms' legitimisation, the strengthening and survival of trade associations, and to the development of self-imposed codes across all associations. Collective action, resulting from some variations, can also influence the selection process (Aldrich, 1999). For example, it may lead to the standardisation of costs across the industry in response to increases in workers' demands. Consequently, wage differences cease to be a source of selection pressures. Alternatively, an association may establish vertical cooperation to avoid competitive pressures. The availability of resources and the terms on which they are available might interfere with the selection process.

The *Retention* mechanism occurs when 'selected variations are preserved, duplicated or [...] reproduced' (Aldrich, 1999: 30). If environmental change is slow, replication is important for survival. Retention places constraints on variation (Aldrich, 1999). At the organisational level the retention or preservation of existing organisational norms takes the form of selected routines, structures and procedures (Nelson & Winter, 1982). They are efficient as long as an organisation continues to fit the relevant selection criteria (Aldrich, 1999). At the polity level, the retention

mechanism preserves collective and overarching competencies, practices, and technologies, which are shared by many organisations.

The evolutionary approach relates to other theories and perspectives and 'holds out the promise of using these [theories and perspectives] to achieve an integrated understanding, [...] not an integrated theory' (Aldrich & Ruef, 2006: 35). The VSR process of industry evolution helps one to understand how specific forms of organisations survive and act in particular environments. An important concept is that evolutionary processes do not follow a pattern, but occur simultaneously as cycles and loops. Variation generates selection, and retention restricts and preserves the selected variation (Aldrich, 1999).

2.3 TRADE ASSOCIATIONS

Recently a series of empirical papers by Quinn (2002a), Quinn & Leavy (2002, 2004, 2005), Quinn & Murray (2005) and Quinn and Sparks (2007) have drawn attention to the significant impact of trade associations on the structural evolution of industries. These works drew attention to the fragmented and often underdeveloped nature of much of the academic work related to trade associations. As a first step in responding to this problem, this chapter reviews the literature on trade associations. This is followed by an exploration of conceptual and empirical contributions from various disciplines, and the systematisation of the work on trade associations into a consistent typological framework.

This study specifically focuses on industry trade associations and sets aside the examination of literatures on international, umbrella, and peak trade associations. It starts with defining a trade association and clarifying some of the cross-country and cross-continental issues that often have implications for scholarly research. The highly complex nature of trade associations is discussed next. In order to make sense of a 'largely unintegrated set of disparate findings' (Knoke, 1986:2) the literature is reviewed at three analytical levels - member organisations, trade associations as organisations, and polity. Systematisation of the field is produced in a tabulated analysis of diverse studies. The third section generalises contributions made from different approaches across the social sciences. Finally, the potential complementarities of these perspectives are discussed.

The principal findings of this review are as follows. Firstly, many studies of trade associations are descriptive, leading to little conceptual development. At the same time, existing sophisticated conceptual developments often fail to benefit from empirical testing. Secondly, despite informative and valuable research, the disciplinary divide within the literature adds to the field's fragmentation, resulting in very narrowly focused studies. This study, therefore, advocates the use of multilevel and multi-modal approaches that better capture the scope of trade associations' nature and activity.

2.3.1 Defining Trade Association

Trade associations[10] are voluntary associations that combine the characteristics of business groups, business interest associations (BIA) and employer associations. They are viewed as business groups if they get involved in day-to-day operations, and as business interest associations if they are mixed employer associations or mixed business interest associations (depending on terminology). In addition, trade associations are business interest associations with governmental level representation as their key function.

Trade associations are formal intra-industry and inter-organisational form of cooperation. Other forms of associational cooperation include cartels, collusion, informal leadership, interlocking directorates, and joint ventures (Barnett, 2006). Trade associations coordinate collective action among organisations and engage in market activities such as trade promotion, technical research, statistical and advisory services (Palamountain, 1955), product promotion, labour relations, standard settings, data collection and dissemination, R&D, educational services, meetings, and public relations issues (Lynn & McKeown, 1988). Associations are also politically active. They foster the creation of regulatory institutions (Sine, Haveman, & Tolbert, 2005), provide a communications link between government and business (Lynn & McKeown, 1988), and often attempt to influence government policies. Palamountain (1955) also differentiates the control of trade practices function, which does not fall under either activity. Baron (1995) discusses market and nonmarket categorisation of organisation strategies, where market environment mainly consists of Porter's five forces model, and non-market - as the social, legal, and political arrangements. Market strategy is concerned with 'actions taken in the market environment to create value by improving economic performance' (Baron, 1995: 47), and non-market refers to the 'actions taken in the nonmarket environment to create value to improve its overall performance' (Baron, 1995: 47).

2.3.2 Historical Perspectives on Trade Associations

At the beginning of the 20th century modern trade associations became the subject of debates and research (Swope & Frederick, 1931). Supporters of cooperative behaviour considered them to be an effective tool for coordinating production and sales policies, achieving 'reliable information, sound principle and conscious direction in the functioning of business enterprise' (National Industrial Conference Board, 1925: 17), and for attaining an orderly price policy, more efficient production activity and harmonious labour relations (National Industrial Conference Board, 1925). According to Berk & Schneiberg (2005), between 1900 and 1925 the American economy observed a successful effort to upgrade competition through association. Nevertheless, critics of trade

associations debated the efficiency of some functions, particularly information exchange and its impact on industry competitiveness (Whitney, 1934).

The level of associational activities varied throughout the 20th century: relative inactivity during the period of the US economic dominance after World War II was followed by an increasing interest in associations in the last quarter of the century (Lynn & McKeown, 1988; Nash, 1999). In Europe cooperation became a 'natural' response[11] to changing environmental forces[12] due to its potential to alter industrial structures, achieve competitive power, and realise increases in industrial efficiency (Irish Banking Review, 1961b; Ryan, 1961). By the last decade of the 20th century the changing economic environment had transformed the way in which cooperation and trade association were viewed. Globalisation, shorter product life cycles, and innovative technologies put pressure on profitability, leading to serious implications for the average company. Businesses started using cooperation to survive and compete in new markets (Faulkner & Rond, 2002). A 1991 survey of trade associations and professional bodies, funded by the UK Department of Education and Science, showed that trade associations played a far more important role in supporting businesses in British and German industries than government departments.

2.3.3 Research on Trade Associations

A number of empirical and conceptual works were reviewed to identify the current collective knowledge on trade associations. Due to the scarcity of the literature on the topic and the need to explore further findings, methodological, theoretical, and other patterns, these studies are summarised in Table 2-2. As suggested previously, the literature review follows the political economy framework proposed by Knoke (1986). According to this framework trade associations are reviewed across three analytical levels: member firm, trade associations as organisations, and polity.

Researcher	Subject/Research Question	Primary Data & Method	Unit of analysis	Theoretical Framework	Level of Trade Association Analysis
Anchordoguy (2000)	Institutional arrangement as a cause of weakness of Japan's software industry	Case study	Industry, association	Institutional theory	Polity
Assael (1967)	Political role of national retailer, wholesaler, and manufacturer trade associations in resolving distributive issues at federal level. Nine US industries	Longitudinal case studies, archival analysis, interviews	Trade association	Descriptive study	Polity
Barringer & Harrison (2000)	Overview of theoretical perspectives on interorganisational relationships. Relationship formation.	NA	NA	Conceptual paper	Member firm
Barnett, Mischke & Ocasio (2000)	Explanation of size, numbers and diversity of trade associations by examination of their strategic scope	Binominal and Cox models	Industry	Community ecology	Association as organisation
Bennett (1998)	Analytical model to explain density and size of membership of trade associations	Statistical model	Firm	Organisational theory	Member firm
Bennett (2000)	Assessment of the logic of membership in sectoral business associations in Britain	Survey, statistical analysis	Firm	Organisational theory	Member firm
Berg & Schneiberg (2005)	Origins of developmental trade associations, their implementation in printing industry, and performance across 344 industries	Case study	Trade association	Institutional theory	Association as organisation
Clarke (1983)	Incentives for firms to share information	Bayesian game	Firm	Economics	Association as

					organisation
Clarke (2004)	Role of trade associations in developing sustainable practice , tourism industry SME	Survey	Trade association		Association as organisation
Dasgupta & Shin (1999)	The effect of capital structure on the incentives of firms in a duopoly to share information through a trade association	Cournot duopoly game model	Firm	Economics	Member firm
Feuerstein (2005)	Summary of the basic game theory results on collusion and literature review on factors that facilitate or hinder collusion	NA	NA	Conceptual paper	Association as organisation
Frass & Greer (1977)	Impact of structural conditions on collusive price conduct	Statistical analysis	Antitrust cases data (1910-72)	Economics	Association as organisation
Fried (1984)	Incentives for information production and disclosure by firms explicitly and independent of the learning done through observing their opponents' output moves	Cournot game model	Firm	Economics	Association as organisation
Galaskiewicz (1985)	Literature review on three arenas of interorganisational relations: resource procurement and allocation, political advocacy, organisational legitimisation	NA	NA	Conceptual paper	Member firm, association as organisation, polity
Gal-Or (1985)	Incentives for information sharing among firms in an industry facing uncertain demand	Cournot game model extended to Bertrand game	Firm	Economics	Association as organisation
Getz (1997)	Review of the literature on corporate political action	NA	NA	Conceptual paper	Polity
Greenwood, Suddaby, Hinings (2002)	The role of professional associations and institutional change in accounting services (Canada) field	Archival analysis, Interviews	Industry	Institutional theory	Polity
Grenham (2009)	Role of trade association in regulatory reforms	Case study	Industry	Private Interest Theory	Polity
Gunningham & Rees (1997)	Exploration of self-regulation through industry association	NA	Industry	Conceptual paper (IT)	Polity
Halliday, Powell & Granfors (1987)	Minimalist-nonminimalist dimensions. Determinants of the foundings and failures of State Bar Associations	Case study, statistical analysis	State bar association	Ecological theory	Association as organisation
Halliday, Powell & Granfors (1993)	Transitions of population of associations from reliance on the market to reliance on the state	Case study, statistical analysis	State bar association	Resource dependency, Neo-institut. theory	Polity
Hay & Kelley (1974)	Characteristics associated with product markets subject to price-fixing	Archival analysis	Antitrust Division price-fixing cases (1963-72)	Economics	Association as organisation
Hillman & Hitt (1999)	Process of firm's political strategy formulation	NA	NA	Conceptual paper (resource-based view, IT)	Member firm
Kaufman, Englander, Marcus (1993)	Internalizing and externalizing decisions with respect to issues management strategies	NA	NA	Conceptual paper (TCE, agency theory)	Member firm
Kennelly & Murrell (1991)	How variation in trade associations' formation is explained by variations in industrial/political characteristics.	Tobit analysis, cross-sectional, cross-national study	Trade association	Economics	Association as organisation
King & Lennox (2000)	Self-organized regulation to trade associations' sponsored standards.	Case study, archival analysis	Industry	Institutional theory	Polity
Kirby (1988)	Incentives for firms to share information about an unknown demand in an oligopolistic industry	Cournot game model	Firm	Economics	Association as organisation
LaBarbera (1983)	Adoption of the US advertising industry self-regulation	Survey	Trade association	Diffusion of innovation theory	Polity
Lenox & Nash (2003)	Do environmental self-regulatory programs initiated by trade associations attract firms with superior environmental performance. US chemical manufacturing, chemical distribution, textile, pulp, paper industries	Probit model	Firm	Economics	Polity
Li (1985)	Incentives to share information among firms in an oligopolistic environment	Cournot game model	Firm	Economics	Association as organisation
Lynn & McKeon (1988)	Flows of information and influence between: firms and trade associations, trade associations and other business groups within the industrial sector (iron and steel and machine tools/robotics industries), trade associations and government in Japan, USA	Case studies, interviews	Trade association	Descriptive study	Association as organisation Polity

May, McHugh & Taylor (1998)	Changes in trade associations' representation in the UK since late 1980s	Survey	Trade association	Political science	Polity
McGahan (1995)	Excess capacity of association members after entering tacit cooperation agreement	Baker model	Trade association	Economics	Member firm
Nash (1999)	Emergence of trade associations as agents of environmental performance improvement	Survey	Trade association	Descriptive study	Polity
Novshek & Sonnenshein (1982)	Usage of a model of duopoly information to derive results concerning the incentives to acquire, release, or pool information	Cournot game model	Firm	Economics	Association as organisation
Oberman (1993)	Literature review, typology of political strategies, public policy formation	NA	NA	Conceptual paper (RBT, IT)	Polity
Oliver (1990)	Six determinants of trade associations' formation	NA	NA	Conceptual paper	Association as organisation Member firm
Pal, Bennison, Clarke & Byrom (2001)	Individual/collective involvement of 4 major UK grocery retailers into policy formation	Case studies, interviews	Organisation		Polity
Palamountain (1955)	Political role of trade associations in resolution of distributive conflicts in the US Grocery, drugs, automobile industries	Longitudinal case studies	Group (Bentley group analysis)	Economics, Political science	Polity
Porter (2005)	Discussion of the factors that facilitate or inhibit collusive schemes.	NA	NA	Conceptual paper (industrial organisation economics)	Association as organisation
Posner (1970)	Price-fixing conspiracies attacked by the Department of Justice (Study of antitrust enforcement since the Sherman Act of 1890)	Statistical analysis	Antitrust cases data (1890-1969)	Descriptive study	Association as organisation
Quinn & Leavy (2004)	Trade associations in evolution of grocery/builder merchants/hardware industries in Ireland	Longitudinal case study	Industry	Organisational theory	Polity
Quinn & Leavy (2005)	The role played by trade associations in industry evolution. Irish context	Longitudinal case study	Industry	RDT, TCE, IT	Polity
Quinn & Murray (2005)	Evolution of wholesaling grocery, building materials, hardware industries. Ireland	Longitudinal case study	Industry	RDT, TCE, IT	Polity
Quinn & McHugh (2006)	Impact of trade associations on industry evolution. Ireland	Longitudinal case study	Industry	RDT, TCE, IT	Polity
Rees (1994)	Development of communitarian regulation in the nuclear industry	Case study	Industry		Polity
Rees (1997)	Development of communitarian regulation in the American chemical industry	Case study	Industry	Institutional theory	Polity
Ring & van de Ven (1994)	Developmental processes of cooperative interorganisational relationships. How do IOR emerge, grow and dissolve overtime?	NA	NA	Conceptual paper	Association as organisation Member firm
Rotfeld & Parsons (1989)	Advertising/consumer protection standards in US magazine advertising industry	Survey	Firm	Descriptive study	Polity
Rotfeld, Abernethy & Parsons (1990)	Commercial standards in the US television advertising industry	Survey	Firm	Descriptive study	Polity
Schneiberg (1999)	Self-regulation. Conditions, under which consumers /state officials endorse association as alternative to state/markets/ corporate hierarchies. Fire insurance industry	Longitudinal case study	Association	Economics	Association as organisation
Shaffer (1995)	Overview of empirical and conceptual findings of business-government relations, key theoretical bases relevant to understanding responses to regulation	NA	NA	Conceptual paper	Polity
Shapiro (1986)	Private information exchange effects on oligopolies	Cournot game model	Firm	Economics	Association as organisation
Sine, Haveman, & Tolbert (2005)	How institutional forces alter the mix of organisations entering a new industry	Case study, Archival analysis, Interviews	Firm	Institutional theory, ecological analysis	Polity
Staber (1987)	Extent to which national trade associations exhibit structural characteristics that facilitate corporatist behaviour	Semi-structured interviews	Trade association	Organisational theory	Association as organisation
Streeck & Schmitter (1985)	Conceptual discussion of the fourth social order (along with state, market and community) – association	NA	Society	Conceptual paper (organisational theory)	Polity
Traxler (1993)	Impact of class position on collective action	Nonparametric statistics	Trade association, labour union	Class theory, collective action/organisation theory	Association as organisation

Vives (1990)	Effect of different disclosure rules used by trade associations on the individual rationality of participation in trade association and on the resulting welfare level	Game theory model	Firm	Economics	Association as organisation
Washington (2004)	Institutional change of US National Collegiate Association	Archival analysis, quantitative longitudinal analysis	Association	Institutional theory	Association as organisation
Whitley (2002)	Ways in which firms in different countries and sectors can develop innovative competencies	NA	NA	Conceptual paper (IT)	Association as organisation
Ziv (1993)	Incentives for information sharing in oligopolistic relationships	Cournot game model	Firm	Economics	Association as organisation

Table 2-2: Conceptual & Empirical Works on Trade Associations

2.3.3.1 Member Firm Level

At the member firm level the literature generally considers members' motivation to cooperate through a trade association, their decision to join, and the selection of an appropriate level of participation.

Member motivation and the return from participation in trade associations have been areas of interest to some economists and organisational scholars. Barringer & Harrison (2000) offered a conceptual discussion on the advantages and disadvantages of joining trade associations and other interorganisational relationship forms. Oliver (1990) looked at the generalisable determinants that motivate organisations to establish interorganisational relations. Dasgupta & Shin (1999) found that in oligopolistic markets the incentive to form and share information through trade associations depended on the firm's choices of capital structure. The more aggressive competitive stance adopted by highly leveraged firms, in the presence of uncertainty, is dampened by access to shared information. Firms with less leveraged positions are incentivised to form information sharing mechanisms such as trade associations in order to reduce overall competitive behaviour in their industry. Organisation theory-based conceptual issues, related to the developmental processes of interorganisational relationships, were discussed by Ring & van de Ven (1994), Galaskiewicz (1985), Barringer & Harrison (2000).

Bennett (1998; 2000) analysed the logic of membership in trade associations and suggested that organisations join to access specific services in combination with collective activities. Similar findings on membership incentives were reported earlier by Moe (1980). Hillman & Hitt (1999) developed a decision–tree model, which presented a taxonomy of non-market strategies and identifying factors that influence a firm's decision to participate in trade associations. Firstly, the degree of political action (transactional or relational) depends on the degree of dependence, corporatism/pluralism, and the diversification level of organisation. Secondly, the nature of the issue influences the choice between collective and individual levels of participation. And, finally, the firm's collective resources determine its strategy type (information, financial incentive, constituency-building)[13]. Kaufman, Englander & Marcus (1993) discussed the theoretical rationale

for firms' decisions to externalise or internalise management activities. Oberman (1993) suggested that the 'constituency building' tactic of firms across an industry leads to the decision to form a trade association.

One of the major functions of trade associations is the coordination of cooperation and collective action through the dissemination of aggregate information to their members (Dasgupta & Shin, 1999). A number of economists focus on this aspect by looking at the rationale for firms to share information. Novshek & Sonnenshein (1982), Clarke (1983), Gal-Or (1985), and Li (1985) suggest that sharing through trade associations is not optimal for firms and depends on the nature of competition (Vives, 1990), the level of uncertainty about private costs (Fried, 1984; Gal-Or, 1985; Li, 1985; Shapiro, 1986), and the capital structure of a firm (Dasgupta & Shin, 1999). Ziv (1993) shows that under certain conditions firms can benefit from private information sharing without using a trade association. In contrast, Kirby (1988) found that sharing information is more beneficial than withholding it.

Organisations' rationale for cooperation, their criteria for partner selection, and different types of cooperation formats have been also studied by strategy scholars. Recent reviews of cooperative strategy (Child *et al.*, 2005; Faulkner, 2003; Inkpen, 2005) show that this work has been quite diverse and has drawn on a range of economic, and organisational and managerial perspectives.

2.3.3.2 Association as Organisation

This section discusses the literature that treats trade associations as organisational entities and looks at organisational characteristics. Despite strong arguments in favour of looking at this analytical level (Aldrich & Staber, 1988; Barnett, Mischke, & Ocasio, 2000), studies are quite rare. This limits the ability to explain the strategies, structures, dynamics, and processes of trade associations.

Research at this level suggests that economic and political pressures can influence the emergence of trade associations. Berk and Schneiberg (2005) looked at the origins and growth of developmental associations in the early 1900s within the US context and established that they were primarily initiated by the emergence of mass production and corporate hierarchy. Oliver (1990) and Gupta & Lad (1983) suggest that the creation of trade associations is more likely in industries with a high threat of government intervention and strong lobbying activity. Kennelly & Murrell (1991) examined the way in which variations in trade association formation were explained by variations in industrial and political characteristics. Their findings demonstrate a positive correlation between political strength and the amount of associational activity. Halliday, Powell & Granfords (1987) looked into the relationship between the type of association and its demographics. They showed that, for example, the founding or failure to found State Bar Associations' in the US depended on the dimensions that defined the level of resources for funding and survival of such associations.

A few fragmented studies make an attempt to explain the attributes of trade associations and their relationship to overall effectiveness. Washington (2004) examined institutional change in the American Athletic Association. Clarke (2004) looked into the trade associations' leadership in the UK tourism industry and found that it was far weaker than suggested in strategy documents. Traxler (1993) studied the impact of class position on collective action and proposed that business interest associations were better organised than labour unions when recruiting members. Barnett et al. (2000) explained organisational characteristics (such as number, diversity and size) through a mix of strategies pursued by associations. Whitley (2002) suggested that strong industry associations facilitate R&D and support innovative strategies used by individual companies. Staber (1987) analysed the structural governance properties of trade associations from a corporatist viewpoint and concluded that large companies have more weight in the associational decision-making process than management or members have as a whole. His work suggests that the effectiveness of a trade association's corporatist function depends on its size – mid-sized associations are more effective than large ones – and on its ability to maintain a balance between interest representation and self-regulation. Schneiberg's (1999) analysis of self-regulation supports these findings and shows that institutional authorisation is as important for trade associations as problems of enforcement.

The price-fixing aspect of a trade association's activity has generated a wide-ranging debate in the literature. Traditional oligopolistic theory suggests that if firms in an industry act in consent to determine pricing policies, they can maximize their combined profits. The character and scope of such collusive conduct is related to the structural and legal conditions of the market (Frass & Greer, 1977). In earlier studies Posner (1970), Hay & Kelly (1974), and Fraas & Greer (1977) found that trade associations can act as coordinating mechanisms for collusion[14] and price-fixing agreements (especially where many firms are involved). They foster a social climate conductive to collusion. Later findings by Feuerstein (2005) and Porter (2005) also support the initial propositions about the capability of trade associations to facilitate collusion. Conversely, Berg & Schneiberg's (2005) analysis of developmental associations found no evidence that these associations suppressed competition by the coordination of prices through information. Another aspect of associations discussed in the literature relates to strategies aimed at achieving organisational legitimisation. Galaskiewicz (1985) offered a review of the literature that deals with associational legitimisation issues.

2.3.3.3 Polity Level

The central issues at this level of analysis include the industry characteristics that influence associational activity and the way trade associations interact with their environment, industry segment, industry, and state. The literature on conflict resolution is concerned with a trade

association's intermediary function in resolving vertical and horizontal supply chain disagreements. The field of business-government relations deals with mediation and the political function of trade associations. Studies on self-regulation view industry associations as a substitute for government regulation. Finally, industry evolution scholars consider trade associations to be one of the drivers of structural changes at the industry level.

One of the earliest empirical studies on national trade associations focused on their political role in the resolution of distributive conflicts in the US. Palamountain (1955) examined the pre-war distributive conflicts in the food, drug and automobile industries and found that trade associations successfully initiated and sponsored government action through lobbying, pushing legislation through Congress, using hearings as forums, representing industry views at conferences, and influencing government agencies. Another major study was undertaken by Assael (1967; 1968), which looked at post-war trade associations' political[15] and self-resolution[16] modes of conflict resolution in nine US industries. His findings suggest that when resolving conflicts, trade associations rely on political activity (mainly legislative activity) mostly as the last resort once all of the more effective self-resolution means had been exhausted. Assael (1967) also found that the most effective result of an association's political power has been the elimination of the need for further political activity to achieve self-regulation.

From the self-regulation and private interest government regulation perspectives, trade associations are viewed as an alternative to governmental forms of non-market regulation, which may supplement direct government regulation (Gupta & Lad, 1983). Industry self-regulation through associations can be achieved by best practice development and enforcement and by a trade association's response to regulatory pressures from government agencies (Andrews, 1998; Gupta & Lad, 1983; Lenox & Nash, 2003). Rees (1994) found that a trade association can also be an effective regulator. For example, industry trade associations successfully transformed the nuclear regulatory system in the USA as a response to the Three Mile Island accident. Rees's (1997) later findings on the US chemical industry confirmed this proposition. A contribution to the self-regulation aspects of trade associations in relation to mediating class conflicts, implementing public policies, standards, quality, economic policy, ethics and public spending has also been made from neo-corporatist and private interest government literatures. Streeck & Schmitter (1985) looked into the functional advantages of trade associations in relation to market and state social orders and suggested that trade associations can overcome market failures associated with the former and the limitations of legal regulation and difficulties of legitimation associated with the latter. Moreover, Schneiberg (1999) identified conditions under which trade associations can emerge as an alternative to the state, markets, or corporate hierarchies.

While industry-level self-regulation is more flexible than state regulation (Gunningham & Rees, 1997), the former imposes a problem of 'free riders' (Hemphill, 1992), its efficiency can be disrupted by the opportunistic behaviour of individual firms, and it might require the use of sanctions (Gunningham & Rees, 1997; King & Lenox, 2000). A number of studies investigated other difficulties associated with the convergence between public and private interests in self-regulation, government regulation or third party supervision. LaBarbera (1983) assessed the benefits and costs of advertising industry self-regulation. Rotfeld & Parsons (1989) and Rotfeld, Albernethy & Parsons (1990) looked at media advertising standards and codes of practice, while Anchordoguy (2000) analysed the development of the software industry in Japan.

The ability of trade associations to influence their political environment is examined in business–government relations and corporate political action/activity literatures. A comprehensive overview of the empirical and conceptual findings in this area is offered in Shaffer's (1995) paper, where the author identifies the key theoretical bases relevant to understanding responses to regulation. Getz (1997) goes further and integrates the theoretical perspectives of nine basic social science theories that explain corporate political action. The political function of trade association is an attribute of interest group activity. Through an analysis of lobbying at the national and European Union (EU) levels, conflicts of interest, public choice, pressure groups, policy formation and other areas, the vast literature on interest groups ultimately contributes to our understanding of trade associations. Baron (2003) describes the types and formation of political strategies and Oberman (1993) reviews the literature on corporate political strategies and offers a typology. Among the more focused studies, Nash (1999) examined the environmental lobbying and political strategies of manufacturing sector trade associations and found evidence of trade associations' positive contributions towards environmental performance. Pal et al. (2001) analysed the power of industry associations and individual retailers in the UK and concluded that the cooperation of both of these industry actors can build a strong base for influencing the regulatory environment. More recently, in her study on the regulation of financial services, Grenham (2009) found that trade associations as economic actors played a role in regulatory reform and regime design. Halliday, Powell & Cranfords (1993) looked at the transformation of the population of State Bar Associations from reliance on the state to reliance on the market. According to May, McHugh & Taylor (1998), associative/state relationship in the UK have remained relatively unchanged since the 1980s. Wilts (2001) points out that despite a new multilevel governance system, the national level remains the most important for associations. At the same time, there have been an increasing number of publications on the ways national trade associations deal with EU integration and regulations (Bennett, 1999; Beyers, 2002; Greenwood, 2002; Greenwood, 2003a, 2003b; Grossman, 2004; Pedler & Schendelen, 1994).

A less researched aspect of trade associations' activity is its impact on the evolution of industry structures. Quinn & McHugh's (2006) study of the evolution of Irish grocery wholesaling pointed to the significant impact of trade associations on strategic development at industry level. Further evidence of trade associations' key role emerged from a longitudinal analysis of structural change in two other Irish wholesaling industries: building materials and hardware (Quinn, 2002a; Quinn & Leavy, 2004; Quinn & Murray, 2005). Similar evidence was found when this work was extended to the UK (Quinn and Sparks, 2007). The role of collective agencies as regulatory agencies in the evolution of accountancy services was studied by Greenwood, Suddaby & Hinings (2002). Their findings suggest that collective agencies are important entities within an organisational field due to their ability to legitimise the industrial change process. Lynn & McKeon's (1988) found evidence of trade associations' impact on industrial renewal, technology development and the fostering of international competitiveness in the US and Japanese iron/steel and machine tools/robotics industries. Another aspect of the associational impact on industry is related to their ability to safeguard members' market position by reducing the overall heterogeneity of new industry members. Sine, Haveman & Tolbert's (2005) suggest that this can be achieved through creating regulative (favourable tax policies) and cognitive (spread of knowledge throughout the industry) institutions.

2.3.4 Reflecting on the Literature on Trade Associations

The findings on the state of literature on trade associations support the initial observations about fragmentation and inconsistency in the field. Many of the studies on their functions, political role and ability to impose standards and efficiency within industries have been descriptive. Associations have rarely been the primary focus of analysis and much of the analysis was often the result of secondary findings on other subjects of interest. At the member level, most studies have centred on issues of justification, benefits and firms' rationale to participate in trade associations. At the organisational level, organisational scholars have offered fragmented explanations of demographics, emergence, institutional change, governance and the legitimacy of trade associations. More controversial activities such as price-fixing, collusion and information dissemination have also attracted some attention. At the polity level, associations have been studied within the analysis of industry self-regulation, conflict-resolution, business political interests and evolution of industries.

The analysis of previous studies systematised in Table 2-2 allowed for certain generalisations about perspectives and concepts used to study trade associations. These are presented in Table 2-3 below.

Perspectives / Levels	Sociology (Resource Dependency Theory, New-Institutional Theory in Sociology)	Economics (Transaction Cost Economics, Interest Group Theory[17])
Member Firm	logic of membership • advantages / disadvantages of membership • rationale for formation • decision to participate • choice of trade association among other forms of interorganisational relations	incentives to join • motivation to join
Association as Organisation	member recruitment • governance properties • demographics • emergence • legitimacy • institutional change	factors that facilitate formation • demographics • governance • private interest Government • price-fixing • collusion • information sharing • information dissemination • association's size
Polity	self-regulation • private interest government • industry evolution • institutional change • industrial regulation • legitimisation • conformation to social norms	conflict resolution • self-regulation • private interest government • impact on industry evolution • industrial representation • role in regulatory reforms• government/industry exchange • industry concentration vs. regulation • maximising of power by interest groups • pluralism, corporatism, elitism

Table 2-3: Trade Associations: Existing Research Focus Across Levels and Perspectives

Thus, the theoretical frameworks used to study trade associations come mainly from sociology and economics backgrounds. The former has offered power, dependency[18], and behavioural[19] explanations. The latter has focused on efficiency[20] and interest group issues. The operational concepts and focus of works originating from both fields aided in the development of concepts for the purpose of this research.

The examination of previous studies of trade associations also highlighted the issue associated with the level of analysis used. There is a confirmation of Barnett's (2000) and Shaffer's (1995) observations: on the one hand, the focus on member organisations has resulted in a tendency to emphasise them as primary units of analysis, thus relegating collective organisations to a secondary status (Barnett *et al.*, 2000); on the other hand, a lot of writings in political science, economics and sociology on business political activities have utilised an aggregated (or macro) level of analysis, such as communities, industries, social classes, and societies (Shaffer, 1995). Aldrich and Staber (1988), Quinn and Leavy (2005), Quinn and McHugh (2006) all argue that there is much to be gained from studying trade associations as formal organisations in their own right.

These limitations in the literature on trade associations can be explained by a scarcity of research on trade associations, which, in turn, is the product of more general dynamics. During the second half of the 20th century an increased interest in abstract markets, voting behaviour, and political attitudes diminished interest in the institutional structure of economic activity and the behaviour of interest groups (Jordan & Halpin, 2002; 1988). Moreover, increases in trade association activity tend to be aligned with the economic cycle and assume greater prominence during periods of economic regeneration and loses traction during long periods of growth. Another set of explanations centres on the nature of trade associations as organisations. These include the difficulties involved in undertaking research due to their large numbers (May *et al.*, 1998), problems with data accessibility (May *et al.*, 1998; Schmitter & Streeck, 1999), the time-consuming nature of this research and issues related to methodology and research structure (Jordan & Halpin, 2002). Further complications arise from the diverse functional roles of associations and

unclear cross-national definitions and classifications[21] (Traxler, 2000). Finally, theories offer only a few building blocks that can be leveraged to advance research in the field. Furthermore, as suggested earlier, much of the work that has been carried out has treated associations as impediments to a free market economy and democratic politics (Park, 2007).

2.4 THEORETICAL FRAMEWORK OF THE STUDY

This section explores theories that link the fields of industry evolution and trade associations, thus shaping the theoretical framework of this study. The review of the literature on industry evolution showed the relevance of Transaction cost economics (economics), Resource dependency theory, and New-institutional theory (sociology) for the study of industry-level change/evolution and its drivers. All three theories have the potential for evolutionary explanations and have the potential to deal with evolutionary processes. The review of the literature on trade associations highlighted that these theories are also equipped to deal with trade associations as drivers of structural change.

The analysis of studies of trade associations also revealed another approach, Interest group theory (IGT), which originated in economics and has been successfully adapted to political science research. IGT studies the exchange between interest groups and policy-makers, and has a lot to offer by treating a trade association as an interest group and collective actor (in addition to it being an organisation and an institution). The justification for using IGT in this research is twofold. First, it has not been employed to explain behaviour of groups in either management, or strategy fields. Second, it has mainly been used to study cross-sectional differences and outcomes, not change over time (Tollison, 2001). According to Ekelund (2001: 365), however, 'there is a modern scholarly interest in the causes and consequences of interest groups'. In this study IGT theory is used as a complementary framework, where its potential to provide evolutionary explanations is explored.

This section begins with an overview of the theories that form the study's theoretical framework. The main propositions, treatment of interorganisational relations and trade associations, links to VSR as generic evolutionary processes, and limitations of each theory are all explored. The section then concludes with an integrated theoretical framework, which incorporates four theories and their conceptual propositions. It shows that while individual theories are helpful in dealing with certain aspects of trade associational activity, complimentary theories may be better suited to deal with the complexity of this type of interorganisational relationship.

2.4.1 Economics Perspective

2.4.1.1 Transaction Cost Economics

As an economic theory of exchange, Transaction cost economics (Williamson, 1975, 1985, 1996) has been widely used in the literature on interorganisational relationships and interfirm cooperation

(Barringer & Harrison, 2000). Within the scope of this theory interorganisational issues include; neo-corporatist accounts of private-interest government, common-pool resource governance, modes of entry to foreign markets, and conditions that determine whether firms would join political action independently or join others (Getz, 1997). According to Casey (2000), TCE (along with New-institutional theory) provide a theoretical foundation for the European social model[22].

The transaction is the basic unit of analysis, and the focus of this theory is on how organisations need to organise their boundary-spanning activities in order to minimise transaction costs (Barringer & Harrison, 2000). Originally, the theory provided a framework for exploring markets and hierarchies as alternative governance structures, stressed cost and cost-minimising as a rationale for cooperation, and suggested that cooperation can reduce the uncertainty caused by market failure (Barringer & Harrison, 2000; Child *et al.*, 2005). Interorganisational forms were later acknowledged as an extension of the market and hierarchy modes of organising and the 'make or buy' decision was expanded to that of a 'make, buy or partner' decision (Aldrich & Ruef, 2006; Barringer & Harrison, 2000). Interorganisational relations can help overcome some of the problems associated with markets and hierarchies, such as market failure, difficulties with regulation, and high transaction, opportunism, and legitimisation costs. According to Schneiberg & Hollingsworth (1996), trade associations helped to reduce competitive pressures. The frequency, uncertainty, and asset specificity of transactions are the major variables of interorganisational governance structures. Efficiency is achieved by creating economising governance structures and acts as a driver of industry change at the level of organisation.

The evolutionary aspect of the theory applies to VSR processes at the organisational level. *Variation* is introduced through opportunistic actors, who are guided by self-interest and rational intentions. Actors' choices are not optimal since they are based on cognitive deficiencies, limits on information availability and processing, capability constrains, and bounded rationality issues. *Selection* involves matching organisational actions with the efficient use of resources in a competitive context (market). In other words, these actions are aimed at minimising transaction costs. Transactions can be characterised by their frequency, uncertainty, and level of transaction-specific investments. Frequent transactions force actors to find economical ways of handling them, and the uncertainty produced by bounded rationality and opportunism requires more resources. Transaction-specific investments anchor *retention* processes: parties need to invest to sustain relationships, monitor transactions, and enforce repetitive transactions (Aldrich & Ruef, 2006). Despite its valuable contribution, there are a number of valid criticisms of the TCE approach. First, its explanation of the formation of interorganisational relations is limited to efficiency and cost-minimisation and thus ignores learning, legitimacy, perceived fairness, and other human nature characteristics (Aldrich & Ruef, 2006; Barringer & Harrison, 2000; Ring & van de Ven, 1994).

Second, it does not address the contextual issues. Third, the theory's focus on individual rather than on group behaviour implies that industry level issues have not been explained sufficiently (Gunningham & Rees, 1997). Fourthly, its inability to deal with the role of power, culture and people in choices between market and hierarchy implies that the relational aspects of cooperation over time, reduction of opportunism through trust, cultural incompatibility, and bonding between partners have been left outside the scope of the theory (Barringer & Harrison, 2000; Child *et al.*, 2005). As Aldrich (1999: 70) put it, the perspective tends to 'overstate the role of individually orientated economic incentives in organisations and understate the importance of social exchange: reciprocity, co-operation and trust'.

2.4.1.2 Interest Group Theory

Interest groups have captured the attention of scholars 'who sought a [...] positive understanding of how government works or a better normative understanding of the possible social costs of interest-groups' (Ekelund & Tollison, 2001: 357). Modern Interest group theory (IGT) consists of two branches: the IGT of government (a positive 'Stigler-Peltzman' theory of interest groups), and the IGT of regulation[23] (a normative 'Olson-Tullock theory of interest groups). The IGT of government was first formulated by Stigler (1971) of the Chicago school. Built on Olson's (1965) work, it was then expanded by other scholars, including Sam Pelzman (hence the branch name). The Chicago approach is actor-based and is founded on the assumptions that political and economic actors are self-interested utility maximises, and that interest groups are presumed to be able to influence the outcome of the regulatory process by providing financial or other support to politicians or regulators (Peltzman, Levine, & Roger, 1989: 1). On the other hand, the normative IGT of regulation is a rent-seeking theory (Mitchell & Munger, 1991). It originates from the Virginia Polytechnic Institute school, or the Virginians, including Brennan and Buchanan (1977) and Tullock (1967). According to this approach, groups are the motivating force in a model, which accounts for the behaviour of politicians, bureaucrats, and citizens. Virginians view political and bureaucratic actors as a distinct interest group concerned with expanding their size and influence (Kroszner, 1999; Noll, 1989).

Laws, programmes, regulation, and public policies serve to transfer wealth. The availability of such transfers motivates companies to cooperate in order to influence the transfer process in their favour (Anderson, 2001), and at the expense of unorganised or less organised groups (Ekelund & Tollison, 2001). Competition between different organised groups of potential recipients of such transfers also influences the pattern of government policies (both economic and social regulation). The outcomes of these policies have an impact on the equilibrium of demand and supply. Thus, politicians act as brokers, who manage the transfers between 'demanders' and 'suppliers', and do so to maximise their own political support (Anderson, 2001). The government and other legal entities supply

regulatory services, such as price-fixing, restrictions to entry, subsidies, suppression and substitutes, and the promotion of complementary goods. In return for this regulation the regulated industry offers government officials campaign contributions, speaking honoraria, and the votes of industry employees (Mitchell & Munger, 1991). Influence over government policy choices can be increased through resource demanding rent-seeking[24] (Drazen, 2000), which can take the following forms (Buchanan, Tollison, & Tullock, 1980):

- Lobbying to affect the decision-making process;
- Direct engagement in politics to secure access to decision-making power;
- Shifting in and out of affected activities.

According to Posner (1974), if an industry is unofficially organised as a cartel, the necessity of courting and capturing the regulator in order to maximise profits does not exist because the very organisation of the industry will deliver the desired ends. On the other hand, industries that are not organised require the assistance of the regulator to achieve their objectives. Consequently, regulation 'should be positively correlated with non-homogeneous and non-concentrated industries' in which cartels do not exist (Hägg, 1997).

Based on the assumption that political actors always need votes and will offer favours for both the likelihood of getting votes, and the resources to assist the vote getting process, Stigler (1971) predicted that politically influential industries would be able to obtain from the government and its agencies at least four anti-competitive protective measures:

- Government subsidies (e.g. US government financing of oil related R&D projects through the US Department of Energy);
- Control over entry into industry by new rivals;
- Suppression of substitutes and complements (e.g. big pharmaceutical companies limiting and/or preventing the distribution of generic drugs through patents);
- Favourable price fixing. Another assumption was the binary nature of the industry/regulator relationship (Posner, 1974; Stigler, 1971).

The evolutionary element of this theory deals with VSR processes at the association and polity levels. External *variation* arises from the possibility of wealth transfers, which can cause wealth gains or losses for trade associations, their members, and other industry players. Organised interest groups either react to this threat of redistribution from the state or other groups, or initiate redistribution to gain wealth. Associations need to meet *selection* criteria in order to successfully influence redistribution. This can be done through coordinating actions and obtaining power. This, in turn, involves the allocation of resources to rent-seeking activities, organisational cohesiveness, and the ability to organise and coordinate actions. *Retention* processes require the sustainability of rent-seeking strategies and activities. Thus, associations can seek to establish long-term relationships with policy-makers or industry players. At the same time, associations need to be

adaptable to changes in the preferences of regulatory agencies and other actors. IGT suggests that interest groups form for many reasons, including legitimisation, cost reduction, and externality-reducing properties. At the same time it fails to offer an account of interest group formation (Ekelund & Tollison, 2001). According to Tollison (2001), lobbying is not one of them, since the marginal cost of engaging in lobbying is zero, and cartelisation is costly for the economy. Stigler's theory was also criticised for its inability to predict which industries would be regulated (Mitchell & Munger, 1991), and for failing to explain why certain industries with large populations demonstrated 'capture' and benefited from anti-competitive regulation, while other industries did not.

2.4.2 Sociological Perspective

2.4.2.1 Resource-Dependency Theory

Resource dependency theory (RDT) (Pfeffer, 2005; Pfeffer & Salancik, 1978), as an exchange theory in sociology, deals with power/control issues and the strategic actions taken by organisations to manage interdependences with other organisations (Aldrich & Ruef, 2006). While the theory has been applied to different levels, interorganisational relations remains the basic unit of analysis (Aldrich & Ruef, 2006). Organisations participate in interorganisational relations through the creation of vertical and horizontal dependences and by engaging in exchanges with their environments to; obtain critical resources, reduce or minimise the negative effects of dependencies (from government or other organisations), gain control, and decrease uncertainty (Barringer & Harrison, 2000; Getz, 1997). This theory also considers concepts like power, trust and dependency of resources (Trienekens & Beulens, 2001). The form of interorganisational relations, preferable to potential participants, depends on the resource-based incentives offered. These incentives can vary from gaining access to complementary assets to obtaining financial resources (Barringer & Harrison, 2000). RDT suggests that change is driven by power, which is maximised by organisations.

In terms of evolutionary processes, interdependencies are grounded in an interorganisational division of labour. Seeking to create or avoid dependencies involving other organisations generates *variation*. Many of these interdependencies are sought or avoided 'because of power and control possibilities inherent in them' (Aldrich & Ruef, 2006: 51). Dependencies can be avoided by many actions, ranging from adjusting internal structures to seeking mergers. Gaining power involves managing not only organisations, but also their environments, which are comprised of multiple, sometimes hostile, interest groups. In these cases organisations aim to either align themselves with such groups, or neutralise them. *Selection* forces are 'inherent in asymmetric power relations' (Aldrich & Ruef, 2006: 52), where power is derived from reducing dependency on others (and/or

increasing the dependency of others) and is related to the control of resources that others value. Control of such resources, and hence interorganisational dependency, can result from an organisation's differentiation and specialisation (Aldrich & Ruef, 2006). On the intraorganisational level it relates to groups and interests, which gain or lose power through bargaining, negotiation, and compromise (Aldrich & Ruef, 2006). At the organisational level, retention might be embedded in an organisation's task and division of labour structure, thus increasing its chances of survival. While RDT is well developed and has been widely used, some critics suggest that it still lacks empirical research, has definitional issues[25], and is unclear about the forces that generate various different forms of interorganisational relations[26] (Aldrich & Ruef, 2006). Other limitations include its inability to explain competence development, and the lack of attention paid to transaction costs and legitimacy explanations.

2.4.2.2 New-Institutional Theory (Sociology)

New-institutional theory in sociology (NIT) (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995)

> revisits the idea of context-bound rationality developed in the classical period of sociology and focuses on the social structural contest, within which individual interests and group norms develop as well as on the reciprocal role of norms and interests in effecting institutional change (Nee & Brinton, 1998: xv).

This approach focuses on organisations and the environment as perceived by participants (Aldrich & Ruef, 2006). The underlying principal of NIT in sociology lies with the importance of norms and the institutional expectations that determine organisational behaviour (Getz, 1997). The forms institutions take can range from environments to governments, and from religions to organisations. Organisational fields[27] are viewed as unstable and institutional environments impose pressures on organisations to appear legitimate and conform to social norms (Barringer & Harrison, 2000). Norms cohere within organisational fields. The meaning of institutionalisation varies across theorists and fields. For example, some view it as a process of installing values, others - as a process of creating reality (Aldrich, 1999). Institutional change can be initiated by changing analogies and conventions (Leblebici *et al.*, 1991), conflict (Haveman & Rao, 1997) and disruptive events (Hoffman, 1999).

Participating in interorganisational relationships, such as trade associations, allows firms to access formal and informal institutional resources such as laws, reputation, and legitimacy, address problems, mitigate environmental problems by using political institutions (Getz, 1997), and reduce uncertainty. Governmental units and professional groups are viewed as the main collective actors that generate institutional rules (Scott, 2003). Trade associations act as regulatory agents (Greenwood *et al.*, 2002) and as major sources of normative institutions (DiMaggio & Powell, 1983). NIT proposes institutional forces as the main drivers of change.

Variation is generated by external factors when organisations are forced to respond to the 'flow of normative and regulatory currents in their environments' (Aldrich, 1999: 49), and to other polity level events (Zucker, 1987). The levels at which variation occurs depends on what is treated as an institution: environments or organisations. In the former, polity level events are copied on the organisational level. In the latter, a generative theme, groups and individuals within organisations imitate other organisations (Aldrich, 1999). *Selection* forces are connected to the constraining role played by culture, norms, and rules. Selection is influenced by the conformity to external norms maintained by actors in organisational fields (Aldrich, 1999). Sometimes, however, organisations do not conform, but pursue alternative strategies (*e.g.* compromise, avoidance, defiance, manipulation of institutional norms, change of internal structure) aimed at achieving legitimate new institutions. *Retention* is defined by selection processes and can be achieved by socialisation and charismatic leadership, which promote shared meanings and understandings (Aldrich & Ruef, 2006). Critics of NIT argue that it fails to address endogenous change (Aldrich & Ruef, 2006; Hoffman, 1999; Munir, 2005), processes (Aldrich & Ruef, 2006; Washington, 2004), and that it doesn't consider informal relations, conflict and power (Aldrich & Ruef, 2006). Another major set of criticisms relates to the unit of analysis, as there 'has been little effort to make neoinstitutionalism's microfoundations explicit' (Powell & DiMaggio, 1991: 16). According to Aldrich (1999), NIT has also been criticised for paying very little attention to the creation of new organisations.

2.4.3 Building an Integrated Theoretical Framework

This section synthesises the four previously discussed evolutionary perspectives into a coherent theoretical framework according to the type of question they address (Getz, 1997). This framework also incorporates operational concepts related to the trade association's activities and the evolutionary processes that link the two fields.

The framework, presented in Table 2-4, integrates theoretical propositions on three interrelated aspects: strategies that are developed and implemented by trade association; the causes of these strategies; and the impact of such strategies on the evolutionary processes. Trade association's strategies are driven by both external and internal contextual factors. Depending on the driving force and the purpose of such strategies, a trade association's actions can cause structural changes within an industry. The possible causes of strategy/action and the impact of such strategies are discussed earlier in this chapter.

The theoretical concepts suggest that it is primarily *variation* processes (both internal and external) that drive associations to take action. According to the economics perspective, trade associations may choose to act following the threat of variation imposed by other actors, or the association

itself. This variation might threaten the efficiency and cost levels of association and/or its members (TCE). Similarly, IGT suggests that an association's actions are driven by the possibility of wealth transfers at the policy-making level that can threaten the association and its members, or provide them opportunities for gain. While economics theories focus on efficiency, costs, and wealth redistribution issues, sociology theories complement them by offering sociological and behavioural explanations. Thus, RDT talks about variation, which can cause changes in the power and dependency equilibrium, and NIT emphasises the threat of departures from norms and legitimisation caused by variation. Moreover, NIT also suggests that an association may choose to deal with existing selective pressures, to amend them or to act as a source of new ones.

Strategies chosen by associations can be aimed at dealing with either short-term selective pressures or longer-term retention objectives, but mostly with both. Thus, following changes in the internal and external environment imposed by variation, the associations aim not only to adjust and deal with them, but also to maintain their position in the long run. In the short-run associations can; minimise or retain current levels of their transaction costs (TCE), allocate resources and mobilise their members to affect policy-makers (IGT), reassess their internal structures to increase control over resources (RDT), or change/amend existing practices, structures and norms (NIT). Retention strategies suggested by the economics perspective include those aimed at maintaining current levels of costs, redistribution, or rent seeking through enforcing repetitive transactions, transaction-specific investments, and establishing long-term relationships. Sociology theories suggest that long-term retention strategies include; shifting power to those units/departments within an association that have critical resources, restructuring of association, and promoting shared understanding, socialisation, and new norms and understandings.

The intended impact of a trade association's strategy is predefined by the reason the association chose to act. An association can make an impact on either variation or selection processes within an industry. Its strategies can result in a new variation, or it can prevent or adapt to variations caused by other players. In terms of selection, an association's actions can result in maintaining existing preferred selection criteria, changing them, or diminishing selection pressures. Thus, the association can succeed at retaining or increasing efficiency levels, retaining or reducing transaction costs, obtaining wealth redistributed from others, or preventing members from losing it (economics perspectives). Associations can also retain or increase their power levels, the dependence of others or their own independence, or decrease their own dependence on others, legitimise themselves or their members, form new institutions, and standardise certain practices (sociological perspective). By making an impact on variation or selection, associations can thus act as drivers or facilitators of industry level change processes.

Many scholars argue that individual theories are insufficient to capture the complexity of interorganisational relationships (Barringer & Harrison, 2000; Quinn & Leavy, 2005; Trienekens & Beulens, 2001), and that multi-modal approaches offer better explanations. The categorisation of theories, which takes the form of the conceptual framework for this study, shows how theories can be used to complement each other, while explaining the phenomena. This framework illustrates that the four theories can be used as complementary tools to achieve a better explanatory power of evolutionary processes: some focus on pure economics operationalisations, while others complement them with sociological and behavioural solutions.

STRATEGIES OF TRADE ASSOCIATIONS (SHORT- AND LONG-TERM)

TCE • Actions to minimise trade association's/member's (TA/M) transaction costs • Actions to retain existing levels of transaction costs (transaction-specific investments, enforcement of repetitive transactions)

IGT • Actions to increase TA/M power and coordinate efforts (allocation of resources to rent-seeking efforts, coordination of members to increase the power to affect redistributive processes) • Actions to maintain current level of redistribution and rent-seeking actions (sustainability of rent-seeking strategies, long-term relationships)

RDT • Actions to increase/retain TA power over its members and other actors, actions to decrease/retain TA dependence from member and other actors (increasing control of resources, shift of power within TA to units with most critical resources, task division within organisation to increase its chances of survival)

NIT • Actions aimed at conforming to norms (changing organisational structures and practices, pursuing compromise and avoidance, defiance, and manipulation of institutional norms) • Transmission of shared understanding within TA (promotion of transmission through socialisation, charismatic leadership, creation of norms) • Retention of norms & structures (socialisation, promotion of shared understanding)

Theory			Industry Evolution Processes	Theory's Focus/Explanation
WHY DO TRADE ASSOCIATIONS FORM AND TAKE ACTION?				
TCE	Evolutionary Processes	Variation (External or Internal)	• Threat of variation by rational actions of other actors and TA, which increased TA/M transaction costs; • Threat of variation by rational actions of other actors and TA, which decreased TA/M efficiency; • Variation already caused by rational actions of other actors and TA, which increased TA/M transaction costs; • Variation already caused by rational actions of other actors and TA, which caused TA/M decreased efficiency	• (Threat of) Decreased TA/M efficiency; • (Threat of) Increased transaction costs for TA/M
IGT		Variation (External)	• Availability/possibility of wealth transfers, which can cause wealth gain or wealth loss for TA/M and other players	• Threat of redistribution of wealth from TA/M; • Possibility to gain from redistribution from other actors
RDT		Variation (External or Internal)	• Threat of variation initiated by industry actors or/and TA/M; • Variation already caused by industry actors or/and TA/M	• (Threat of) Dependence of TA/M from other actors; (• Threat of) Decreased power of TA/M
NIT		Variation (External)	• Threat of variation initiated by other industry actors through imitation of their external environment; • Variation already caused by other industry actors through imitation of their external environment	• Direct threat to/need for legitimacy; • Institutional pressures; • Departures from norms
		Selection	• Selective pressures; new selective pressures	• (Threat of) New sources of selective pressures
WHAT IMPACT CAN TRADE ASSOCIATION HAVE ON THEIR INDUSTRY?				
TCE			**Impact on variation** TA became a source of new variation; TA prevented variation; TA adapted to variation **Impact on selection** TA preserved selection criteria; TA changed selection criteria; TA diminished selection pressures	• Retained TA/M efficiency; • Increased TA/M efficiency; • Retained TA/M level of transaction costs; • Minimised TA/M level of transaction costs
IGT				• Increased wealth transfers to TA/M; • Prevented wealth transfers from TA/M
RDT				• Retained power of TA/M; • Increased power of TA/M; • Retained dependence of TA/M from other actors; • Increased dependence of TA/M from other players; • Decreased independence of TA/M from other players
NIT				• Diminished selective pressures; • Increased similarity across TA members; • Legitimisation of TA/M; • Formed new institutions; • Conformed to new norms

Table 2-3: Integrated Theoretical Framework

2.5 CONCEPTUAL FRAMEWORK

2.5.1 Research Design Elements

According to Maxwell (2005: 3), design in qualitative research is an

> ongoing process that involves 'tacking' back and forth between the different components of the design, assessing the implications of goals, theories, research questions, methods, and validity threats from one another

This research project has an 'interactive' design with a definite structure comprising of the five main components suggested by Maxwell (2005): (1) goals, (2) a conceptual framework, (3) research questions, (4) methods, and (5) validity.

Formulating goals (1) should help to understand why the study is worth doing, what issues it aims to clarify and what policies it wishes to influence. In addition, it deals with the personal reasons for conducting a study and with persuading the world that the findings are important. The goals of this research project are discussed in the Introducing the Study chapter. A conceptual framework (2) should build on the literature and previous studies. It should help one to understand the issues and settings one wishes to study, and to identify theories, concepts, and prior research findings, which will guide and inform the research. The conceptual framework for this study is described later in this chapter. Research questions (3) should state what specifically one intends to understand by doing a study. They should clarify what is not known about the phenomena under study and what needs to be studied. My research questions and the discussion of how they relate to one another can be found in the Research Questions section in this thesis. The approaches and techniques used to collect and analyse data are addressed in the methods component (4), which has four parts: (4a) the relationship one establishes with participants, (4b) the selection of settings, participants, and the time and places of data collection, (4c) the data collection methods, (4d) the data analysis strategies and techniques. The validity component (5) should deal with potentially 'wrong' results and conclusions and should seek to uncover plausible alternative interpretations and validity threats. It describes how these are dealt with and why the result should be deemed believable. Sources of invalidity and the ways they are dealt with in this research are described in the Research Validity and Implementation chapter.

Each component in the design of my research is closely tied to several others. These non-linear relationships are displayed in Figure 2-1. According to Maxwell (2005), the upper triangle of the model is a closely integrated unit. Research questions should have clear relationships with goals, and should be informed by what is already known about the phenomena, and by the theoretical concepts and models that can be applied. The bottom triangle should be integrated in a similar fashion: methods should enable answering research questions and deal with sources of invalidity;

questions should account for the feasibility of methods and validity threats; and the plausibility and relevance of validity threats and the ways to deal with it should depend on the questions and methods.

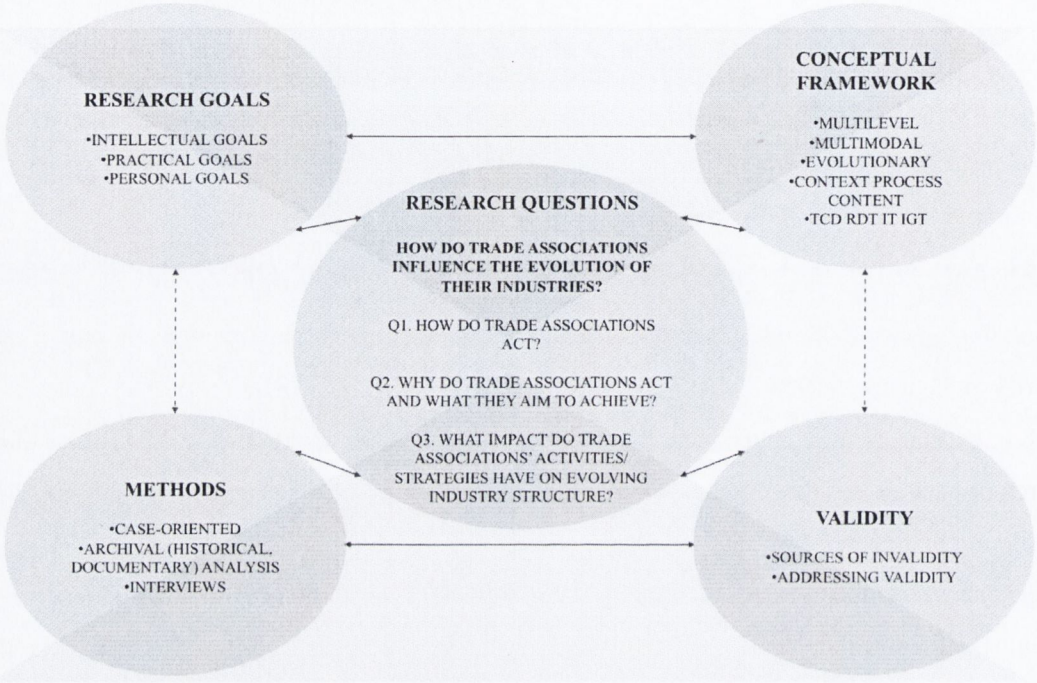


Figure 2-1: Design of This Research. Adapted from Maxwell (2005)

Other types of connections between the theoretical framework components are marked by dashed relationships. For example, goals are related to methods. This study aims to uncover the impact of trade associations on the evolution of industries and the method chosen for this study involves archival analysis and interviews. In a similar fashion, theories can have implications for research validity.

Some other factors that influence the five components described above include; resources available, research skills, ethical standards, research settings, data collected and the result of their analysis, and participant consent. Maxwell (2005: 6) refers to them as the 'environment' within which the research takes place and/or the 'products' of the research. Some of these environmental factors, which influenced and shaped the five component of this research design, are described in the Applying methodology section and in the Other research implementation issues section.

2.5.2 Research Questions

The motivation for this research stems from the way existing literature appears to have understated the role of trade associations as a driver of industry evolution. An association's impact on industry evolution still remains empirically and conceptually underdeveloped. The questions to be answered

by undertaking this research project have been formulated based on the discussion of the literature review on industry evolution and trade associations. The main question and three subquestions correspond to the intellectual research goals listed in the Research goals section of this thesis. As already mentioned, the main objective of this research is to **explore** and **describe** the role trade associations played in the evolution of the Irish motor and banking industries. Therefore, the main research question is:

How do trade associations influence the evolution of their industries?

This main research question is 'multi-layered'; hence the answer requires the collection and analysis of various data. The decomposition of the question into three main subquestions generates the information necessary to fulfil the temporal restrictions and to answer the main question. The first subquestion looks to identify the strategies used by trade associations to achieve their objectives. The second subquestion deals with the causes of trade associations' activities embedded in the context. Finally, the answer to the last question offers an analysis of the impact trade associations' strategies have on the structure of their industries. The empirical findings to each subquestion will also be informed by the concepts and proposition derived from the conceptual framework described earlier.

(Q1) How do trade associations act?

Associations challenge their inner or outer contexts as a result of external and internal variation and selection as evolutionary processes. Association's actions are generally aimed at challenging, changing, amending, or confronting the prevailing institutional structures of an industry, which can be referred to as the status quo. The answer to this question explores the choice made by trade associations between the alternative sets of strategies available to them within a certain environment. These strategies are dependent on 'why' associations choose to act and 'what' they want to achieve ('what' impact to make). This question also explores the dynamics of associations' strategies over time.

(Q2) Why do trade associations act and what do they aim to achieve?

VSR as evolutionary processes can trigger trade associations' actions. The answer to this question aims to provide empirical data that will explain why trade associations act and what they plan to achieve with their actions. For example, variation in an industry can be created by increasing demand for transparency and high standards. If this happens, trade associations need to either influence this new selection criterion, or facilitate their members to comply with it in order to survive. As long as this selection criterion remains important, associations and their members will be retained in the industry. As another example, the struggle for scarce resources also forces associations to legitimise and unify their members.

(Q3) What impact do trade associations' activities/strategies have on evolving industry structure?

The impact of trade associations on their industries is associated with the context embedded drivers of associations' actions. Such impacts can be observed when associations successfully challenge/defend the status quo against the prevailing preferences of other actors and environmental factors. For example, increasing demand for industry standards and transparency creates new variation. As a response to this new variation, the government decides to introduce new regulations. Association attempts to confront the new regulations by developing and implementing self-regulation. Here the impact of the association can be observed, if self-regulation is successfully implemented, and the government does not proceed with new legislation. Thus, the empirical support of the impact of trade associations on variation and selection processes is explored by accounting for the 'why?' question.

2.5.3 Building an Integrated Conceptual Framework

The frame of reference used to guide this research is derived from the literature review and informed by the theoretical concepts and models that explain industry evolution and trade associations. It connects different aspects of enquiry and acts as an underlying map.

The conceptual framework incorporates Pettigrew's contextualist work on strategic change, within which industrial change is regarded as a continuous process:

> the point to appreciate is the richness of these contexts and their simultaneous shaping of strategic change. The hallmark of the processual dimension is that strategy does not move forward in a direct, linear way nor through easily identifiable sequential phases (Pettigrew & Whipp, 1991: 7).

According to Pettigrew (1985b), in addition to a clearly defined variables/categories and a clear description of the processes under examination and the theories, contextualist analysis requires a linkage of vertical concepts to the processes under observation in the horizontal analysis:

> theoretically sound and practically useful research on change should involve the continuous interplay between ideas about the context of change, the process of change and the content of change together with skill in regulating the relations between the three' (Figure 2-2) (Pettigrew *et al.*, 1992: 7).

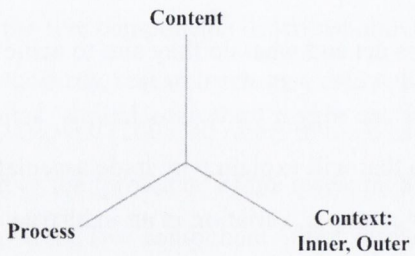


Figure 2-2: Pettigrew's Framework

Formulating the *content* of structural change entails managing the *context* and *process*. While Pettigrew's framework was originally developed for a firm level analysis, the main focus of this

research is on industry. Therefore, the *outer (external) context* refers to the 'social, economic, political and competitive environment', within which industry evolves. *Inner (internal) context* refers to the developments within an industry, such as entry/exit, size of firms, concentration, competitiveness, core activities, and industry boundaries. The content of structural change is linked to the *process* of change (Pettigrew, 1987: 657).

The process of industry evolution is captured through the evolutionary processes occurring within the inner and outer contexts at multiple levels. These processes are also embedded in historical developments, which are shared by both cases. Therefore, as in Quinn & Leavy (2005), this allows one to focus on the industry and national level specific effects and leave aside some of the common historical developments. The processes may directly result in industry level strategic change. Alternatively, they can trigger a trade association's actions, influence the choice of strategies, and become the objects of these strategies. Such processes can occur simultaneously, across different levels, and may be either a cause or a consequence of trade associations' strategies. Industry evolution is a process, but at one point in time certain institutional structures prevail, thus forming the status quo at that point in time *t* (SQ_t). These structures can remain constant over time, thus retaining the status quo at time *t+1* (SQ_{t+1}), or undergo modifications causing structural changes and forming a new status quo at time *t+1* ($SQ`_{t+1}$). Through their actions, trade associations attempt to alter the prevailing industry structures, or to retain them. Consequently, the associations' activities can result in structural changes ($SQ`_{t+1}$), or prevent them (SQ_{t+1}).

Research questions and the four theories that drive this research were discussed in detail previously in this chapter. The conceptual framework is linked to the three research subquestions that deal with the associations' strategy development and implementation (Q1), the inner and outer contexts of industry evolution (Q2), and the impact of the associations' strategies and actions on the process of industry evolution (Q3). Answers to these questions require a clear examination of all processes and contexts. The interconnectedness of contexts, contents, and impacts across multiple levels allows for the linkage of concepts, defined by the four theories, with industry evolution processes. Some concepts relating to trade associations are derived from the literature review (e.g. market and non-market strategies, capabilities). Other concepts relate to the definition of industry evolution used in this study: 'a broader view of industrial structure and its evolution over time' (Malerba & Orsenigo, 1996: 54). This definition is broader than traditional market structure view. It suggests that the transformation of industrial structures is not limited to demographics, but it also incorporates other industry-level developments, such as the emergence of new industries and sectors, generation and transformation of technology and information, development of capabilities, development of networks and relationships, and changing boundaries of firms. It also takes into account the roles played by institutions. In relation to this study this view suggests that the

development of new capabilities or dissemination of information among members as a result of trade associations' actions represent the impact of trade associations on structural evolution of their industries.

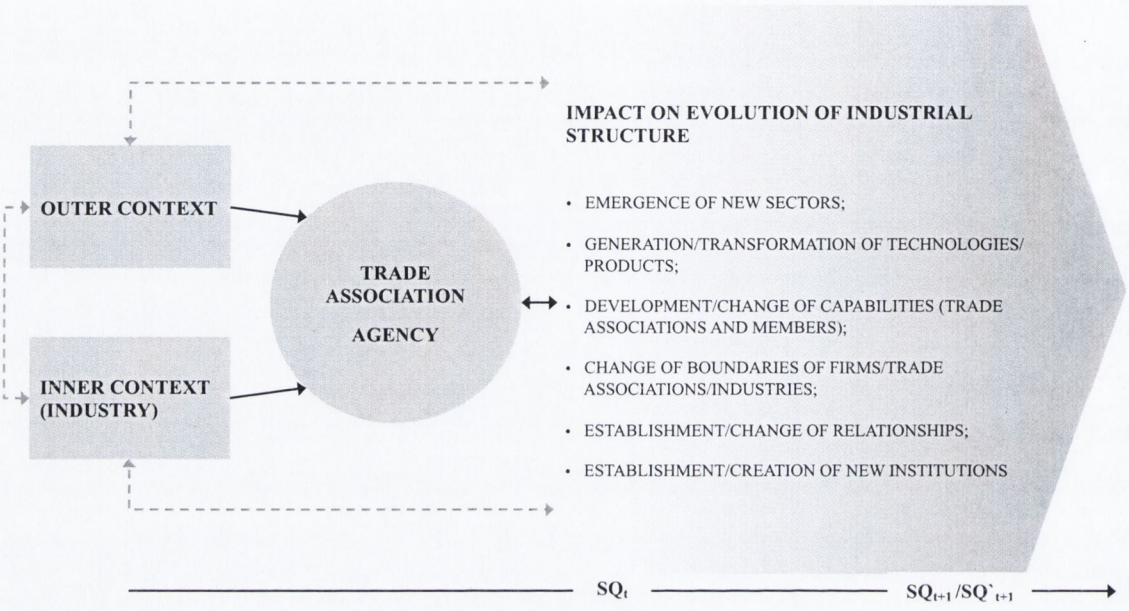


Figure 2-3: Conceptual Framework

Overall, the conceptual framework of this study, presented in Figure 2-3, integrates the multilevel (trade association, industry, polity) and the multimodal (four theories) nature of this research with the view of strategic change from a context/process/content framework. The conceptual framework maps the logic behind the study and shows that the associations' strategies are driven by the contextual processes, at multiple levels and may impact industry structures by creating new sectors, disseminating information, increasing legitimacy of its members, changing power arrangements and industry boundaries, and erecting industry barriers.

2.6 CONCLUSION

This chapter reviewed and analysed two bodies of literature: the literature on industry evolution and the literature on trade associations. It highlighted some of the difficulties met by the researchers in the field when studying industry evolution, and encountered by both academic researchers and practitioners when dealing with trade associations. Building on this analysis, this chapter developed the theoretical framework to inform the research with the theoretical concepts and models. Four theories form the theoretical framework of this research. Two of the theories originate from organisation/sociology theory, and two have roots in economics. The discussion of

the research design elements, the main 'multi-layered' research question, and the three research subquestions was then followed by the presentation of the conceptual framework. Built upon literature reviews, a theoretical framework, and research questions, the conceptual framework showed the logic behind this study and the way its elements fit together to create a meaningful, interesting, and well-built research project.

ENDNOTES TO CHAPTER 2

[7] Equilibrium in organisation theory is a condition in which all acting influences are cancelled by others, resulting in a stable, balanced, or unchanging system (Meyer, A. D., Gaba, V., & Colwell, K. A. 2005. Organizing far from equilibrium: Nonlinear change in organizational fields. ***Organization Science***, 16, (5): 456-473.)

[8] Contingency theory, resource dependency theory, institutional theory, transaction cost economics are normally viewed as adaptation theories.

[9]Such as memetics, evolutionary economics, evolutionary psychology, evolutionary anthropology, evolutionary linguistics (Oudeyer, P.-Y., & Kaplan, F. 2007. Language Evolution as a Darwinian Process: Computational Studies. ***Cognitive Processing***, 8, (1): 21-35.)

[10]Also known as industry trade groups, industry associations and employers associations

[11] The UK cotton and aircraft industries became an exception as intra industry collaboration in this sectors was encouraged by the State (Ryan, L. 1961. The need for structural change in Irish industry. ***Irish Banking Review***, March: 9-15.)

[12] The development of the European Free Trade Area, the growing complexity of industrial structure, the rapprochement of the EEC

[13] For further discussion of literature on membership of sectoral trade associations (see Bennett, R. J. 1998. Explaining the membership of voluntary local business associations: the example of British Chambers of Commerce. ***Regional Studies***, 36: 503-514, Bennett, R. J. 2000. The logic of membership of sectoral business associations. ***Review of Social Economy***, 58: 17-42..)

[14] A formal or explicit agreement among competitors, viewed as a mean for firms without significant market power to earn greater than competitive profits (Hay, G. A., & Kelley, D. 1974. An empirical survey of price fixing conspiracies. ***Journal of Law and Economics***, 17: 13-38.)

[15] Activities directed to power sources (*e.g.* governmental sources) outside the channel system

[16] Activities internal to the channel system (*e.g.* appeals to individual channel or association members for cooperation, joint study groups, cooperative programs, improved channels of communication)

[17] Despite the common trend to link IGT with political science perspective, it is an economics approach: IGT has originated from the field of economics and was adopted by political scientists only recently (Mitchell, W. C., & Munger, M. C. 1991. Economic models of interest groups: An introductory survey. ***American Journal of Political Science***, 35, (2): 512-546.)

[18] Burt, R. S. 1980. Autonomy in a social topology. ***American Journal of Sociology***, 85: 892-925, Galaskiewicz, J. 1985. Interorganizational relations. ***Annual Review of Sociology***, 11: 281-304, Mizruchi, M. S. 1996. What do interlocks do? An analysis, critique, and assessment of research on interlocking directorates. ***Annual Review of Sociology***, 22: 271-298, Pfeffer, J., & Salancik, G. R. 1978. ***The external control of organizations: A resource dependence perspective***. New York: Harper & Row.

[19] Fligstein, N. 1991. The structural transformation of American industry: An institutional account of the causes of diversification in the largest firms In W. W. Powell, & P. DiMaggio (Eds.), ***The New institutionalism in organizational analysis***: vii, 478. Chicago: University of Chicago Press, Jepperson, R. L. 1991. Institutions, institutional effects, and institutionalism. In W. W. Powell, & P. DiMaggio (Eds.), ***The New institutionalism in organizational analysis***: vii, 478. Chicago: University of Chicago Press, Leblebici, H., Salancik, G. R., Copay, A., & King, T. 1991. Institutional change and the transformation of interorganizational fields: An organizational history of the United-States radio broadcasting industry. ***Administrative Science Quarterly***, 36: 333-363, Meyer, J. W., & Rowan, B. 1991. Institutionalized organisations: Formal structure. In W. W. Powell, & P. DiMaggio (Eds.), ***The New institutionalism in organizational analysis***: vii, 478. Chicago: University of Chicago Press, North, D. C. 1990. ***Institutions, institutional change, and economic performance***. Cambridge ; New York: Cambridge University Press, Powell, W. W., & DiMaggio, P. 1991. ***The New institutionalism in organizational analysis***. Chicago: University of Chicago Press, Scott, W. R., & Christensen, S. r. 1995. ***The institutional construction of organizations: International and longitudinal studies***. Thousand Oaks, Calif.: Sage Publications, Suchman, M. C. 1995. Managing legitimacy: Strategic and institutional approaches. ***Academy of Management Review***, 20: 571-610, Tolbert, P. S., & Zucker, L. G. 1996. Institutionalization of institutional theory. In S. Clegg, C. Hardy, & W. R. Nord (Eds.), ***Handbook of organization studies***: xxix, 730. London ; Thousand Oaks: Sage Publications, Zucker, L. G. 1987. Institutional theories of organization. ***Annual Review of Sociology***, 13: 443-464.

[20] Schneiberg, M., & Hollingsworth, J. R. 1996. Can transaction cost economics explain trade associtions? In R. M. Czada, A. Windhoff-Hâeritier, & H. Keman (Eds.), ***Institutions and political choice: On the limits of rationality***: 298. Amsterdam: VU University Press, Williamson, O. E. 1981. The economics of organization: The transaction cost approach. ***The American Journal of Sociology***, 87: 548-577.

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[21] In Austria the Chamber of Business is an employer organisation and relies on obligatory membership; in some other countries Chambers are pure trade associations and employer organisations membership is voluntary

[22] Social partnership and social protection

[23] Also known as Economic Theory of Regulation, or Capture Theory of Regulation (Stigler, G. J. 1971. The theory of economic regulation. ***The Bell Journal of Economics and Management Science***, 2, (1): 3-21.)

[24] The phenomenon of expanding resources in the attempt to redistribute resources (Drazen, A. 2000. ***Political economy in macroeconomics***. Princeton, NJ: Princeton University Press.)

[25] It is still unclear whether 'dependence is an objective or a perceived state of affair' (Aldrich, H., & Ruef, M. 2006. ***Organizations evolving*** (2nd ed.). London: Sage Publications.); and 'power imbalance' and 'mutual dependence' dimensions remain unclear

[26] Much of the power-related evidence of generation of various forms of interorganisational relations can be the result of market-driven forces (Ibid.)

[27] '...Those organisations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products' (DiMaggio, P. J., & Powell, W. W. 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. American Sociological Review, 48: 147-160.); '..set of interacting groups, organisation, and agencies, oriented around the common substantive interests...' (Aldrich, H. 1999. Organizations evolving. London ; Thousand Oaks: Sage Publications.)

CHAPTER 3 METHODOLOGY, VALIDITY, & RESEARCH IMPLEMENTATION

3.1 INTRODUCTION

The choice of the two main qualitative research methods utilised in this research is guided by ontological and epistemological assumptions. This chapter briefly reviews the beliefs that define enquiry paradigm, followed by a discussion of the building blocks of this study. The methodology of this research is based on the longitudinal processual comparative case study approach. Particular attention is given to the discussion of contextualism as a theory of method. The review of a case-oriented strategy is followed by a detailed discussion of the data collection and analysis.

The issues of reliability, validity, and the criteria for assessing the quality of qualitative research have often been raised, but rarely addressed. This notion of the general unreliability of qualitative studies has often been raised to argue for the superior position of quantitative research. The reliability of this study is discussed, focusing on validity and implementation issues. A thorough examination of the sources of invalidity of measures is followed by an examination of the validity issues of the research methods used here. The chapter then concludes with other research implementation matters, such as the choice of industries and the definition of industries.

3.2 PHILOSOPHY OF SCIENCE: OVERVIEW

3.2.1 Inquiry Paradigm

An inquiry paradigm defines what falls within and outside the limits of a legitimate inquiry (Guba & Lincoln, 1994). The basic beliefs that define inquiry paradigms can be summarised by the responses given to ontological, epistemological and methodological questions (Figure 3-1).

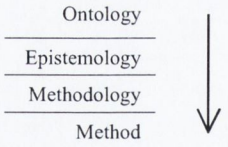


Figure 3-1: Choosing Enquiry Paradigm (Source: (Guba & Lincoln, 1994))

All responses are interconnected and the response to the preceding question restricts responses to the subsequent questions (Guba & Lincoln, 1994):

> 'Ontology is crucial to methodology because the appropriateness of a particular set of methods for a given problem turns on assumptions about the nature of the causal relations they are meant to discover... To be valid, the methodologies... must be congruent with its prevailing ontologies' (Hall, 2003: 374).

Ontological assumptions are concerned with the essence of the phenomena under investigation (is reality external to an individual or is it the product of his/her consciousness (Burrell & Morgan, 1979)) and of the form and nature of reality (Guba & Lincoln, 1994). According to Burrell and Morgan (1979), researchers are faced with the basic ontological question of whether the reality to

be investigated is external to an individual (nominalism), or whether it is the product of an individual's consciousness (realism).

Epistemological assumptions are about the grounds of knowledge. They explain how one might begin understanding the world and communicating knowledge to others, or whether knowledge can be acquired or has to be personally experienced (Burrell & Morgan, 1979). Payne (1982) defined epistemology as the nature and possibility of the products of scientific enquiry (knowledge), and offered three conventional answers to scientific enquiry questions: 'knowledge-of' (knowledge by acquaintance and knowledge by description), 'knowledge-how', and 'knowledge-that' (factual knowledge). The epistemological assumptions are constrained by the ontological position (Guba & Lincoln, 1994). They fall into a positivism-postpositivism spectrum, which varies from an assumption on whether knowledge is something that can be acquired, or something that can be personally experienced (Burrell & Morgan, 1979).

Methodology is concerned with 'how can an inquirer go about finding out whatever he or she believes can be known' (Guba & Lincoln, 1994: 108). Methodology is constrained by the ontology and epistemology assumptions. It may vary from ideographic to nomothetic in relation to the objective-subjective standpoint spectrum (Burrell & Morgan, 1979). The ideographic approach implies that the social world can be understood by obtaining first-hand knowledge of the subject under investigation. It emphasises the importance of 'letting one's subject unfold its nature and characteristics during the process of investigation' (Burrell & Morgan, 1979: 6).

Question	Positivism	Postpositivism	Critical Theory	Constructivism
Ontology	Naïve realism 'Real' reality but apprehendable	Critical realism 'Real' reality but only imperfectly and probabilistically apprehendable	Historical realism. Virtual reality shaped by social, political, cultural, economic, ethnic, and gender values crystallised overtime	Relativism. Local and specific constructed realities
Epistemology	Dualist/objectivist. Findings true	Modified dualist/objectivist. Critical tradition / community Findings probably true	Transactional/subjectivist Value-mediated findings	Transactional/subjectivist Created findings
Methodology	Experimental / manipulative Verification of hypothesis Chiefly quantitative methods	Modified experimental / manipulative Critical multiplism Falsification of hypothesis May include qualitative methods	Dialogic/dialectical	Hermeneutical/dialectical

Table 3-1: Basic Beliefs (Metaphysics) of Alternative Inquiry Paradigms (Source: Guba & Lincoln (1994))

The nomothetic (objectivist) methodological approach involves the construction of scientific tests and the use of quantitative techniques. Methods must be fitted to a predetermined methodology and the methodological question cannot be reduced to a question of methods. According to Guba & Lincoln (1994), questions of ontology, epistemology and methodology serve as a major foci for the analysis of the four inquiry paradigms: positivism, postpositivism, critical theory and constructivism. The basic beliefs of alternative inquiry paradigms are presented in Table 3-1.

Morgan & Smircich (1980) provide a subjective-objective typology of the different views that social scientists hold about the world which are presented in Table 3-2. According to Miles & Huberman (1994), the paradigms for conducting social research have been shifting, and at the working level it is hard to find researchers representing one fixed place along any spectrum. The authors argue that in the actual practice of empirical research, the polarised epistemological positions overlap and realists, interpretivists, and critical theorists find themselves closer to the centre.

	Subjective				Objective	
Core Ontological Assumptions	Reality as a projection of human imagination	Reality as a social construction	Reality as a realm of social discourse	Reality as a contextual field of imagination	Reality as a concrete process	Reality as a concrete structure
Assumptions About Human Nature	Man as pure spirit, consciousness, pure being	Man as a social constructor, the symbol creator	Man as an actor, the symbol user	Man as an information processor	Man as an adaptor	Man as a responder
Basic Epistemological Stance	To obtain phenomenological insight, revelation	To understand how social reality is created	To understand patterns of symbolic discourse	To map contexts	To study systems, process, change	To construct a positivist science
Some Favoured Metaphors	Transcendental	Language game, accomplishment text	Theatre, culture	Cybernetics	Organism	Machine
Research Methods	Exploration of pure subjectivity	Hermeneutics	Symbolic analysis	Contextual analysis of gestalten	Historical analysis	Lab experiments, surveys

Table 3-2: Assumptions Characterising the Subjective-Objective Debate Within Social Sciences (Source: Morgan & Smircich (1980))

3.2.2 Paradigm Debate in Social Science

3.2.2.1 Inductive vs. Deductive

The philosophy of science dates back to Aristotle (384-322 BC) who developed an inductive-deductive view of the way systematic knowledge was obtained. According to this view, certain regularities could first be induced and then deduced. Bacon (1214-1292) developed this pattern further, arguing that the factual base available for induction to operate on can be improved by the active experimentation of the world. Later Descartes (1596-1650) laid the groundwork for the application of the hypothetico-deductive method in science, and Mill (1806-1873) outlined four primary inductive strategies for establishing empirical generalisation: agreement, difference, concomitant variations, and residues. Mill noted, that 'inquiries into the laws of phenomena' may be 'either inquiries into the cause of a given effect, or into the properties of a given cause' (Mill, 1882: 479). Mill's aim was to establish a logical foundation for inductively oriented scientific investigation. Two of the four methods are particularly relevant for a case-oriented investigation: the method of agreement and the indirect method of difference, both are the methods of elimination (Mill, 1882; Ragin, 1987). Mill (1882: 478) said that:

> the simplest and most obvious modes of singling out from among the circumstances which precede or follow a phenomenon, those with which it is really connected by an invariable law, are

> two in number. One is, by comparing together different instances in which the phenomenon occurs. The other is, by comparing instances in which the phenomenon does occur, with instances in other respects similar in which it does not. These two methods may be respectively denominated, the Method of Agreement, and the Method of Difference.

In the method of agreement, 'if two or more instances of the phenomenon under investigation have only one circumstance in common, the circumstance in which alone all the instances agree, is the cause (or effect) of the given phenomenon'[28] (Mill, 1882: 482). Thus, to know the cause of a phenomenon, the researcher should first identify instances of the phenomenon and then attempt to determine the circumstance, which invariably precedes its appearance. The circumstance that would satisfy the requirement is the cause. In the social sciences comparativists usually use the method of agreement when they are concerned primarily with a single case. Mill believed that the method, however, couldn't establish any necessary link between the cause and effect. In addition, it is incapacitated by multiple causation (plural causation) (Ragin, 1987).

'Mill's indirect method of difference is a double application of the method of agreement' (Ragin, 1987: 39):

> In the Method of Agreement we endeavored to obtain instances which agreed in the given circumstance but differed in every other: in the present method we require, on the contrary, two instances resembling one another in every other respect, but differing in the presence or absence of the phenomenon we wish to study... If an instance in which the phenomenon under investigation occurs, and an instance in which it does not occur, have every circumstance in common save one, that one occurring only in the former; the circumstance in which alone the two instances differ, is the effect, or the cause, or an indispensable part of the cause, of the phenomenon[29] (Mill, 1882: 482, 483).

It is also used to establish the patterns of invariance, but unlike indirect method, the method of agreement uses negative cases to reinforce conclusions drawn from positive cases. While the method of agreement is the preferred method, in some types of investigations it cannot be used. According to Ragin (1987), the two methods described by Mill form the core of the case-oriented strategy, as they are both useful inductive techniques. While they are incapable of handling multiple or conjunctional causations, they are used to 'pinpoint patterns of constant association, not to explain variation' (Ragin, 1987: 42).

While the inductive methods can establish generalisations and causal laws, scientific reasoning, from observations to theories, is often held to be a paradigm of inductive reasoning (Honderich, 1995). Mintzberg (1979) advocated a 'direct' research strategy and argued that it should be 'as purely inductive as possible' (Mintzberg, 1979: 548). The author emphasises that it is a new discovery that attracts in science and 'not checking out what we think we already know' (Mintzberg, 1979: 548) as in the case with deductive research. According to Mintzberg (1979), there are two steps in inductive research: detective work and the creative leap. The former is tracking down of patterns and consistencies, while the latter refers to breaking away from the expected to describe something new.

A contrasting hypothetico-deductive view (supported by Charles Darwin) was formally established by Popper (1902-1994). Here, science and knowledge develop by advancing hypotheses, making deductions from them, and using experiments and observations to test these deductions until they are falsified, in which case the hypotheses are changed. Theories cannot be proved but they can be falsified and falsifiability is what separates science from non-science (Smith, 2000).

3.2.2.2 Quantitative (Large-N) vs. Qualitative (Small-N)

The two research traditions that are most often contrasted in the literature are qualitative and quantitative. King, Keohane, & Verba (1994) attribute the differences between the traditions to their styles and specific techniques. Thus, quantitative research uses numbers and statistical methods and is based on numerical measurements of the phenomena and abstracts from particular instances as a way to seek general descriptions or test hypotheses. Qualitative research, on the other hand, covers a wider range of approaches that do not rely on numerical measurements, and focuses on a smaller number of cases, uses interviews and in-depth analysis of historical materials, and exposes enormous amounts of information. While both quantitative and qualitative research can be systematic and scientific (King *et al.*, 1994) the debates about the merits of the two approaches have plagued the scientific community for a long time without any sign of abating.

Guba & Lincoln (1994) distinguish between the internal and external critiques of the conventional paradigm of the superior position of quantitative research. Advocates of the internal critiques argue that quantitative analysis poses the threat of excluding relevant variables and detracts from their relevance. The qualitative approach, at the same time, can redress those risks by providing contextual information, and provide insights into human behaviour. Other arguments in support of a qualitative approach suggest that statistical generalisations have no applicability to individual cases and that qualitative inputs redress the imbalance imposed by the verification of a prior hypothesis through creative approaches. External (or extraparadigm) critiques challenge the quantitative approach by arguing that its implications are the theory-ladenness of facts, the value-ladenness of facts, the under-determination of theory, and the interactive nature of the inquirer-inquired into dyad. At the same time, these can often be eliminated by a better use of quantitative data.

According to Miles & Huberman (1994), qualitative research is labour-intensive, imposes a risk of data overload, is very time-demanding, imposes the possibility of a researcher's bias, and there are issues about the adequacy of sampling, credibility, and the quality of conclusions drawn from it. At the same time,

> with qualitative data one can preserve chronological flow, see precisely which events led to which consequences, and derive fruitful explanations. ...Good qualitative data are more likely to lead to serendipitous findings and to new integrations, ...help researchers to get beyond initial conceptions and to generate or revise conceptual frameworks (Miles & Huberman, 1994: 1).

As discussed earlier, on a more comprehensive level, the qualitative-quantitative debate arises from the assumptions about ontology, epistemology and human nature (Morgan & Smircich, 1980).

3.3 APPLYING METHODOLOGY

3.3.1 Building Blocks: Epistemology & Ontology

The epistemological view that guides this research can be described as postpositivist critical realism. It implies that the social world is reproduced daily and transformed (Bhaskar, 1989). The ontological assumption of the research is based on the processual nature of human activity. It treats human acts or events as dynamic, and assumes that the reality is continuously changing, and that human activity is positioned within a socio-historical context of meaning and relationships. Based on these assumptions, this study relies on the accounts of people's perceptions and their reactions.

3.3.2 Methodology

> 'A key aspect of qualitative longitudinal analysis in general ... is that it is theoretically driven, and is characterised by a focus on meaning' (Elliot, Hollard, & Thomson, 2008: 241).

According to van de Ven (1988), there are four requirements one needs to 'undertake research on the process of change in general, and strategic management in particular'. These requirements and the way they are addressed in this research are explained in Table 3-3.

	Requirements	Examples from This Research
1	A clear set of concepts about the object being studied	Content, process, context, levels, VSR
2	Systematic methods for observing change	Regularly published archival material
3	Methods for representing raw data to identify processual patterns	Comparative case study
4	A motor or theory to make sense of the process pattern	RDT, TCE, IGT, NIT

Table 3-3: Requirements for the Research on Process (van de Ven, 1988) and Examples

The nature, objective, and conceptual mode of the research suggest that its methodology should be based on Pettigrew's (1985b; 1987; 1988b; 1990) contextualist longitudinal[30] processual, and comparative case study methodology developed at the Centre for Corporate Strategy and Change (CCSC), University of Warwick. To understand the process of change the CCSC 'takes a historical approach grounded in a detailed study of the context of an organisation in its industrial environment' (Pugh & Hickson, 2007: 261). This approach provides an opportunity to examine a continuous process in a context, thus offering a holistic explanation of phenomena under investigation (Pettigrew *et al.*, 2001).

The methodology focuses on the issues of process, content, and context. It emphasises the historical antecedents and chronology of change and draws on the need for a multi-level and multi-modal investigation. The former recognises the interdependence between polity-, industry-, and organisation-level change. Along with Pettigrew (1985a), it has been advocated by other evolutionary scholars (Dosi & Malerba, 2002; Malerba & Orsenigo, 1996; Nelson & Winter, 1982) and organisational theorists (Pettigrew, 1985b; Scott, 1995). The multi-modal approach stresses the

use of several theoretical frameworks in contrast to a singular theory of change, and has also been widely employed by other researchers (Leavy & Wilson, 1994; Meyer *et al.*, 1990; Meyer, Brooks, & Goes, 1993; Pettigrew, 1990; Quinn & Leavy, 2005; Quinn & Murray, 2005; Scott, 2001). The use of the proposed methodology has already been proven by a number of scholars (Leavy & Wilson, 1994; Meyer *et al.*, 1990, 1993; Pettigrew, 1985b; Pettigrew & Whipp, 1993; Quinn & Leavy, 2005; Quinn & Sparks, 2007).

3.3.3 Contextualism as a Theory of Method

> 'An approach, which offers both multilevel or vertical analysis, and processual, or horizontal analysis, is said to be contextualist in nature' (Pettigrew, 1985b: 36)

Contextualism is considered to be a reasoned response to the positivist worldview, within which methodological pluralism is given more status (Bishop, Sonn, Drew, & Contos, 2002). According to Jaeger & Rosnow (1988: 71),

> contextualism's focus on the active dynamic event, and its view of human experience in and of the world as both constructive and reactive, stable and variable, holistic and pluralistic have important implications for the ways and means by which we come to examine and understand human action.

Thus, in a contextualist framework, causal relationships are not disregarded, experimentation is not rejected, and the relationships that are discovered are seen as only a limited aspect of the broader context (Jaeger & Rosnow, 1988). Both qualitative and quantitative methods can be appropriate, with the recognition that quantitative methods generally offer less understanding of social phenomena.

Pepper (1942) provided a systematic description of contextualism as one of four world hypotheses, along with formalism, mechanism, and organicism. According to Payne (1975: 51), who later clarified Pepper's approach to epistemology, 'this is the event alive in its present; or the act in its context' and is concerned with the understanding world in a holistic way. Contextualism is based on pragmatism as a philosophy and the historic event as a root metaphor. It implies that change is endemic, that knowledge changes following changes in the context, and that the truth theory of contextualism is a 'qualitative confirmation' obtained through an exploration of the context and texture of an event (Payne, 1975). Pettigrew (1985a) further advanced the issue of contextualism and broadened this theory of method by incorporating learning through the research programme at Centre for Corporate Strategy and Change. According to Pettigrew (1990), the approach to analysis is contextualist when it draws on a phenomena at the vertical/multilevel (interdependences between higher and lower levels of analysis) and horizontal/processual levels, and when it

> is seen as an iterative, multilevel process, with outcomes emerging not merely as a product of rational and boundedly rational debates, but also shaped by the interests and commitments of individual groups, the forces of bureaucratic momentum, gross changes in the environment, and the manipulation of the structural context around decisions. Taking this view the focus of attention is on seeing change as a multilevel and continuous process in context...(Pettigrew, 1987: 658)

According to Pettigrew, Woodman, and Cameron (2001: 698), in the early work in the contextualist approach,

> the context was dichotomized into the outer and inner contexts of organizations. Outer context included the economic, social, political, and sector environment in which a firm was located. Inner context ... was defined as features of the structural, cultural, and political environments through which the ideas and actions for change would proceed.

A number of principles underpin a contextualist study of change over time (Pettigrew *et al.*, 1992: 269):

- The importance of embeddedness, 'implying the need to study change in the context of interconnected levels of analysis';
- The importance of temporal interconnectedness – 'the need to locate change on past, present and future time';
- 'The need to explore context and action' and how the former is the product of the latter and vice versa;
- 'The central assumption about causation ... is that causation of change neither linear nor singular'.

Contextualism as a theory of method involves a number of assumptions. First, target changes should be studied within the context of changes at other levels of analysis. Here asymmetries between the levels of context are sources of change. Second, it is important to reveal temporal interconnectedness, to 'catch the reality in flight'. There is a need to search for deeper structures and at the same time it is important to remember probabilistic trajectories of change. Third, context and action need to be combined and explored. And, finally, causation is neither linear, nor singular because changes usually have multiple causes. Pettigrew, Woodman & Cameron's (2001) point out the limited potential analytical power of contextualism and argue that the only way to address this limitation is to examine a sufficiently long time-series in order to show how multiple levels of context interact to revitalise the change process. Therefore, the depth of the current retrospective study is set to cover 90 years from the 1920s until the early 21st century.

3.3.4 Method

> Data collection and analysis procedures will be made public, not remain magical
> Marshall (2006: 205) on explication of research design and methods

3.3.4.1 Comparative Case-Oriented Strategy

The comparative case study method is the primary means for a contextualist analysis of process (Quinn, 2002a). Miles & Huberman (1994) argue that there are two different approaches to cross-case analysis as described in Ragin (1987): case-oriented (the comparative) and variable-oriented. The former method is 'good for finding specific, concrete, historically grounded patterns'. It provides an opportunity to examine continuous processes in a context, and to draw on the significance of various interconnected levels of analysis, thus revealing multiple sources and loops of causation and connectivity which are important in identifying and explaining change and its

patterns (Pettigrew, 1990). In contrast, the variable-oriented approach is suitable for finding probabilistic relationships among variables in a large population, but poor in handling the real complexities of causation (Miles & Huberman, 1994: 174).

In his book on comparative methods, Ragin (1987) suggested some distinctive features of the case-oriented approach. First, the investigators get close to the data and become familiar with their cases as they try to pinpoint key differences/similarities between cases. Second, case-oriented methods 'require the investigators to suspend assumptions about the equivalence of case and conditions' (Ragin, 1987: 49). Thus, there is no assumption that cases are drawn roughly from the same population or that the meanings of various measurements is the same from one case to next. Contextualisation of the causal importance of different conditions is the rule in most case-oriented studies:

> By examining differences and similarities in the context it is possible to determine how different combination of conditions have the same causal significance and how similar causal factors can operate in opposite directions. Such contextualised causal arguments are necessary because the problem is to explain how relatively dissimilar cases experience the same outcome or how relatively similar cases experience different outcomes (Ragin, 1987: 49).

Third, the cases are considered as whole entities and are examined as wholes, not as a collection of variables:

> An interest in interpreting specific cases and in pinpointing the combinations of conditions, the causal complexes that produce specific outcomes encourages investigators to view cases as wholes. Thus, the difference parts of conditions that make up a case are understood in relation to each other (Ragin, 1987: 52).

Examining each case as a whole, as a total situation resulting from a combination of conditions, and comparing cases with each other as wholes, makes it possible to address causal complexities, to 'examine the conjunctures in time and space that produce the important social changes and other phenomena' (Ragin, 1987: 49). Fourth, the case-oriented method is flexible in its approach to evidence[31] thus stimulating a dialog between ideas and evidence. It provides a basis for examining how conditions are combined in different ways and in different contexts to produce different outcomes. The two historical cases constructed and analysed for the purpose of this research are the Irish banking and motor industries. They are detailed accounts of the inner and outer contexts, processes, and their contents at the three analytical levels. The rationale behind the choice of the cases is explained later in the 'Other research implementation issues' section.

3.3.4.2 Data Collection

According to Miles & Huberman (1994), strong and well-collected qualitative data:

- Should have local groundedness by being collected in a close proximity to a specific situation;
- Should be rich and holistic with a strong potential to reveal complexity and provide thick and vivid descriptions nested in a real context;
- Should be collected over a sustained period of time to allow for a study of a process and to assess causality;

• Should locate the meaning people place on the events, processes and structures, and connect their meaning to the social world, the data should have an emphasis on a 'lived experience'.

Moreover, the data collected within the framework of contextual research should be processual[32], comparative[33], pluralist[34], historical[35], and contextual[36](Pettigrew, 1990).

Data on the background and historical context should be gathered from reviewing documents 'produced in the course of everyday events or constructed specifically for the research at hand' (Marshall & Rossman, 2006: 107). Thus, the data for the construction and analysis of the cases within this research framework were collected from the archives (documents and historical sources), in-depth semi-structured interviews with open-ended questions, and official national and European publications and sources of statistical information. Strengths, weaknesses, and validity issues in relation to data collection methods of this research are described later in 'Methods: Issues of validity' section. A list of the respondents, including short bibliographical notes, is given in APPENDIX A.

3.3.4.2.1 Archival/Document Data

Longitudinal data were collected covering trade associations activities since the 1920s (depending on availability). The sources of the data were manifold: primary data included statistical data, minutes of meetings, pre-budget submissions, strategy and policy documents, memos, other company documents, annual reports, industry reports, indices maintained by different levels of Government and its agencies, trade journals, business magazines and newspapers[37]. Secondary data on the background and historical context were gathered from history books, economic history publications, and the reports of persons involved. The count of archival and document data used in this research is presented in Table 3-4. Particular focus was placed on trade journals. First, they act as a historical record of key issues and events as perceived from within an industry, and allow for the uncovering of the motivating factors behind the industry's actions and the particular strategies used in achieving their objectives. Second, they are published by players, whose output influences the interpretation of the issues, and who are subject to the political pressures exerted by other powerful figures (Molotch & Lester, 1975).

Archival & Document Data	Count
Official publications & statements: Central Bank of Ireland, Irish Government Committees, Irish Parliament debates, EU reports & publications, studies on behalf of Irish Government	68
Industry publications: Industry Journals, Minutes, Yearbook, Pre-budget submissions, Other publications	338
Third party publications: Studies, Conference proceedings	7
Periodicals	17
Books & other publications	47
Total	477

Table 3-4: The Count of Archival & Document Data

3.3.4.2.2 Statistical Data

Statistical data was obtained from the Irish Central Statistical Office (CSO), the Organisation for Economic Cooperation and Development (OECD), and the European Commission (EC). It was collected, displayed, and analysed to pinpoint key trends and characteristics of the Irish economy in general, and motor and banking industries in particular (Pettigrew, 1985b). For the economic history context and the two cases it provided the information listed in Table 3-5.

Economic Context	Unemployment ~ Inflation ~ GDP Growth per Capita ~ Industrial Disputes
Political Context	Cabinets Party Composition ~ Trade Union Density ~ Government's View on Corporatism and Unions
Motor, Manufacturing (D34)	International Trade ~ Value Added ~ Employment ~ Employee Compensation
Motor, Services (G50)	Value Added ~ Average Earnings ~ Employment ~ Industry Confidence
Motor, General	Registration of Vehicles ~ Stock of Vehicles ~ Import & Exports of Vehicles ~ Vehicles per 1000 People ~ Vehicles per 1km of Road ~ Production in Ireland & 5 other EU countries ~ Number of Coach-Building companies
Banking (J65-57)	Value Added ~ Employment ~ Employee Compensation
Banking, General	Interest Rates ~ Industrial Disputes ~ Average Earnings

Table 3-5: Statistics Collected and Used in This Research

3.3.4.2.3 Interviews

The interviews with thirteen respondents were conducted following the data analysis in order to add more exploratory and explanatory elements to the cases constructed following an analysis of the archival, document, and statistical data. The qualitative data was collected from interviews in order to achieve deeper meanings, to clarify the contexts already described, to obtain tentative explanations, to identify missing causations, and to obtain various perspectives in order to allow for triangulation. The key respondents were selected on the basis of their current and former positions in trade associations and or government departments, and included General Directors of trade associations, former Ministers for Finance, former civil servants, and economic historians, all of whom at different stages were involved in changes and strategic processes across both industries.

Interviews were mostly based on 'grand tour' type questions that asked respondents to give a verbal tour of something they knew well. They also allowed for focused responses (Leech, 2002) and a detailed, in-depth, insider's perspective for a better comparison across actors. Two interviews were held over the phone. The remaining interviews were held in Dublin. Each interview commenced with an introduction of the researcher and a short explanation of the nature and purpose of this research. All interviewees were given a guarantee that all of their statements would remain confidential if they found it necessary. Where appropriate, permission was asked for the use of a digital voice recorder (one interview was held in a pub environment, which due to the noise did not allow the use of a recorder, and two interviews were held over the phone). None of the interviewees had any objections to the use of a recorder. The telephone and unrecorded pub interviews were transcribed immediately after the interviews took place.

3.3.4.3 Data Analysis

Referring to the qualitative-quantitative debate and arguments about the data, Miles (1979: 591) wrote that

> the most serious and central difficulty in the use of qualitative data is that methods of analysis are not well formulated... The analyst faced with a bank of qualitative data has very few guidelines for protection against self-delusion, let alone the presentation of unreliable or invalid conclusions to scientific or policy-making audiences...

To overcome this problem of confidence in findings, Miles & Huberman (1994: 2) suggest that researchers need to work at 'sensible canons for qualitative data analysis, in a sense of shared ground rules for drawing conclusions and verifying their sturdiness'. Data analysis was carried out in accordance with Pettigrew's (1990) recommendations on the research output from a longitudinal comparative case study. The analysis for this study commenced at the early stages of data collection and became part of an on-going process. This allowed working with data already obtained and then generating strategies to collect new data. The chronology and description of the data collection/case construction/data analysis process is presented on Figure 3-2.

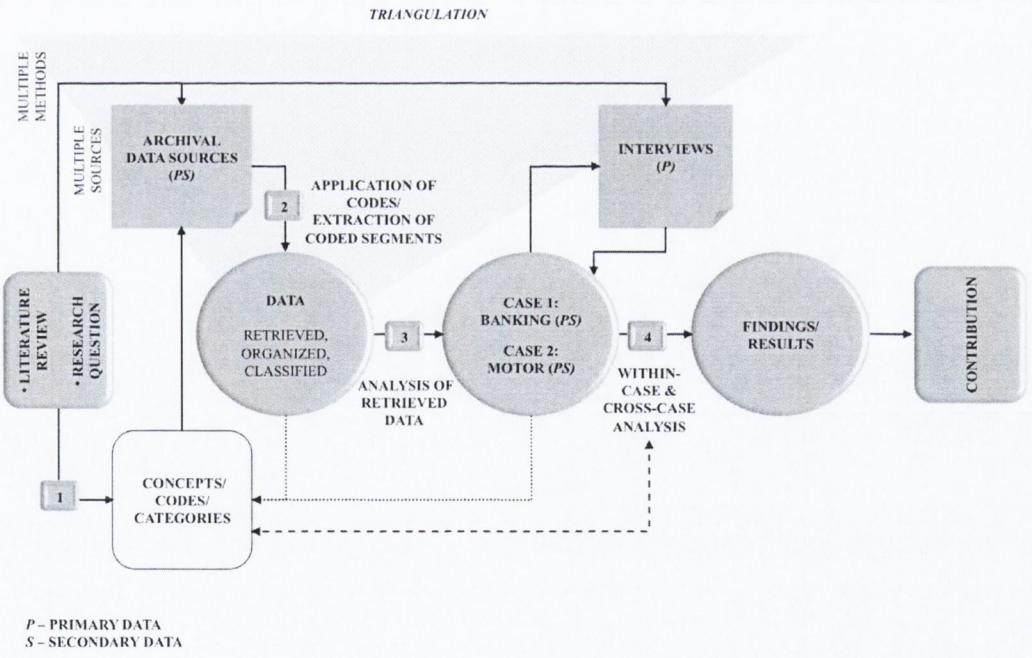


Figure 3-2: Data Collection & Analysis

Data analysis was guided by the theoretical and conceptual frameworks, and by the research question. The primary and secondary sources in the form of industry journals, parliamentary debates, government and EU-level reports, special documents, and media coverage were selected, consulted, and their content analysed (Pettigrew, 1973: 55). The content analysis of the document sources involved the following four stages: (1) the development of codes/categories, (2) the coding

and extraction of data from primary/secondary (P/S) sources, (3) organising the data into chronological order/cases, and (4) the coding and analysis of the cases.

Stage 1: The preliminary set of codes/categories[38] was developed prior to the data collection/analysis and was based on the conceptual framework and research question (Miles & Huberman, 1994). The inductive and context-sensitive nature of the research made it difficult to initially develop all of the codes and the list was continuously expanded with new context-driven categories. The lists and definitions of both the prespecified codes and the codes developed at later stages were recorded. Stage 2. Extended and unreduced text alone is a 'weak and cumbersome form of display', making it difficult to analyse and compare (Miles & Huberman, 1994). The descriptive and interpretive coding was used to retrieve, organise, and classify the relevant data from both extended and unreduced sources. This was done by attributing a class of phenomena to a segment of text and then extracting coded segments (Miles & Huberman, 1994). Stage 3. To understand the patterns and recurrences a more inferential and explanatory coding was used to group the summarised segments of data into more meaningful and parsimonious level of analysis – a case study report (Miles & Huberman, 1994), or 'chronological listings of qualitative events' (van de Ven, 1988: 333). At this stage the research output in the form of an analytical chronology and diagnostic cases (Figure 3-3) was achieved. This allowed for the clarification of sequences, suggesting causal linkages across levels, and establishing early analytical terms (George & Bennett, 2005; Pettigrew, 1990).

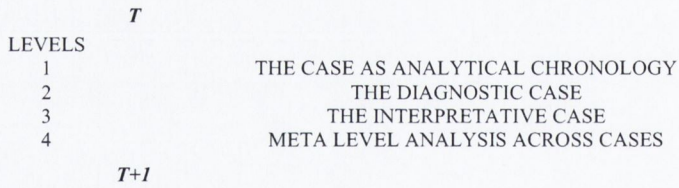


Figure 3-3: Varieties of Research Output from Longitudinal Comparative Case Study Work (Source: (Pettigrew, 1990: 280))

Memos, propositions, and vignettes were developed along the way to guide further data collection and coding (Miles & Huberman, 1994). Interviews were conducted prior to stage 4. The data obtained from the interviews were incorporated into the cases in a similar fashion to the one described above. Stage 4. The case-oriented analysis was then undertaken. This comparative historical investigation works well when the number of cases is relatively small. Each case should first be considered as a whole entity, and its within-case configurations should be looked at. This should then be followed by a comparative analysis of the cases (Ragin, 1987). The former allows one to move the 'analysis and writing beyond the analytical chronologies', and to link 'emerging conceptual and theoretical ideas inductively derived from the case both to stronger analytical themes within the case and wider theoretical debates in the literature' (Pettigrew, 1990: 281). The

latter links the 'theoretical and empirical findings across cases to wider bodies of literature' (Pettigrew, 1990: 281).

Thus, the longitudinal data in the form of cases was coded into conceptual categories from the study's conceptual and theoretical frameworks. It was then systemised and analysed (within-case analysis) [39]. In his paper on processual analysis van de Ven (1988: 334) refers to a similar process as 'coding chronological events into conceptual tracks' and 'analysing process patterns or cycles in activity tracks'. The interpretative cross-case and 'meta level' analysis was based on these within-case patterns and 'tracks'. The analysis followed the logic behind the research subquestions and the conceptual framework. The description and the analysis of empirical observations and findings across the two cases were followed by a discussion of the linkages of the empirical findings to the conceptual explanations derived from the literature.

3.4 RESEARCH VALIDITY & IMPLEMENTATION

No research method is without bias
(Webb, Campbell, Schwartz, & Sechrest, 2000: 2)

3.4.1 Soundness/Validity of Research

'Any research project should respond to canons of quality – criteria against which the trustworthiness of the project can be evaluated' (Marshall & Rossman, 2006: 200). The conventional positivist paradigm constructs (internal validity, external validity, reliability, and objectivity) were reworked by Lincoln & Guba (1985: 290, 2000) to fit with interpretative qualitative enquiry, and more accurately reflect the assumptions of the qualitative paradigm. In their earlier work the authors called such constructs 'establishing the truth value', applicability, consistency, and neutrality of the study, and later referred to them as *credibility*, *transferability*, *replication*, and *researcher's biases*.

The goal of *credibility* is to demonstrate that the enquiry was conducted in such a manner as to ensure that the subject was appropriately identified and described and that the findings of the study are credible. According to Marshall & Rossman (2006), the credibility of a study rests on its validity and is addressed by adequately outlining the parameters and limitations of the study. The issues of credibility of this study are addressed in the Conceptual Framework and Research validity and implementation subsections.

The notion of *transferability/generalisability (external validity)* is about how transferrable and applicable the findings are to another setting. In other words, are the findings of a study useful to others in similar situations, with similar research questions, or questions of practice. For a qualitative study, however, the study's transferability/generalisability (external validity) can be problematic and is often seen as a weakness. Stating the theoretical parameters of the research, by

referring to the original theoretical framework to show how concepts and models guided the data collection and analysis, can counter such challenges. Thus, future studies within similar parameters could determine whether the cases described could be generalised and transferred to other settings. For example, this study is tied to the fields of strategy and industry evolution. Therefore, it can be used in research on strategy in other organisational settings and in the study of industry level changes. In addition, triangulation, derived from navigation science, can be used to corroborate, elaborate, or illuminate the research in question, and can 'greatly strengthen the study's usefulness for other settings' (Marshall & Rossman, 2006: 202).

Dependability refers to the replication of the study with the same participants and in the same context. To account for this construct, a researcher needs to account for changing conditions on the phenomenon of the study and for changes in the design 'created by an increasingly refined understanding of the setting' (Marshall & Rossman, 2006: 203). While the positivist assumption of an unchanging social world logically allows replication, this construct is in direct contrast to the qualitative/interpretative assumption that the social world is being constructed, thus making the notion of replication problematic (Marshall & Rossman, 2006). While 'qualitative research does not claim to be replicable' (Marshall & Rossman, 2006: 204), and researchers concentrate on recording the complexity of situational contexts and interrelations, Marshall & Rossman (2006) suggest some steps that can be taken to address the concern of replicability. First, assert that qualitative studies cannot be changed by their nature, as the world changes. Second, keep a detailed account of each design decision and rationale behind it. Third, store all collected data in a well-organised and retrievable form in order to make them readily available if requested or challenged by another researcher. To address the dependability issue, all primary and secondary document data retrieved and organised for this study have been carefully organised in three different files: one for the context chapter, one for the motor industry, and one for the banking industry. The tape-recorded interviews were transcribed and stored in both electronic and hard copy formats. The over the phone interview questions were tape-recorded, the pub respondent's answers were immediately recorded from memory and stored in a hard copy format. In addition, during the primary data analysis the data were colour coded by hand to keep a record of the process.

Finally, the *confirmability* construct captures the concept of objectivity and refers to the logical inference and interpretations of the researcher (Marshall & Rossman, 2006). Confirmability refers to the degree to which the results could be confirmed or corroborated by others. Documenting the procedures for checking and rechecking the data throughout the study, also referred to as the 'audit trail' (Lincoln & Guba, 1985: 320), can enhance the confirmability of the results. The 'audit trail' trail of this study consists of well-kept and organised copies of archival sources, records of interviews, raw and reduced statistical data, memos, analysis notes, and lists of codes.

3.4.2 Sources of Invalidity of Measures

The threats to the valid interpretation of the phenomena can be broadly divided into three groups (Webb *et al.*, 2000). Thus, errors can be traced to (1) those being studied – reactive measurement effect, or to (2) a researcher/investigator. In addition, they can be (3) 'associated with sampling imperfections' (Webb *et al.*, 2000: 12) or varieties of sampling error. There is also a notion of (4) the 'efficiency' of the research instrument used.

(1) According to Webb *et al.* (2000: 12), 'the most understated risk to valid interpretation is the error produced by respondent'. This can include:

(a) Awareness of being tested (the Guinea Pig Effect);

(b) Role selection (specialised selection from many behaviours available in any respondent);

(c) Measurement as change agent (initial measurement activity introduces real changes in what is being measured);

(d) Response sets (mostly questioner – related sources of variance).

(2) Error threat from the investigator can include:

(a) Interviewer effect (characteristics of the interviewer can contribute a substantial amount of variance to a set of findings);

(b) Change on the research instrument (when an interviewer is a measuring/data-gathering instrument).

(3) Each method is associated with some restriction on reaching respondents and with the instability of populations geographically and over time. Thus, sampling imperfections can be associated with:

(a) Population restrictions (only certain populations are available for any given method);

(b) 'More important than the magnitude of the restriction' (Webb *et al.*, 2000: 25) population stability over time;

(c) Population stability over areas.

(4) There is also a non-validity issue related to the choice of method: the 'relative inability of different classes of measurement to penetrate into content areas of research interest' (Webb *et al.*, 2000: 28). The rigidness of each method can be divided into those linked to an interaction between methods and materials, those associated with time, and those associated with a physical area. One has to consider:

(a) Restrictions on content (for example historical records);

(b) Stability of content over time;

(c) Stability of content over areas.

3.4.3 Methods: Issues of Validity

3.4.3.1 Archival Sources

Documents and historical sources are ongoing continuing records of a society produced for other than scholarly purposes (Webb *et al.*, 2000). They are a 'potential source of scientific data, particularly useful for longitudinal studies' (Webb *et al.*, 2000: 53). Working with historical and document data has certain strengths and weaknesses. Despite the fact that documents are often the only available sources (Pettigrew, 1973), and that reality can 'only be an image or hypothetical conception of the actual past' (Berkhofer, 1969: 12), this research benefits from this data collection method in a number of ways. Historical and document sources are good for documenting major events, crises and conflicts, and for providing context information. In addition, it is easy to establish generalisability (Marshall & Rossman, 2006). Document data are collected in a natural setting. This provides context information, 'allows a wide range of types of data and participants', and 'expands access to distant participants' (Marshall & Rossman, 2006: 133). Historical analysis, in turn, is good for describing complex interactions, and for obtaining large amounts of data (Marshall & Rossman, 2006).

Bailey (1987), Marshall & Rossman (2006), and Webb *et al.* (2000) discuss major issues of the historical and document nature of data sources in more detail. First, while allowing for data collection on subjects to which there was no physical access due to the longitudinal nature of the research, such studies face a risk of little or no document availability (4a) and data incompleteness (4a). In addition, there might be a problem of selective deposit (3a) or selective survival biases (3a), when some evidence has not been preserved due to its relative unimportance, or was not recorded, as it was perceived to be 'negative' at the time. Pettigrew (1973) acknowledged that these two threats described by Webb *et al.* (2000)[40] particularly related to the analysis of documentary material in his study. Second, similar to indirect/nonparticipant observation, the document data benefits from little or no reactivity (non-reactivity) (1a), as there is no anticipation of being studied from a source /author of the document. Thus, the data collection method does not change the data collected. On the other hand, the documents used in this research could be biased, as they were not originally intended for research purposes. Third, while gaining from spontaneity (the actions were recorded when they occurred) and high quality (many records were created by professional reporters, civil servants *etc.*), coding and analysis is often complicated by the lack of a standard format.

In his discussion of the validity of different research methods, Bailey (1987) suggests three validity issues of historical and document data that one needs to consider. First, their face validity is 'increased by the fact that documents are often first-person accounts of events or feelings

experienced by the author of the document' (Bailey, 1987: 313). Thus, the sources of data used (government documents, journals published by trade associations, EU-level reports) establish and increase the face validity of the data gathered and retrieved for construction of cases. Second, the face validity should also be supplemented with criterion validity. Since many documents, however, were produced a long time ago, it is difficult to compare them with other data (obtained from interviews or observations) as a validity check, but it is often possible to crosscheck them with other document sources. Finally, there is a construct validity issue. It is related to the exposing and reducing of the subjectivity of judgments and can be increased by using multiple sources of evidence, or by establishing a chain of evidence.

3.4.3.2 Interviews

In general, interviewing is a flexible data collection method with a high response rate. The interviewer can observe non-verbal behaviour; control the environment and the question order. He/she can assess the validity of the answers, and benefit from spontaneous answers and completeness by ensuring that all questions are answered (Bailey, 1987). The strength of an interview as a data collection method for this study was in the method's ability to describe complex interactions, provide context information, and facilitate analysis, validity checks, and triangulation (Marshall & Rossman, 2006). At the same time, there are some general non-validity disadvantages and weaknesses to this data collection method. First, interviews are costly both financially and time wise, hard to schedule, inconvenient due to some unexpected circumstances, and depend on the cooperation of key individuals (Bailey, 1987; Marshall & Rossman, 2006). For example, some of the respondents interviewed for this study moved on with their lives and careers and were able to meet only in London or Brussels. In addition, due to very busy schedules appointments were often rescheduled, cancelled, or postponed. Second, there is a risk of bias from not understanding the questions/answers correctly, and from not being able to consult records and respond to some questions/answers (Bailey, 1987; Marshall & Rossman, 2006). All interviewees confirmed that they could be approached via email/phone/another interview if the need arose to follow up on some of the issues raised in the interview. Third, despite assurances of anonymity, the responses can affect the quality of sensitive data (Bailey, 1987). Finally, the interviews are difficult to replicate (Marshall & Rossman, 2006).

While the control a researcher has over the interview[41] strengthens the quality of the data, there are also some considerable validity issues with this method (Bailey, 1987), overreliance on which is 'dangerous because it does not give us enough points in conceptual space to triangulate' (Webb *et al.*, 2000: 33). First, an interviewee can impose biases (1a,b,c,d). For example, personalities, interests, and cultural backgrounds can all stamp respondents' testimonies (Pettigrew, 1973). An error can also be introduced when a respondent is answering in a socially desirable, but inaccurate

way, when he/she does not know the answer but would not admit this fact, or when questions asked refer to the distant past (Bailey, 1987). Second, the quality of data can also be weakened by biases or the errors of the interviewer (2a), including clerical errors or the social-desirability effect (Bailey, 1987).

3.4.4 Addressing Validity Problems

> While no single method is completely reliable, measures can be taken to increase the validity of data
> Pettigrew (1973: 61)

The weaknesses and invalidity of measures 'create the need for multiple and alternative methods (Webb *et al.*, 2000: 12), and the employment of novel 'oddball' methods gives enough space to triangulate (Webb *et al.*, 2000). Hence, the research design of this study employed a triangulated data collection and analysis strategy. Where practicable, the present study employed multiple methods (archival documentary and historical sources and interviewing), multiple documentary data sources, and multiple levels of analysis:

> A study using the content analysis of documents as a method might seek out documents from a variety of sources to test a particular hypothesis. The use of multiple observers and multiple levels of analysis may achieve the same result (Pettigrew, 1973: 53).

The sources of the invalidity measures of each method employed that are summarised in Table 3-6 suggest that interviewing, where available, can overcome the restriction on content issues common to archival data (4a). At the same time, documentary and historical data can address the interview validity errors associated with respondent/population and interviewer bias (1a,b,c,d; 2a). One of the major problems associated with any historical study is related to the restrictions in content (4a). The nature of archival data offers little chance to generate new data and interviews can compensate for only some of it. To reduce this error a 'close internal analysis' (Webb *et al.*, 2000: 55) by crosschecking available sources was undertaken.

Sources of Invalidity of Measures	1				2		3			4		
	a	b	c	d	a	b	a	b	c	a	b	c
Archival/Document	+	+	+	+	+					–		
Interview	–	–	–	–	–					+		

Table 3-6: Sources of Invalidity of Measures in this Research

Data were collected from different sources representing different parties involved in the process of change. For example, industry journals representing the industry view on the inner and outer contexts, processes, and content were checked with government reports, parliamentary debates, EU level documents, and official statistics often representing conflicting interests, newspapers and facts established from other sources. For the periods, which occur prior to the lifespan of respondents for which the testimonies of eyewitnesses[42] were unavailable, the published interviews of eyewitnesses were sought and consulted. Triangulation also helped to address problems

associated with transferability / generalisability of this research and of the criterion data validity. It is important to note, however, that factual information was not the focus of interest of this study. Rather the interest was in analysing the causes, strategies and consequences of the interactions and processes of one party (trade associations) with other parties representing its outer context. Here 'the distortions or biases of one groups in respect of another were important data in themselves' (Pettigrew, 1973: 67).

3.4.5 Other Research Implementation Issues

There are certain practical problems in implementing a 'research strategy incorporating the longitudinal comparative case study method' 'underpinned by a contextualist theory of method' (Pettigrew, 1990: 271). These two problems were faced when designing and implementing this research: (1) the choice of industries, and (2) defining industries.

3.4.5.1 Choice of Industries

While the 'topic choice, funding, the selection of sites, and realising access are all interconnected' (Pettigrew, 1990: 274), the selection of sites (industries/cases) for this research was not only driven by the choice of a research topic. The decision to choose the banking and motor industries as sites for this study was guided by a set of decision rules proposed by Pettigrew (1990: 276):

(a) go for extreme situations, critical incidents, and social dramas;
(b) go for polar types;
(c) go for high experience levels of phenomena under study;
(d) go for more informed sites to increase the probabilities of negotiating access.

According to rule (a) a researcher needs to choose cases, where the progress is 'transparently observable', meaning that there is a transparent look at the growth, evolution, and transformation of an association/industry. In banking there has been an observable pattern of extremes, where the Irish Banks' Standing Committee (IBSC) often alternates between absolute independence from and dependence on the Government. In the motor industry, in turn, the Society of Irish Motor Industry (SIMI) at times underwent a transformation from strategically weak to tactically efficient and back to weak. In its application to the research undertaken by Pettigrew, rule (b) referred to the degree of competitive performance (high vs. low). In this research the two industries act as 'polar types' from the point of view of their structures, and the strengths and roles of their trade associations. The banking industry has been characterised by low density. Its association has been very strong and has relatively few members. The fragmented motor industry's representative body, on the other hand, has been representing many companies and industry segments, but has traditionally exhibited little power. The pragmatic logic of rule (c) has been the evidence of the intense activity of motor and banking trade associations in Ireland. Finally, rule (d) is more of a 'general tactical

recommendation' (Pettigrew, 1990: 276), as the longitudinal study requires 'intensive access', which in this study refers to the issue of the availability of industry journals, and the accessibility of documents and interviewees. Longitudinal comparative case studies of industries are quite rare because of the difficulties with gaining access to complete data collection (Pettigrew, 1985a).

Another important consideration was the level of these industries' maturity to allow for a study of a continuous process in context. The banking industry in Ireland was established at the end of the 17th century, and the motor industry emerged with the introduction of the motorcar at the beginning of the 20th century. To allow for a cross-case comparison, historical and statistical (where available) data for the construction and analysis of both cases were gathered since the early 1900s. To provide additional context, the origins and short histories of the industries are also given. There also were some issues with data collection and degree of involvement. Therefore, the aim was to collect processual, comparative, pluralist and historical, and conceptual data to produce the cases, which were not purely chronological, but also to develop analytical themes (Pettigrew, 1990). A triangulated methodology was used to collect various types of data, which could be used as cross checks. For example, archival documents and industry journals provided facts, and open-ended interviews - depths.

3.4.5.2 Defining Industries

There are many definitions and conceptions about environments and industry in the literature (Scott, 2003) and there are no widely accepted criteria for defining industry boundaries (McGahan, 2004). Scott (2003) argues that the fact that organisations can absorb part of the environment (through vertical integration) or return part of their organisation to the environment (outsourcing) makes boundary definition quite difficult. According to McGahan (2004), too broad or too narrow a definition can lead to the wrong analysis and diagnostics of the industry. Researchers have developed some typologies to describe organisational environments; *e.g.* Emery and Trist (1965) classified them by the extent of interlocking relationships developed in four different environmental textures, extending from randomised to turbulent field environments; Warren (1967) based his on decision-making structures; while Meyer and Scott (1992) defined two types of organisational environments: technical and institutional (Scott, 2003). Over the last century the banking and motor industries in Ireland (and the world) underwent considerable transformation. For example, following R&D and globalisation, traditional banking expanded into the mortgage and insurance industries and got engaged in wholesale activities. Technological innovations leading to new industrial production methods and the fluctuation of economic conditions have changed the nature of the Irish motor industry from production, to assembly only, and back to production. The borders between supply chain segments have also blurred. All of these transformations have implications for the longitudinal analysis of any industry: so the task of

defining the scope of the research becomes a difficult exercise, especially for describing and analysing the outer context. To define the boundaries of the banking and motor industries for this research, a twofold approach was taken. First, the membership structure of trade associations, and the involvement of these segments in public and political activities in order to identify their components were examined. Second, standardised activity classifications developed by the Irish CSO and OECD were used as guidelines.

3.4.5.2.1 Non-Statistical Boundaries

Banking Industry

Limiting the case to banking only raised an issue of defining it. According to Hanson (1982), the traditional trade or business of banking involves taking deposits, lending money, and providing a money transmission service. But as Lord Denning (Hanson, 1982: 1) said, 'a banker is easier to recognise than to define', and as Hanson (1982: 1) writes, 'one might also reflect on whether the 'business' of banking is a trade, a profession or an industry'. To bound this enquiry, the bank case mostly deals with banks as credit institutions as defined by CSO:

> any institution covered by the definition contained in Article 4(1) of Directive 2006/48/EC (recast). Accordingly, a credit institution is "(i) an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account; or (ii) an electronic money institution within the meaning of Directive 2000/46/EC. The most common types of credit institutions are banks and savings banks.

Along with Central Banks and Money Market Funds (MMF), credit institutions comprise the Monetary Financial Institutions (MFI) category. MFI is defined as

> financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds

In other words, the scope of this case study is mostly limited to domestic (Irish) banking services and leaves out other financial services, such as insurance, services, investments, and funds administration. MFI and the international banks' segment present in Ireland is also often described, but is treated as context only. Some other terminological clarifications of banks (*e.g.* clearing or joint-stock bank) will also be introduced in the case to reflect on its contextual meaning.

Motor Industry

The motor industry in Ireland has had a quite unconventional, for a European country, structure and meaning. Since the independence of the country, the motor industry has comprised a whole range of motor-related segments. The composition of these segments has also been changing with time. For example, the motor assembly segment was dominant until the 1980s. Since then, the share of motor repairers has been increasing. Other important segments include car retailers and petrol

stations. Overall, the evolutionary changes of the boundaries of the Irish motor industry were reflected by the structural changes of its trade association. All of these transformations are introduced in the case.

3.4.5.2.2 Statistics-Imposed Boundaries & Sources of Statistical Data

The international reference classification for economic activities is the International Statistical Industrial Classification (ISIC Rev3.1) published in 2002, which includes both manufacturing and services[43]. At the European level, the corresponding classification is known as NACE[44] Rev1.1, and is aligned with ISIC Rev3. NACE Rev1.1 has the following levels:

Level 1	Categories	1-letter alpha codes: A to Q
Level 2	Divisions	2-digit numerical codes
Level 3	Groups	3-digit numerical codes
Level 4	Classes	4-digit numerical codes

Table 3-7: NACE Rev1.1 Levels

While the OECD use NACE Rev1 as described above, since January 1st 2009 the Irish CSO has updated NACE Rev1 to NACE Rev2 (compatible with ISIC Rev4). Both older and updated classifications, which place boundaries on the industries in this research, are listed in Table 3-8. The detailed 4-level description of what these activities include, as well as the differences in coding and classifications, are given in APPENDIX B.

STAN/ISIC REV 3/NACE REV 1	ISIC Rev3	ISIC Rev 4/NACE Rev2	ISIC Rev4
Financial intermediation, except insurance and pension funding	J65	Financial service activities, except insurance and pension funding	K64
Insurance and pension funding, except compulsory social security	J66	Insurance, reinsurance and pension funding, except compulsory social security	K65
Activities auxiliary to financial intermediation	J67	Activities auxiliary to financial service and insurance activities	K66
Manufacture of motor vehicles, trailers and semi-trailers	D34	Manufacture of motor vehicles, trailers and semi-trailers	C29
Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel	G50	Wholesale and retail trade and repair of motor vehicles and motorcycles (except automotive fuel)	G45

Table 3-8: STAN Industry Description: Motor & Banking (Data Source: OECD)

Depending on data availability, both OECD and CSO sources were used to create graphs for describing and analysing the outer context at the polity level. To avoid confusion and data incompatibility issues caused by the fact that the two sources of statistical data slightly disagree, they are used separately. In addition, the source, two digit codes, and the label of the indicator as originally used by the source, were explicitly indicated. The full description of the indicators is provided in APPENDIX C. Most of the data for this research were taken from the following OECD databases: (1) STAN (Structural Analysis databases, Industry & Services section), (2) Banks' Profitability Statistics database (Finance section), (3) Trade Union database (Labour section), (4) MEI (Industry & Service database, Industry & Services Section). The remaining data were obtained from the CSO website, Statistical Yearbook of Ireland, and from the EC's Economic Databases and Indicators (Business and Consumer Surveys Database).

3.5 CONCLUSION

This chapter consists of three main building blocks. First, it justifies the choice of methodology. Then it reviews the study's methods. Finally, it concludes with validity and research implementation issues. The contextual methodology of the study is based on Pettigrew's (1985a; 1985b) work. The description of the method for a contextualist analysis of the process is followed by a discussion of the archival, document, statistical, and interview data collection methods and of the data analysis. Credibility, transferability, replication, and the researcher's bias are identified as the main constructs that define the validity of a qualitative research. Separate validity issues that apply to each research method and ways to addresses them are also discussed. The chapter concludes with the justification of the choice of industries/cases and with a discussion of how the industry boundaries were defined.

ENDNOTES TO CHAPTER 3

[28] A B C D occur together with w x y z, A E F G occur together with w t u v, therefore A is the cause, the effect, or part of the cause of w.

[29] A B C D occur together with w x y z, B C D occur together with y w z. Therefore A is the cause, or the effect, or a part of the cause of x.

[30] According to Pettigrew (Pettigrew, A. 1988a. Introduction: Researching strategic change. In A. Pettigrew (Ed.), ***The management of strategic change***. Oxford: B. Blackwell.), 'longitudinal research on the transformation of firms, industries and markets is not yet well established'

[31] It does not constrain or restrict the examination of evidence and it does not force researchers to view causal conditions as opponents in the struggle to explain variation

[32] Emphasises action and structure over time

[33] Drawing on a range of studies in various sectors

[34] Describing and analysing competing versions of reality as seen by actors

[35] Considers historical evolution of ideas and actions for change, and the constrains, within which decision-makers operate

[36] Examines reciprocal relations between process and context at different levels of analysis

[37] Marshall & Rossman (Marshall, C., & Rossman, B. R. 2006. ***Designing qualitative research***. Thousand Oaks Sage Publications.) define archival data, especially minutes of meetings, logs, announcements, letters, records as primary sources of historical data

[38] Developed based on the codes described in Strauss & Corbin (Strauss, A. L., & Corbin, J. 1990. ***Basics of qualitative research: Grounded theory procedures and techniques***. Newbury Park, CA: Sage Publications.)

[39] Due to space constrain, within case analysis is given a limited space within the main body of the thesis. It is instead presented in full detail as an appendix

[40] Pettigrew referred to the first edition of Webb's book printed in 1966

[41] For example, the interviewer can attempt to ensure that questions are adequately answered

[42] Collecting data on experiences within the respondents' lifetime, which would have considerably overcome the limitation of document data, however, was not often possible.

[43] Earlier versions of STAN (pre-2000) were based on ISIC Rev.2 and covered the manufacturing sector only

[44] Nomenclature générale des Activités économiques dans les Communautés Européennes

CHAPTER 4 IRISH CONTEXT: ECONOMY, POLICY, & BUSINESS REPRESENTATION

> A researcher is in a stronger position to interpret historical material if his data collection and analysis are undertaken after he has acquired a thorough knowledge of the present-day culture of the society he is studying
> (Pettigrew, 1973: 67)

4.1 INTRODUCTION

This chapter explores the national, or outer context, within which trade associations emerged, and developed and implemented their strategies. This context comprises the economic and political environment, and incorporates the general issues related to business representation in Ireland. The contextual levels discussed here often define the developments within the inner context. These data are critical for the analysis of the case data, as it helps to identify and explain certain industry level developments and the peculiarities of industrial representation at different stages of industry evolution. The first section provides an account of various perspectives on Irish economic history and offers a review of the Irish economic environment. The second section explores the evolution of the political system, the issues related to the participation of Irish business interests in policy-making, and the regulatory environment regulating such participation.

4.2 IRISH ECONOMY & POLITY

4.2.1 In Brief: Irish Economic History

The 'take off' period in manufacturing output in Ireland before the 1780s was characterised by great changes and fluctuating fortunes: the optimism of the 1780s was swept aside by the depression of the 1820s, which lasted till the end of the century. The rise of protectionist movements in the early 20th century gave way to a free trade policy and the support of agriculture that was endorsed by the new state. Industrialisation was not promoted and industrial growth was limited. This policy was abandoned in the early 1930s in favour of protectionist and nationalistic measures (O'Hagan & McStay, 1981). The decades of the 1930s and 1940s marked the first phase of industrial growth. The minimal manufacturing base (employment and output) of the 1920s was increased by tariff campaigns. Changes to the free trade and export promoting policies introduced in the 1960s and 1970s considerably altered the structure of Irish industry: foreign and new firms contributed to increased industrial output and employment, while native firms went into decline (O'Hagan & McStay, 1981). The country's accession to the European Economic Community (EEC) in 1973 marked a new phase in its development. Ireland, however, remained economically weak until the 'Celtic tiger' phenomenon of the 1990s. The debates about how and why this unprecedented economic growth took place and what caused such a shift are still ongoing.

Figure 4-1 shows the dynamics of the three economic indicators for Ireland: GDP per capita, inflation, and unemployment rate. Since the 1950s Ireland has mostly been experiencing a positive GDP per capita growth with varying growth rates.

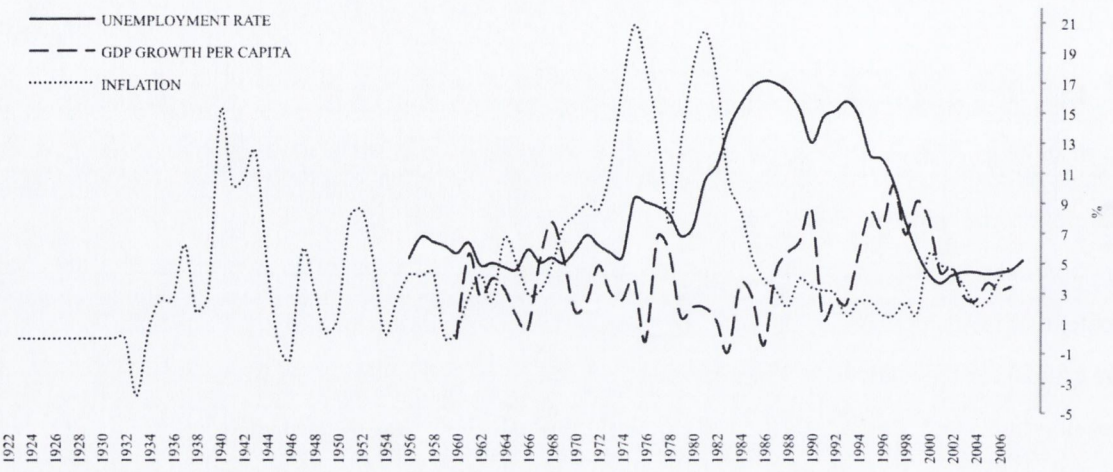


Figure 4-1: Irish Economic Indicators. Inflation: 1914-100% (Data Source: CSO, OECD)

The highest rate was observed during the decade from 1994. Declines in the growth rate have mostly been cyclical, and in 1976, 1982 and 1986 the GDP per capita growth was negative. Following a period of a deflation in the first half of the 1930s, Ireland experienced high inflation rates during World War II. The peak, however, was reached in the mid 1970s and at the beginning of the 1980s, thus corresponding with a negative GDP per capita growth period. Similarly, inflation has stabilised since the end of the 1980s. Finally, the unemployment rate has generally increased since the 1960s, reached its highest levels at the end of 1980s and then sharply declined in the second half of the 1990s.

4.2.2 Different Perspectives on Irish Economic History

In the last decade there have been many studies and publications about Irish economic development, which explored the causes of development, the processes that took place, and the consequences for society and the economy (Burke, 1995; Fitzgerald, 1968; Maher, 1986; O'Farrell, 1986; O'Hagan & McStay, 1981; Whitaker, 1983). Depending on the researcher's perspective, interest, and level of analysis, these studies often offer conflicting interpretations of an event, its causes and outcomes. For example, some economists and historians build their evaluation of Irish development on benchmarking Ireland with other European countries (Kennedy, Giblin, & McHugh, 1988; Lee, 1989). Others focus on the inadequate development of Irish industry (O'Malley, 1989), and explain the considerable variation in its general environment and performance by way of its exposure to variations in the prevailing attitude of the Irish cabinets to world trade and economic conditions in foreign markets (O'Hagan & McStay, 1981). Differences

in approaches and certain inconsistencies in the existing studies can also be explained by the diverse backgrounds of the authors (economics, history, business, sociology *etc.*), by the major data deficiencies experienced in Ireland[45], by the limited availability of capital stock estimates (Kennedy, 1992), by difficulties with data interpretation, and by ineffective data gathering (Fitzgerald, 1959). Despite these discrepancies, however, many authors directly or indirectly agree that Ireland often suffered from the failure of Government to adopt the right policies.

4.2.3 Independent Ireland

The independence of the country in 1922 separated the new Irish state from Northern Ireland, the only region with substantial industrial development (Kennedy, 1992). Upon achieving independence, Ireland inherited an extensive system of communications, a developed banking system, large external assets, a wholesale and retail network, and high literacy rates (O'Hagan & McStay, 1981). The economy, however, remained weak and 'almost non-existent' and industry was dominated by a few British-based conglomerates in drink, food, and textiles (O'Hearn, 1990). The heavy dependence of the Irish population on agriculture, the small size of the country, and minimum natural recourses meant that Ireland was heavily dependent on foreign trade (O'Hagan & McStay, 1981). Domestic capital was concentrated in a few agriculture-related areas such as flour milling and creameries.

The strong economic integration between Ireland and England (Maher, 1986) was most evident in the area of monetary relations: the *Currency Act of 1927* established a new Irish currency, which was backed by British sterling securities. Linking the two currencies made independent monetary policy impossible for Ireland, but at the same time provided some predictability in trade with Britain (Haughton, 2000). Ireland became a member of the 'sterling area', a group of countries within the British Commonwealth, which maintained similar monetary relations with Britain (Maher, 1986). Under the system of Imperial preference, relatively free trade relations existed between Ireland and the UK from 1922 to 1931 (Maher, 1986).

The first Irish independent administration emphasised continuity, stability and comparative advantage (Ó Gráda, 1994a), but following the destructive civil war, few measures were taken by the new Government to secure economic development (O'Hagan & McStay, 1981). According to Ó Gráda (1997), the economic policies pursued between 1922 and 1932 rejected industrialisation through import substitution and monetary experimentation. The Government focused on reducing the budget deficit through a regressive fiscal policy (Ó Gráda, 1997), and supported free trade[46], low taxes, modest direct state intervention in industry, and agriculture (Haughton, 2000). The growth model of the new Government was based on the beliefs that 'what was good for agriculture was good for the country' (Haughton, 2000: 27), and that free trade was beneficial for international

prosperity (Haughton, 2000; Maher, 1986). Low taxation in the 1920s was supported by a national ideology, caution, and an emphasis on minimising costs (Ó Gráda, 1994a).

The industrial policy of the 1920s and early 1930s was mainly concerned with the protection of existing native industries from foreign competition, rather than with the establishment of new ones (O'Farrell, 1986; O'Hagan & McStay, 1981). One of the first steps taken by the new Government was the establishment of the Fiscal Inquiry Committee in 1923 to investigate and report on the effects of measures regulating or restricting imports or exports on industry and agriculture (O'Hagan & McStay, 1981) Several weaker industries (Flour, Milling, Tobacco, and Margarine) made a case for protection against British imports, and some smaller industries (Boots and Shoes, Clothing, Paper, Fertiliser, and Glass Bottle) also hoped for state protection. O'Hagan & McStay (1981) suggested that while the weakness of these industries lay in the failure to provide for changing tastes and to adopt new technologies, certain industries with high agricultural content (Bacon curling, Butter-making, Malting, Biscuits, Jute, Brewing and Distilling), in contrast, showed no desire for protection (O'Hagan & McStay, 1981). This inconsistency across different sectors created an imbalance between those in favour of protection and those ready to export (O'Hagan & McStay, 1981). The Fiscal Inquiry Committee was cautious about endorsing protectionism and limited state support to a short list of industrial goods subject to revenue and McKenna duties, and Government guarantees of bank loans under the *Trade Loans Act of 1924* (Maher, 1986; O'Farrell, 1986). In 1925 the range of protected goods was expanded (O'Hagan & McStay, 1981). By 1931 the Tariff Commission, established in 1926 to examine and report on applications for protection, increased the list to 59 categories (Maher, 1986). Among other measures undertaken during this period, the Government expanded the Department of Agriculture, replaced the Congested Districts Board with the Land Commission, passed laws to improve the quality of agricultural output by regulating the marketing of diary produce and improving the quality of livestock breeding, and set up the first state-sponsored bodies[47] (SSB). SSB's were subsequently established in many other sectors of the economy (including air, train, bus transport, industrial credit, insurance, peat development, trade promotion, and industrial development), and have long been viewed as quite successful instruments in aiding the economic development of the new independent state (Haughton, 2000). Economic and social data reflecting development between 1924 and 1926 indicates an increased level of emigration of skilled labour and reduced demand for Irish exports following sterling's return to the gold standard. Between 1926 and 1931 indicators show continuing emigration and a decrease in cattle numbers despite an increase in GDP, industrial employment, and exports (Haughton, 2000).

4.2.4 Era of Protectionism

Under the leadership of Eamon de Valera and the Fianna Fail Government, which came into power in 1932, Ireland experienced a dramatic shift from free-trading to protectionism and import-substitution (O'Farrell, 1986; O'Hagan & Foley, 1982). The rationales for this transition were the creation of Irish industry through the replacement of British imports with an indigenous manufacturing sector (Ó Gráda, 1997; O'Hagan & Foley, 1982; O'Hearn, 1990), and switching from agricultural livestock towards tillage. This new policy orientation won strong support following changes within both the wider regional and national economic contexts. In relation to the former, following the Great Depression there was a general prevalence of protectionist policies and import controls in Europe (O'Hagan & McStay, 1981; O'Hearn, 1990) (Ó Gráda, 1997; Whitaker, 1983). Internally, independence and an 'Economic War' between Ireland and Britain over the repayment of land annuities (which lasted from 1933 to 1938) led to retaliatory measures being taken by both sides (Maher, 1986). It fuelled and intensified Irish economic nationalism (O'Farrell, 1986), thus driving national support towards protectionism (Whitaker, 1983). The new policy was not welcomed by the owners of larger companies to whom trade with Britain was very important (O'Hearn, 1990). But protectionism became much more attractive for certain parties opposed to free trade: small farmers hoped to increase their power; industrial workers and trade unionists wished to build an Irish industrial sector; the industrial working class, smaller companies[48] and craftsmen hoped for growth opportunities; and those involved in non-food sectors (such as shoes, clothing, and grain milling) exported less than 20 per cent of their products – too little to benefit from free trade (O'Hearn, 1990). According to Ó Gráda (1994a), the new regime's shift of support from stronger organisations to smaller producers and tillage farmers was only a partial success (Ó Gráda, 1994a).

In 1932 the Federation of Irish Manufacturers (FIM) was set up to lobby for industrial protection. During the 1930s and 1940s this major representative body of Irish capital used its political power to influence legislation alongside its consultation function with the Government (O'Hearn, 1990). FIM acted in the interests of local capital on a series of central issues and initiated the *Control of Manufactures Act of 1934*, which became one of the first acts of the new Government (O'Hearn, 1990; Whitaker, 1983). The Act was aimed at strengthening self-sufficiency through the restriction of foreign ownership and the board membership of Irish manufacturing firms (O'Farrell, 1986; O'Hagan & Foley, 1982; O'Hagan & McStay, 1981). In some sectors (including the motor vehicle industry) tariffs were imposed to force foreign firms to manufacture and assemble goods locally (O'Farrell, 1986; O'Hagan & McStay, 1981), in others - to prevent the dumping of foreign goods on domestic markets, and encourage the decentralisation of industry to reduce rural unemployment (O'Hagan & McStay, 1981). According to O'Hearn (1990). The new tariff measures turned Ireland

into one of the most protected economies in the world: by the end of 1937 1,947 industrial articles were under protection and the tariff level index reached 45 per cent in 1936[49] (a five-fold increase from 9 per cent in 1931). The underdeveloped industrial capital market and the absence of financial facilities for new industries led to the establishment of the Industrial Credit Company (ICC) in 1933 as an industry lending body (O'Hagan & McStay, 1981; Whitaker, 1983).

It has been argued that the indicators showed contradictory achievements of the protectionist policy in the short run. The country experienced deflation from 1932 until 1934 (Figure 4-1), and, according to O'Hagan and McStay (1981), between 1931 and 1938 it underwent a rapid increase in employment and a slower increase in manufacturing output. From 1931 to 1939 industrial employment increased from 62,608 to 101,004 (O'Hearn, 1990). The output of the chemicals, paper, shoes, textiles, and clay/cement sectors grew substantially, and tripled in the metals and engineering sectors (O'Hearn, 1990). At the same time, between 1931 and 1935 the share of imports for a range of products fell, (O'Hagan & McStay, 1981). Productivity decreased between 1931 and 1938, and some export-oriented industries (beer, porter, ale and stout and agriculture) experienced a fall in employment (O'Hagan & McStay, 1981). During the war, inflation reached unprecedented levels (Figure 4-1) and both output and productivity stagnated (Ó Gráda, 1994a). The scarcity of certain goods made protectionist policies irrelevant (O'Farrell, 1986; O'Hagan & McStay, 1981), and for practical reasons tariffs were suspended in 1942 (O'Hagan & McStay, 1981). The immediate post-war period witnessed the reintroduction and extension of protection on goods previously covered, and the protection of new products (O'Farrell, 1986). It was marked by an increase in industrial output in most industries, an increase in population for the first time since 1841, and an increase in GDP per capita (Haughton, 2000). The first inter-party Government that took office in 1948 re-emphasised the importance of agricultural exports (Ó Gráda, 1994a). A 1948 Trade Agreement amended previous provisions in order to meet a changing environment. According to Haughton (2000), the most important economic outcome of the war period was the widening gap in income levels between the north and the south of the country[50], when, due to the scarcity of raw material inputs and a shortage of shipping capacity during the war, Ireland experienced a fall in imports, exports, and industrial output. Despite the fact that economic, social, and political problems after the World War II made cooperation a worldwide trend (Maher, 1986), Ireland missed out on the rapid post-war development boom and it emerged from protectionism later than the rest of Western Europe (Barry, 2003). Some (McAleese, 1982; Ó Gráda, 1994a) view this as a big policy mistake. The country had to reverse its protectionist policies in the late 1950s (Barry, 2003). Industry, however, was still inefficient and was a strong lobby against liberalisation (Haughton, 2000). With rare exceptions[51], the performance of protected industries was generally negative during the shift to free trade in the 1960s (Ó Gráda, 1994a).

There have been mixed views on the era of protectionism in Ireland. As suggested by Whitaker (1983), the first years of the self-sufficiency policy were neither successful, nor disastrous. The Irish Banking Review (1958) suggested that the under the circumstances the intensification of a moderate protective policy led to the emergence of many successful industries, and that the protectionist programme and the *Manufacturing Acts* appeared to be justified. The Acts secured Irish ownership and control of protected industries and raised the cost of the capital for Irish industry (Irish Banking Review, 1960). O'Hagan and McStay (1981) also suggest that the protectionist policies were effective in the development of new industries and the expansion of older ones. According to Ó Gráda (1997), protectionism led to increases in manufacturing output and employment in 1930s, and helped Ireland face the challenges of World War II. O'Hearn (1990) suggests that regardless of the fact that Irish living standards prior to the War were below those of the rest of Europe, the country was well off because its production levels and living standards did not drop. McAleese (1982), on the contrary, argues that in addition to tariffs being higher than needed, they were maintained for longer than necessary for a young industry to survive, and were imposed without sufficient discrimination. Ó Gráda (1994a: xii) also argues that 'the real policy mistake was not to revert to a more open economy after 1945'. The impact of the 'Economic War', which ended with the Anglo-Irish Trade Agreement (AITA) of 1938 (O'Hearn, 1990; Whitaker, 1983) makes it harder to assess the effects of the protectionist policy (Maher, 1986). Despite some economic improvements between 1932 and 1937[52], suggested by Census of Industrial Production data, the combined effects of protectionism and the 'Economic War' led to certain difficulties in Irish industry[53] (Haughton, 2000; Maher, 1986), which lasted until the late 1950s. Indicators recorded slow GDP growth rate[54], rising unemployment, and high levels of emigration between 1950 and 1960. Some researchers (Haughton, 2000) (Ó Gráda, 1997) believe that by the 1950s the Irish economy was performing fairly well and that this was a good time for its reorganisation towards the export markets (Haughton, 2000). In 1951 40 per cent of the working population was employed in agriculture (compared with 53 per cent in 1926), and 22 per cent was involved in industrial production (compared with 13 per cent in 1951), 90 per cent of which were unionized in 1958 (O'Hearn, 1990). Kingston (1995) suggests that the advance of the country in the 1950s was not the outcome of the system of grants used as an incentive to attract foreign investment (they were just capitalised subsidies to compensate disadvantages of locating in Ireland), but was primarily due to changes in the legal system, which allowed for zero tax on export profits. This transformed the value of holding property in the form of manufacturing assets. Many, however, view the 1950s as a decade of failure. A series of expansionary measures implemented under Marshall Aid in 1948 came to an end in 1951, but the country was still facing a balance of payments deficit and national income stagnation (Ó Gráda, 1997; O'Hearn, 1990).

There are a number of viewpoints that attempt to explain the poor overall economic performance of the country during this period. Haughton (2000) suggests that the export sector was not large enough to initiate growth, Kennedy & Dowling (1975) blame restrictive fiscal policy, which caused insufficient aggregate demand, and Ó Gráda (1997) proposes transition time difficulties, protectionist policy, the sterling devaluation of 1948, and the Korean War of 1950 as explanations. O'Hearn (1990) refers to the impact of the Anglo-Irish economic war, continuing reinvestment of profits abroad in order to access a higher rate of return[55], and Ireland's trade and financial dependence on England, which kept the country from expanding its dealings with the dollar area, and a growing dependence on imports. O'Hearn (1990) also argues that the Finance Department's deflationary measures of 1952-1956 aimed at controlling the trade deficit, reducing spending, and increasing savings led to the 3 per cent fall in industrial production, the 7 per cent fall in agricultural production, the 1.3 per cent fall in GNP, and the 2 per cent fall in employment in the late 1950s. The inflation rate fell by approximately 8 per cent (Figure 4-1). As a result, negative economic growth, rising unemployment and emigration contributed to the deepening crises in the Irish economy (O'Hearn, 1990).

4.2.5 Trade Liberalisation

By the end of 1956 expansionary policies and 'foreign-led industrialization by invitation under free trade' was the official position of the Irish Government (O'Hearn, 1990: 27). A series of grants, schemes, tax reliefs , agricultural and industrial incentives (O'Hearn, 1990) provided incentives for the restructuring of industry. The *Economic Development* report and the White Paper *Programme for Economic Expansion* were thought of as indicators of the Government's willingness to implement economic expansion policies (1959). *The Finance Acts of 1956, 1957 and 1958* extended industrial investment grants, removed restrictions on foreign investment, offered more powers to encourage foreign investment to the Industrial Development Authority (IDA), and granted an export-profits tax relief of 50 per cent, and then 100 percent (Haughton, 2000) (O'Hearn, 1990). In 1957 Ireland joined the International Monetary Fund (IMF) and the World Bank (Haughton, 2000) and in 1961 Ireland applied for EEC membership (O'Farrell, 1986).

The *Finance Acts of 1956 and 1960* granted tax remission on profits earned from increases in exports and tax reliefs (O'Farrell, 1986). The export promotion body, Córas Tráchtála, and the grant-giving authority, Foras Tionscail, were set up in 1952 as part of the organisation of industrial expansion (Whitaker, 1983). The Grey Paper *Economic Development* and the *First Programme for Economic Expansion* emanating from the Department of Finance were introduced in the late 1958. As a first exercise in economic planning, the Programme outlined the strengths and weaknesses of the economy and emphasised the importance of farm investment. The programme's primarily aim of encouraging private enterprise (Whitaker, 1983) was to be achieved through the phasing out of

protection against imports, encouraging export-producing industries to expand industrial exports, and attracting foreign direct investments (O'Farrell, 1986). The policy favoured incentives to stimulate private industrial investment, and proposed to dismantle tariffs and expand spending on agriculture (Haughton, 2000). Protection was only granted to new industries, which otherwise would not be able to survive (O'Farrell, 1986). While Haughton (2000) suggests that the programme generally was not implemented, Whitaker (1983: 75), by contrast, notes that its was successful 'beyond the initial modest expectations' when annual economic growth reached 4 per cent, the country experienced no problems with its balance of payments and prices rose very moderately. While the historians generally favoured the Programme, many argue that the economy would have performed just as well without it (Ó Gráda, 1994a).

The *Industrial Development (Encouragement Of External Investment) Act of 1958*, which replaced the *Control of Manufacturers Act of 1934*, was aimed at encouraging investments by removing restrictions on the foreign ownership and control of Irish industry, granting more power to the IDA to encourage foreign investment in Ireland, and providing tax incentives for export oriented companies set up in Ireland (Haughton, 2000; O'Farrell, 1986; O'Hagan & Foley, 1982). The Shannon Free Airport Development Company was set up in 1959 (Haughton, 2000) to promote and administer an industrial estate and foster developments in the Mid West region (O'Farrell, 1986). The *Finance Acts of 1959 and 1960* extended the tax concessions on profits and investment originally introduced in 1956 (Whitaker, 1983). To develop the entire industrial sector, ICC was given greater resources for making loans to industry (Whitaker, 1983). The Committee on Industrial Organisation set up in 1961 to support industrial restructuring, developed a set of recommendation on adaptation grants, loans and tax incentives and rationalising industry in anticipation of joining the Common Market (Irish Banking Review, 1961a) and to help firms modernise (Haughton, 2000; O'Farrell, 1986). Its members included representatives of trade unions, employers' organisations, and public servants (Whitaker, 1983). The industry Adaptation Councils, which were replaced by the IDA Re-Equipment grants programme a year later, were set up in some industries to coordinate rationalisation, though the progress of these adaptation programmes was questioned by the National Industrial Economic Council (NIEC) in 1968 (O'Farrell, 1986). Strategies for survival in free trade conditions were aimed at the restructuring of activities, but it appeared that investments were instead targeted towards increasing productivity and efficiency in existing products in order to retain current employment levels (growth in outputs was associated with a decline in employment) (O'Farrell, 1986; O'Hagan & McStay, 1981). All of this undermined the capacity of Irish firms to generate self-sustained growth (O'Farrell, 1986). The NIEC was set up in 1963 to provide an industry-Government communication framework (Maher, 1986) and advise the Government on the principles that should guide the economy. Its membership

included representatives of industry and trade union movements, university professors, other public servants and public sector representatives (Whitaker, 1983). According to Whitaker (1983), besides continuous analysis and discussions of economic and social problems, the Council succeeded in studying the conditions under which full employment might be attained

Between 1960 and 1973 the Irish economy showed improvement. The unemployment and inflation rates remained stable and GDP per capita experienced periods of strong growth (Figure 4-1). The improvement has mostly been attributed to the strategy of export-led growth, which incorporated trade liberalisation and the attraction of foreign direct investment, and less so to the improving terms of trade, expansionary fiscal policy, and the boom in the European economy. The *Second and Third Programmes for Economic Expansion*[56] were more detailed and ambitious than the *First Programme* and contained specific industrial projections (Ó Gráda, 1994a; Whitaker, 1983). The *Second Programme* stressed export-led growth and the structural changes required to adjust to free trade (O'Farrell, 1986). It outlined projections for an expected increase in resources and their usage for individual industries and industrial groups, which were discussed with major interests groups, including trade unions and industrial organisations (Maher, 1986). Both programmes were abandoned before the planned date as the targets of the *First* were not met (Haughton, 2000; Ó Gráda, 1994c) and the *Third* seemed very unrealistic (Ó Gráda, 1994a). Ireland signed the Anglo-Irish Free Trade Area Agreement (AIFTA) in 1965 (the elimination of imports protection imposed threats to certain sectors, and especially to the motor vehicle assembly industry (Maher, 1986)), and the General Agreement on Tariffs and Trade (GATT) in 1967 (Haughton, 2000). The former provided for the gradual removal of protective duties on UK manufacturers. To keep industrial costs at a competitive level, the Government initiated a wage-restrained policy (Haughton, 2000). Wage bargaining was centralised in 1970 under the National Wage Agreement (Haughton, 2000). These changes resulted in a rise in investments, faster growth, and prepared Ireland for EEC membership (Haughton, 2000).

4.2.6 EEC Accession

Trade liberalisation in the late 1950s, and EEC accession in 1973 dramatically changed the economic environment of the country (Barry, 2003). The EEC was founded primarily as a customs union and the requirements of membership led to further reductions in trade barriers (which were mostly removed in 1977). Some of the less obvious restraints on trade within the EU remained till the early 1990s (Haughton, 2005). Foreign investors, who were granted generous incentives, contributed to a remarkable transformation of the country in the late 1950s and early 1970s (Ó Gráda, 1994a). EEC membership increased exports and GDP, and led to a reduction in trade barriers, which were completely removed by 1977 (Haughton, 2000). The common Agricultural Policy (CAP) subsidised farm prices, and the country also received structural funds, such as

Regional Development, and Social and Cohesion under the Community Support Network (Haughton, 2000). As noted by O'Farrell (1986), during this period a greater emphasis was placed on import substitution policy and the development of small indigenous industries and services. To achieve this and to encourage the expansion of firms through partnership arrangements with foreign companies, the IDA initiated a new Joint Venture programme in 1973. The Project Identification Unit (PIU) was set up in 1975 to recognise import substitution opportunities for Irish companies and to promote the development of component linkages with larger foreign branches. An Enterprise Development Programme (EDP) was founded in 1978 to provide interest subsidies and guarantees on loans for working capital under the *Industrial Development Act of 1977*. Export Profits Tax Relief was not approved by the EEC, and in 1978 it was replaced by a new corporation profits tax of 10 per cent for all manufacturing in the years 1981-2000 inclusive (O'Farrell, 1986).

4.2.7 From Sterling to EMS to Euro

Economic growth marked by decreasing inflation and unemployment rates, and an increasing GDP per capita growth rate (Figure 4-1) lasted from 1976 until 1979. It was, however, followed by high inflation and unemployment rates, and negative GDP per capita growth (Figure 4-1). In the literature this period is described as that of 'weak Governments', 'unruly public finances', and 'tight monetary policy' (Haughton, 2005). By the early 1980s the Government was facing heavy public commitments, and a sizable fiscal deficit, much of which was financed through increased foreign borrowing (Hardiman, 1992). To tackle inflation and avoid an appreciation in sterling with the appearance of North sea oil, which would negatively impact Irish exports, Ireland joined the European Monetary System (EMS) in 1979 (Haughton, 2005). But public spending and debt were still rising and continuing fiscal policy and wage increases slowed the reduction in Irish inflation, which, in turn, overvalued the Irish pound in comparison with the German mark and the currency was devalued within the EMS (Haughton, 2005). Taxation increased and cutbacks in Government spending reduced the ratio of public debt to GNP. At the same time, it increased unemployment and did not raise consumption levels (Ó Gráda, 1997). According to Haughton (2005) by 1992 the Government managed to cut the ratio of debt to GDP by more than 100 per cent due to the introduction of a very tight budget in 1987. When in the 1990s Ireland overcame its currency related problems and its decision to join EMS proved to be correct, the system fell apart and the EU decided on a single currency system. Ireland had no independent monetary policy and the country signed the Treaty of Maastricht in 1992, which was ratified the following year (2005).

Growth began again in 1987 and reached exceptional levels in the mid 1990s (Figure 4-1)(Haughton, 2000), inflation was low, and the unemployment level was decreasing (Figure 4-1). There has been a lot of speculation on the subject of the country's rapid growth. Ó Gráda (1997) suggests that this performance either implied that, though unseen before, the conditions for

economic growth were created earlier, or that the situation was a temporary outcome of the inflow of EC funds and compensations. Haughton (2000) emphasises that economic indicators also do not suggest specific causes of growth. Investments did not rise; taxes, education or the age bands of the working population did not change; EU financial assistance remained steady or even fell slightly. There were, however, a few factors that together were able to accelerate the Irish economy. For example, the booming US economy, which allowed American firms to invest abroad, a 10 per cent tax on manufacturing profits, a well-educated work force, the creation of a Single European Market, and the opportunity to serve it as an English speaking country, a credible macroeconomic stance, and wage restraint (Haughton, 2000). White (2005) suggests that the inflows of foreign direct investment contributed to the emergence of the 'Celtic Tiger' economy by creating employment. He demonstrated that the Irish Financial Services Centre (IFSC) contributed successfully to Ireland's economic development at a time when industrial policy was focused primarily on employment creation. Over the ten-year period from 1995 to 2005 concern over unemployment shifted to that of labour shortages. Long-term unemployment was reduced from 9 per cent in 2004 to less than 2 per cent in 2005 and was accompanied by continuing growth in labour productivity (O'Hagan & Newman, 2005). Joining the Eurozone brought changes in the policy and economic decision-making environment. At the same time heavy investment from the USA strengthened the country's industrial connection. The Irish connection with the UK also remained very significant (O'Hagan & Newman, 2005).

4.3 BUSINESS REPRESENTATION IN IRELAND

4.3.1 Irish Political System, Rent-Seeking, & Lobbying

The Irish political system has been characterised by the centralisation of Government, the wide scope of public enterprise, the weakness of left-wing parties, and the stability of a party system dominated by the two major parties (O'Carroll, 1987) with similar political ideologies (Roche, 1992). The chronology of the Irish cabinets' party composition since the early 20th century is presented on Figure 4-2.

According to Kingston (1995), Fianna Fáil policies in the 1930s caused a big shift towards collectivism and industrial protection thus allowing for rent seeking through lobbying. Rent-seeking behaviour (*e.g.* individually negotiated protective arrangements, lobbying for unnecessary production in return for high-ranking positions) resulted in badly equipped companies, and obsolete products and contributed to the failure of protected industries to become competitive when the protectionism experiment was abandoned (Kingston, 1995). At later stages of Irish industrial development rent-seekers targeted external borrowing and EU transfers (Kingston, 1995). Kingston (1995) points out a few examples of successful rent-seeking behaviour: the Temple Bar special tax

breaks legislation (benefited the Financial Services Centre), the purchase of assets with public money at inflated prices (Telecom, the Kilrush marina), disposal of public assets without competitive tendering (CIE), monopoly granting of export credit insurance (beef firms), and ambiguous land rezoning (construction companies).

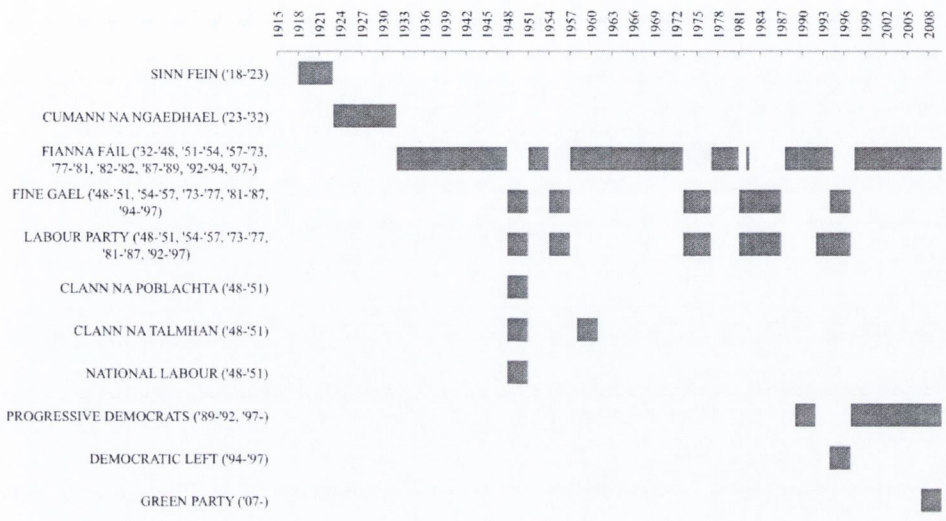


Figure 4-2: Irish Cabinets Composition (1915-2008)

Fianna Fáil favoured active involvement in industrial relations and collective bargaining, and promoted a social partnership between the state, union federations and employers as part of a 'national consensus' economic policy (Roche, 1992). The politically and economically liberal Fine Gael moved towards more social-democratic policies in the 1950s (Roche, 1992) but the party didn't get actively involved in pay bargaining (Roche, 1992). The Cumann na nGael Government hesitated between maintaining free trade and implementing interventionist policies (Kingston, 1995). The period was marked by a large number of applications for tariff and quota protection (Kingston, 1995). Rent-seeking examples from this period include P. J. Carroll's (Dundalk tobacco company) successful lobbying for preferential excise terms, the foundation of the first semi-state bodies, the Shannon Scheme/ESB to pre-empt a private enterprise hydroelectric scheme on the Liffey, and specific legislation that allowed for the Irish Hospitals' Sweepstakes (Kingston, 1995). Government policies between 1956 and 1957 caused a split between Irish companies in favour of and against expansionary policies and free trade. The Federation of Irish Manufacturers (FIM) announced that many employers were 'disappointed that he [one of the FIM members] finds himself no nearer to expanding his export business whilst the newcomer, either from within or without the country, can now enter the field with financial benefits and taxation remissions which are denied to the pioneer' (O'Hearn, 1990: 29). In 1957 only five of the thirteen major companies favoured Ireland's entry into the Free Trade Area (FTA), which was about to be set up in Europe. By that time entry to the FTA became inevitable, the disarray of Irish capital became even worse –

those who had chances to survive distanced themselves from those who could fail under the coming pressure from foreign competition (O'Hearn, 1990).

Occasionally, business was invited to participate in the development of such initiatives. For instance, the second programme of economic development initiated by the Fianna Fáil Government involved a process of consultation with industry interests (Fitzgerald, 1968). Initial informal consultations on the net output target growth rates were held with the Federation of Irish Industries (FII) at the beginning of 1964 (Fitzgerald, 1968). Discussions at this aggregate level, however, proved difficult and further informal consultations on targets for individual industries were held at technical levels (Fitzgerald, 1968). Procedures for these consultations approved in April 1964 varied across industries (Fitzgerald, 1968). In the eighteen out of sixty industries characterised by large firms, discussions were held with representative organisations, industry Adaptation Councils, and Government representatives[57] (Fitzgerald, 1968). In twenty one industries dominated by smaller or fewer firms, projections were made by these companies upon considerations of the tentative output targets prepared by the Economic Division of the Department of Finance and submitted by the Department of Industry and Commerce (Fitzgerald, 1968). For the remaining industries the projections were generally made by the Department of Finance or the Department of Agriculture (Fitzgerald, 1968). Because of complications, the second part of the Programme was published without the result of industrial consultations, which were later produced by the NIEC (December 1964) (Fitzgerald, 1968). From the early 1960s the expanding role of the state was marked by an increase in Government expenditures, taxation, and public consumption, and a fall in the share of the private sector work force (O'Carroll, 1987), as shown on Table 4-1.

Indicator	'61	'66	'71	'76	'81	'83	'85
Government expenditure, % of GDP	29.7	33.6	-	45.8	53.1	54.7	53.9
Private consumption, % of GDP	78.9	75.0	70.0	64.3	63.7	58.8	58.8
Public consumption, % of GDP	12.5	13.6	15.2	18.4	21.8	20.3	18.6
Gross investment, % of GDP	16.3	19.8	23.6	24.8	29.9	22.7	21.0
Taxation, % of GDP	23.2	26.8	31.7	35.9	39.1	42.9	-
Unemployed, % of workforce	4.2	4.3	5.2	9.5	10.2	15.1	17.0

Table 4-1: Indicators of the Expanding Role of the State Since 1960 (Source: (O'Carroll, 1987))

Other changes included an IDA-led transformation of the industrial base (especially in the pharmaceuticals and electronics fields) to encourage industrialisation, increasing Government involvement in industrial relations following EC entry and the National Wage Agreements of 1970s, and the changing business climate (taxation and competition on the domestic money market) as a result of changes in the policy of expansion of public expenditure[58] (O'Carroll, 1987). Figure 4-3 displays the official preferences of Irish governments in relation to corporatism and trade unions, and shows their views on economic planning. The data on the position of governments are derived from a content analysis of the electoral manifestos of political parties

within the framework of the Comparative Manifesto Project (CMP)[59]. The graph shows that governments demonstrated their favourable attitude towards economic planning[60], until the early 1980s (except 1969). Corporatism[61] was not favoured by any of the governments until 1982. The data fails to distinguish, however, whether it has been negatively mentioned, or not mentioned at all before the 1980s. According to Barry (Personal interview, Jun 17th, 2009), elements of corporatism have been in existence in Ireland since before the war. So the fact that the data fails to offer a record of it until the 1980 might be explained by the change in terminology. Nevertheless, an interesting observation is that during the period of more active rent-seeking behaviour in the early and second half of the 1950s, the data shows the relatively stable positive attitude of cabinets towards trade unions. The rapid increase in positive attention towards them in the early 1980s, and diminishing favouring of them towards the early 2000s is also observed. The economic and social position of the Irish political parties is presented on Figure 4-4. The constant negative value of the economic dimension (except 1997) means that all Irish governments leaned towards state regulation. This trend was especially evident at the beginning of the 1980s, when a Fine Gail and Labour coalition came into power. Similarly, the constant positive value of the social dimension shows the conservative position of the Irish government. Thus, in 1957 a more conservative Fianna Fáil government took office from a much more liberal Fine Gail and Labour coalition elected in 1954. The situation reversed in 1973, when the coalition again took office.

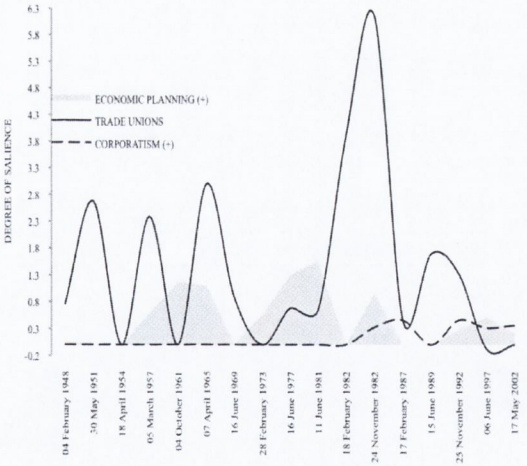


Figure 4-3: Irish Governments: Views on Corporatism, Trade Unions, and Economic Planning (Data Source: CMP Dataset)

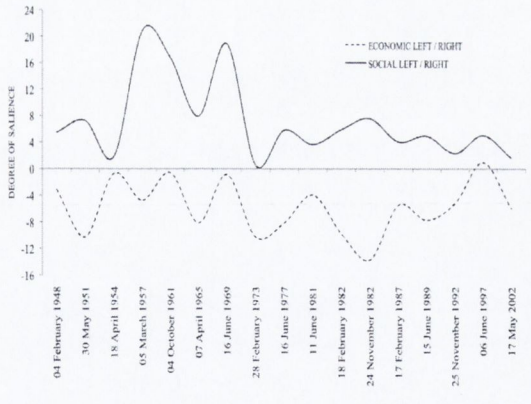


Figure 4-4: Economic and Social Position of Political Parties (Data Source: CMP Dataset)

4.3.2 Participation of Business in Policy-making

4.3.2.1 Specifics of Business Representation in Ireland

Business representation in Ireland has historically been distinct from that in other European countries. According to Carroll (1987: 85), the Irish business sector has been 'reasonably organised

at various levels'. At the same time, following the introduction of outward – looking policies, it was characterised by duality: internal division into indigenous and a foreign – owned sectors. In the 1970s foreign companies were predominant in modernised, developed and export-oriented industries (Hardiman, 1992), and they greatly contributed to the growth of employment, output and exports (O'Malley, 1992). Moreover, the bargaining power of the foreign sector was much higher as it employed a larger proportion of the workforce (O'Carroll, 1987). Irish native industry, in turn, was not able to take much advantage of new opportunities and incentives offered by the liberalisation policy and was loosing market share (O'Malley, 1992).

Many believe that it was mainly groups and institutions (including FII), the Irish Management Institute (IMI), and the Irish Exporters' Association (IEA) that managed to help surviving companies in indigenous industry through expanding exports, facilitating improvement of its industrial productivity, development of new techniques, planning of sale campaigns, and the formulation of new and competitive projects (Irish Banking Review, 1960; Ryan, 1961). The 1967 report on business representation in Irish national affairs, published by the consultants Harbridge House Europe, stated that the integration of the Federated Union of Employers (FUE), FII, and Federation of Builders (FB) would improve 'liaison and communication between business and Government' which is vital in the light of the growing importance of economic planning and the inevitably increasing involvement of business in the work of planning' (Irish Banking Review, 1967c: 27). A Feasibility Committee, which represented all Irish industries, studied the recommendations of the report (Irish Banking Review, 1967c).

4.3.2.2 Pre-Budget Submissions

The process of consultation & pre-budget submission is another way for business to participate in policy-making in Ireland. In his articles in the Irish Times Ruairí Quinn (2002b: 15), the Minister for Finance from 1994 until 1997, described the process:

> The preparation for a budget is a long and well-organised process, starting with the estimates campaign where each Government Department submits its proposals for expenditure for the forthcoming year. Parallel to Departmental bids for resources is the process of pre-budget submissions that are submitted from the main social partners, many organisations and voluntary groups who wish to put their case for consideration. The social partners are well established and their substantial shopping list is usually well presented and cogently argued. But other groups will, as part of their political exercise, also prepare pre-budget submissions. Such submissions are followed up by proposal of inclusion in the Finance Bill.

On the subject of the presentation and efficiency of such submissions, Quinn (2002b: 15) commented that:

> pre-budget submissions by the leadership of the organisations were as much an exercise in communication with their own member, as they were an exercise in convincing the Minister for Finance...The exercise is designed to keep the members of organisations content in the belief that their executive and secretariat are representing their interests effectively. In other cases it is for the optics of the wider public. It is not transparent, nor it is accountable to democratic institutions

A similar view was expressed by Alan Dukes, the former Minister for Finance (Personal interview, Sept 3rd, 2009). According to him the whole system of social partnership and consultations became redundant with the declining role of trade unions and their density. The decline in their numbers is presented on Figure 4-5.

The general rule was that, following the submissions the Minister for Finance also met with delegations to allow the latter to make their case. According to Quinn, however, 'when the exercise [submissions and meetings] was over, I questioned its effectiveness. I was appalled at the amount of time that was devoted to analysing the submissions by our own staff and how the product of that work was really of little value'. In 1996 Quinn changed the system so that all pre-budget submissions were sent not just to the Department of Finance, but also to the Finance Committee of the Oireachtas so that its members could meet with the organisations during public sessions and question them on why their submission requirements should be met (Personal interview, Aug 21st, 2009). In 1997, however, the subsequent Minister for Finance, Charlie McCreevy, restored the previous system. In terms of submissions, Quinn (2002b: 15) said that the consequence of too many submission requirements by a group was that nothing was included in the budget. Those who concentrated on a narrow spectrum of demands and focused on making a strong case, on the other hand, were more effective and 'sometimes had a successful outcome'.

4.3.2.3 Seanad Nominations

According to Murphy (2005), some of the latest features of Irish interest group activity include putting forward group members for elections at the national and local levels, and their increasing lobbying on behalf of business interests. Under the *Seanad Electoral (Panel Members) Acts of 1947 & 1954* organisations and associations can be included in the Register of Nominating Bodies to the Seanad. This inclusion gives the right to nominate a person or persons to represent an organisation's interests in the upper house of the Oireachtas (Parliament).

According to Brendan Kelly (Personal interview, Jul 28th, 2009), Director of the Financial Services Ireland (FSI), the system is not efficient and has often been abused by those seeking to be elected. Pat Farrell, Chief Executive of the Irish Banking Federation (IBF) agreed that using the route of nominating candidates to represent banking interests is the most inefficient way to achieve the desired outcome (Personal interview, Aug 11th, 2009, Jul 28th, 2009). The motor industry perspective, however, is entirely different. According to Alan Nolan (Personal interview, Jun 16th, 2009), Director General of SIMI (Society of the Irish Motor Industry), and Alan Dukes (Personal interview, Sept 3rd, 2009), the former Minister for Finance, over the last couple of decades SIMI has been successful nominating candidates. Dukes suggested that generally this route of business participation in public policy is rewarding and efficient.

4.3.2.4 Involvement in Industrial Relations & Collective Bargaining

Ireland is a corporatist /social partnership/dialogue country characterised by the significant relations between the state, unions, and employers (Jackson & van Schendelen, 1987). Therefore, in addition to engaging in market and lobbying activities, most Irish industry associations have been involved in industrial relations and collective bargaining (Traxler, 2007). Casey (2000) defines social partnership as cooperation between key parties on the making of economic and social policy. The term might refer purely to wage fixing, or embrace topics ranging from the management of the economy to the provision of retirement. In addition, the membership structure of the key members varies across time and countries. Generally, employers and unions are typically regarded as social partners.

In Ireland corporatist pay agreements have been long present and the need for centralised pay agreement was related to economic growth (Hardiman, 1992). During the 1960s bargaining remained decentralised and industrial relations conflicts and union wage pressures became a burden to industrial relation practices (Roche, 1992). Government, employees, and even some unions questioned established practices, which were believed to threaten competitiveness and discourage the foreign investment central to the state's policy of industrialisation and economic development (Roche, 1992). This tension resulted in a 'growing sense of industrial relations crises' (Roche, 1992: 320), trade liberalisation policy (Haughton, 2000), and the growing power and wage pressure by trade unions in 1960s. Government was forced to take a more interventionist stance, and this led to a progressive politicisation[62] of wage bargaining and pay determination (Roche, 1992). At this stage employers favoured industrial relations, which restricted the role of trade unions. Along with other developments in Irish industrial relations (*e.g.* new human resource management techniques, flexibility of employment contracts, use of part-time workers) established pluralist practices were neglected (Roche, 1992).

Following a first unsuccessful attempt to centralise bargaining in 1964-66, a series of strikes that affected the electricity supply and public transport, disputes about union recognition, and the maintenance men dispute of 1969 (Ó Gráda, 1997) took place. Few National Wage Agreements were signed by unions, employers, and the Government between 1970 and 1978. Unions hoped to negotiate increases in employee incomes, to obtain a mechanism for disputes resolution, and to reduce inflation and unemployment: Government wanted to exercise a direct influence on the terms of the public service pay; employers were concerned with minimising industrial conflict and expected wage restraint in order to keep industrial costs at competitive levels (Hardiman, 1992). According to Hardiman (1992), centralised pay agreements helped during the first oil crises and at the time of international recovery later that decade, but did not improve national economic performance resulting in general disillusionment.

Before the 1980s the industrial relations and wage bargaining system in Ireland was similar to the British one. But while in the UK, the Government undermined the power of the unions, Ireland opted for an alternative route and strengthened it by the 'revival and deepening from 1987 of a centralised bargaining process that went beyond wages to cover taxation and other aspects of economic policy' (Honohan & Walsh, 2002). The collapse of the 1982 Understanding paused centralised agreements until 1987, as employers withdrew from further negotiations (Hardiman, 1992; Ó Gráda, 1997). Between 1987 and 1990, in a time of fiscal crises, rising unemployment and emigration, the state, employers and unions entered into a central tripartite agreement – the Programme for National Recovery (PNR) (Hardiman, 1992; Roche, 1992), which consisted of separate public and private sector pay agreements (Hardiman, 1992). The Programme for Economic and Social Progress (PESP) which followed in 1990 provided for higher pay rises and allowed more scope for local bargaining in the private sector and 'relaxed restrictions on 'special' relativity claims in the public sector' (Roche, 1992: 324). Both programmes involved three-year phased pay agreements (Hardiman, 1992). Some believe that the institutional process of social partnership established in Ireland greatly contributed to its recent development (Traxler, 2007). Since the 1990s employers' and Government preferences again started to shift towards unitarism (Roche, 1992). The Federation of Irish Employers encouraged companies to explore industrial relations strategies other than union recognition, and the IDA stopped advising incoming companies to adopt local industrial relation practices (Roche, 1992).

4.3.2.5 Weakening of Trade Unions

In the 1980s the economic circumstances changed, altering the way economic interests and political processes coevolved thus weakening the position of unions in most countries (Hardiman, 1992). In Britain, for instance, trade unions were excluded from political influence, unemployment was allowed to rise to discipline labour markets, and legislation was introduced to reduce unions' organisational strength (Hardiman, 1992). The linkage of some national currencies to the EC's Exchange Rate Mechanism in the late 1980s accorded greater significance to domestic pay policy: government and employers were looking for assurance that union strength would not worsen the economic situation; organised labour, by contrast, was looking for means to pursue full employment policies other than corporatism (Hardiman, 1992). In general, the neo-corporatist agreements of this period were concerned with medium-term economic stabilisation and long-term growth by adjusting to a more competitive economic environment. They addressed problems related to unemployment, reduction of public spending, and the liberalisation of market conditions in domestic and national markets (Hardiman, 1992). According to Franzese (2002), the level of corporatism is not as transparent and easy to measure as trade union density. While the author argues, that the issue of causality between the two indicators is being debated, due to the reasons

indicated above trade union density is often used as a measure of corporatism. Therefore, according to the information displayed in Figure 4-5, the importance of corporatism in Ireland was decreasing along with trade union density.

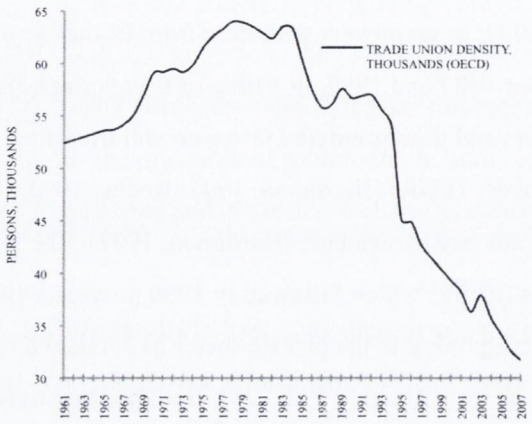


Figure 4-5: Trade Union Density (Data Source: OECD)

4.3.3 Regulation of Business Interests

Collective Labour law in Ireland goes back to the *Trade Union Act of 1871* (Traxler, 2007). A Trade Union is 'any combination, whether temporary or permanent, the principal objects of which are under its constitution statutory objects' (as defined in section 2(1) of the *Act of 1913*). The statutory objects are 'the regulation of the relations between workmen and masters, or between workmen and workmen, or between masters and masters, or the imposing of restrictive conditions on the conduct of any trade or business, and also the provision of benefits to members' (Section 1(2) of the *Act of 1913*). Therefore trade unions fall into three broad groups: employee associations, employer associations, and trade associations. The list of legislation regulating trade association in Ireland is presented in Table 4-2.

Primary Legislation	*Trade Union act, 1871* *Trade Union (Amendment) Act, 1976* *Trade Union Act, 1913* *Trade Union Act, 1975* *Industrial Relations Act, 1990*
Subordinate Legislation	*Trade Union Regulations, 1976* *Trade Union Amalgamations Regulations, 1976* *Trade Union (Fees) Regulations, 1995*

Table 4-2: Legislation Regulating Trade Associations in Ireland (Source: Jackson & van Schendelen (1987))

A more modern institutional framework for the development of industrial relations and collective bargaining began to emerge in 1920s, when Ireland joined the International Labour Organisation (ILO) in 1923. The Irish Constitution of 1937 proclaimed the right to form associations and unions, and the labour court was founded in 1946 to facilitate conciliation in industrial disputes (Roche, 1992). The *Trade Union Act of 1941* introduced the licensing of bodies to carry out collective

bargaining negotiations, including wage and other employment conditions fixing (Traxler, 2007). The *Trade Union Acts of 1971 and 1975* made amendments to the licensing system and allowed for unions' mergers to reduce their number (Traxler, 2007). The increase in private sector and civil service unionisation in the 1940s led to the emergence of a system of collective bargaining 'dominated by multi-employer and multi-union bargaining units' (Roche, 1992: 311), but neither parties were strongly united (Ó Gráda, 1997). Wage bargaining was influenced by 'wage-rounds' and 'orbit of coercive comparison' for wage rises (eventually wages were taken out of competition across all industries) (Roche, 1992). A more centralised bargaining system was created with the strengthening of the Federated Union of Employers[63] and the merger of the two major union groupings in 1959 that resulted in the Irish Congress of Trade Unions (Ó Gráda, 1997). In the 1960s many foreign companies were encouraged to adopt local practices and to conclude 'pre-production' arrangements with unions (Roche, 1992).

Trade unions are not legally required to submit their accounts for audit to a qualified accountant or public auditor, but it is strongly recommended (Report of the Registrar of Friendly Societies, 2001). A general statement of the receipts, funds, effects, and expenditure of every trade union registered under the *Trade Union Act of 1871* 'must be transmitted to the Registrar before the first day of June in every year, and it must show fully the assets and liabilities at that date and the receipts and expenditure during the year preceding the date. It must show separately, the expenditures in respect of the several objects of the trade union' (2001). The annual return must include all receipts, funds, effects and expenditures of the entire trade union, including its branches. There are no statutory provisions in Ireland obliging membership in associations, but it may be restricted to certain criteria (*e.g.* company's size, turnover, focus, industry) (Traxler, 2007). Most Irish business associations are mixed associations, combining the functions of trade unions and employer associations (Traxler, 2007).

The largest business association in Ireland is the Irish Business and Employer Confederation (IBEC), which is often formally nominated to represent employers in collective bargaining (Traxler, 2007). Satisfactory (to all parties) agreements from collective bargaining can be registered with the Labour Court to become legally enforceable (Traxler, 2007). The Irish Congress of Trade Unions (ICTU) is the overarching trade union in the country and is nominated to represent all employees in matters of collective bargaining (Traxler, 2007).

4.4 CONCLUSION

This chapter offered an overview of the contextual factors related to the particularities of national level representation. The review of Irish economic history identified the stages that defined the general market and non-market issues for Irish business interests. The issues related to the

participation of the latter in the regulatory and legislative processes were also addressed. Overall, the chapter lays the groundwork and in broad brushstrokes describes the external context of the following two case studies, thus increasing the explanatory power of the case data.

ENDNOTES TO CHAPTER 4

[45] For example, national income estimates began only in 1920 (Kennedy, K. A. 1992. The context of economic development In J. H. Goldthorpe, & C. T. Whelan (Eds.), ***The development of industrial society in Ireland: The Third joint meeting of the Royal Irish Academy and the British Academy, Oxford, 1990***: vi, 470. Oxford: Oxford University Press for the British Academy.)

[46] Some explanations of the choice in favour of free trade in 1920s: conservative nature of new leaders, justification of independence through the orthodox doctrine of free trade, support of strong farming class which opposed protection to avoid increase in production costs (O'Hagan, J. W., & McStay, K. P. 1981. The evolution of manufacturing industry in Ireland: 1-63. Dublin: Confederation of Irish Industry.)

[47] Agricultural Credit Corporation (ACC) to provide agricultural credits, and the Electricity Supply Board (ESB) (Haughton, J. 2000. The historical background. In J. W. O'Hagan (Ed.), ***The economy of Ireland: Policy & performance of a European region***, [8th ed.: xvii, 341. Dublin: Gill & Macmillan.)

[48] Thus, several coachbuilders, for example, lobbied for restrictions on the importation of automobiles on the basis that they could build a local auto industry for the Irish market (O'Hearn, D. 1990. The Road from import-substituting to export-led industrialization in Ireland: Who mixed the asphalt, who drove the machinery, and who kept making them change directions. ***Politics & Society***, 18, (1): 1-38.)

[49] The same year in the UK tariff level was about 65 per cent of the corresponding Irish level (O'Hagan, J. W., & McStay, K. P. 1981. The evolution of manufacturing industry in Ireland: 1-63. Dublin: Confederation of Irish Industry.)

[50] By 1947 the income per capita in Ireland fell to about 40 per cent of British level (Haughton, J. 2000. The historical background. In J. W. O'Hagan (Ed.), ***The economy of Ireland: Policy & performance of a European region***, [8th ed.: xvii, 341. Dublin: Gill & Macmillan.)

[51] *e.g.* multinational Jefferson Smurfit Corporation (Ó Gráda, C. 1994a. Introduction. In C. Ó. Gráda (Ed.), ***The economic development of Ireland since 1870***, Vol. I. Hants, England: Edward Elgar Publishing Ltd.)

[52] *e.g.* 40 per cent increase in industrial output between 1931 and 1936, stabilisation of population at 2.93 million in 1931 and at 2.94 million in 1938, and raise of the rate of employment growth in manufacturing from 1.6 % in the years after 1926, to a 4.3% over 1930s and 1940s (Haughton, J. 2000. The historical background. In J. W. O'Hagan (Ed.), ***The economy of Ireland: Policy & performance of a European region***, [8th ed.: xvii, 341. Dublin: Gill & Macmillan.), output rose by about one-third, any plants began production and Irish national debt was small in comparison with European standards (Ó Gráda, C. 1994a. Introduction. In C. Ó. Gráda (Ed.), ***The economic development of Ireland since 1870***, Vol. I. Hants, England: Edward Elgar Publishing Ltd..) Some researchers attribute these improvements to data interpretation (Daly, 1988) or to a more effective data gathering (*e.g.* Fitzgerald, 1959).

[53] *e.g.* unemployment increased to 14 per cent in 1935, agriculture stagnated, exports fell (Haughton, J. 2000. The historical background. In J. W. O'Hagan (Ed.), ***The economy of Ireland: Policy & performance of a European region***, [8th ed.: xvii, 341. Dublin: Gill & Macmillan.), manufacturing employment growth slowed to 0.8% per annum over the decade by the 1950s (Barry, F. 2003. Irish economic development over three decades of EU membership. ***Finance a Uver***, 53, (9-10): 394-412.)

[54] Annual growth rate of less than 2% over the **1950s** compared to almost 6% in the rest of Western Europe (Barry, F. 2003. Irish economic development over three decades of EU membership. ***Finance a Uver***, 53, (9-10): 394-412.)

[55] Department of Finance and the Central Bank supported Irish Government in its position to refuse to impose control over the economic surplus by allowing capital investments abroad without constraint (O'Hearn, D. 1990. The Road from import-substituting to export-led industrialization in Ireland: Who mixed the asphalt, who drove the machinery, and who kept making them change directions. ***Politics & Society***, 18, (1): 1-38.)

[56] Covered the period from 1964 to 1970

[57] Officials from the economic Development Division of the Department of Finance, from the Department of Industry and Commerce, and at earlier stages from Coras Trachtala, exports promotion board

[58] From one-third to two-thirds of GNP between 1961 and 1980 (O'Carroll, J. P. 1987. Ireland: Political dominance of business. In M. P. C. M. van Schendelen, & R. J. Jackson (Eds.), ***The politicization of business in Western Europe***, Vol. 1. New York: Croom Helm.)

[59] Comparative Manifesto Project (CMP) has been developed as an alternative to expert surveys that by construct largely fail to provide dynamic information on positions of political parties. CMP is designed to measure policy positions of political parties on policy dimensions both across time and space. Thus reflecting spatial models of politics and providing the only consistently dynamic measure that allows the assessment of spatial models across a large number of countries and years. Positions of political parties in CMP are derived from the content analysis of their electoral manifestos. CMP has analysed electoral manifestos of most political parties in the Western democratic tradition in the years after World

@

War II, recently extending the sample to parties in Central and Eastern Europe, Latin America, and South East Asia. Methodologically party positions are derived from content analysis of party manifestos as developed in Laver and Budge Laver, M., & Budge, I. 1992. ***Party policy and government coalitions***. New York, NY: St. Martin's Press.. Each text unit in party manifestos is scored into a predefined 56-category coding scheme. Party positions are then derived as the difference between scores of categories representing opposite sides of the policy dimension Budge, I. 2001. ***Mapping policy preferencesL Estimates for parties, electors, and governments 1945-1998***. Oxford: Oxford University Press. additionally calculated as ratios of all content contained in a manifesto relevant to the placement of a political party on that specific dimension as suggested in Kim and Fording Kim, H., & Fording, R. C. 1998. Voter idiology in western democracies, 1946-1989. ***European Journal of Political Research***, 33, (1): 73-97. and Laver and Garry Laver, M., & Garry, J. 2000. Estimating party politions from political texts. ***American Journal of Political Science***, 44, (3): 619-634. and extended in Benoit and Laver Benoit, K., & Laver, M. 2006. ***Party policy in modern democracies***. London: Rourledge.. Apart from policy dimensions of interest to this study (corporatism, trade unions, and economic planning), Laver and Garry Laver, M., & Garry, J. 2000. Estimating party politions from political texts. ***American Journal of Political Science***, 44, (3): 619-634. also suggest two dimensions that underlie political competition in Western democracies (economic and social dimensions). Positions of political parties between elections were linearly interpolated as in Budge, I. 2001. ***Mapping policy preferencesL Estimates for parties, electors, and governments 1945-1998***. Oxford: Oxford University Press..

[60] Favourable mention of long-standing economic planning of a consultative or indicative nature, need for government to create such a plan.

[61] Favourable mention of the need for the collaboration of employers and trade union organisations in overall economic planning and direction through the medium of tripartite bodies of government, employers, and trade unions

[62] Politicisation is a process of expanding of the scope of effects and functions of central government into the economic domain, 'irrespective of whether the dynamic of expansion is derived within the political or economic domains' (O'Carroll, J. P. 1987. Ireland: Political dominance of business. In M. P. C. M. van Schendelen, & R. J. Jackson (Eds.), ***The politicization of business in Western Europe***, Vol. 1. New York: Croom Helm.)

[63] In 1990 the Federated Union of Employers became the Federation of Irish Employers

CHAPTER 5 CASE: MOTOR INDUSTRY

5.1 OVERVIEW OF MOTOR INDUSTRY

5.1.1 Motor Industry Today

The boundaries that defined the motor industry throughout the 20th century have undergone considerable transformation. At the beginning of the 20th century the industry was comprised of car and carriage manufacturers and dealers. From the 1930s the motor vehicle assembly companies took over. Their dominance, defined by the government and strong protectionist policies, lasted until the 1970s. After Ireland joined the EEC new industry segments began to emerge and by the mid 1980s the boundaries expanded, changing the nature of the Irish motor industry. Today it is represented by a variety of industry segments. These include franchise dealers, motor vehicle distributors, wholesalers, non-franchise retailers, petrol and oil companies, vehicle body repair specialists, specialist trade repairers, petrol filling stations, vehicle recovery operators, and other affiliated members and associated retailers[64].

5.1.2 Industrial Representation

The Society of the Irish Motor Industry (SIMI) is 'the official voice of the motor industry in Ireland'[65]. Its membership structure is very diverse and consists of dealers, repairers, vehicle distributors, wholesalers, retailers, vehicle testers, and other operators. According to the SIMI, its role is to 'represent the views of the motor industry by campaigning to the Government, state bodies, the media and the motoring public'[66]. *Under Seanad Electoral (Panel Members) Acts of 1947 & 1954* SIMI is included into the Register of Nominating Bodies (Seanad) but the association is not an IBEC member. According to Peter Brennan[67], this trade association has made a lot of difference in the industry and facilitated a lot of changes. SIMI is the largest representative body of its kind in Europe. It has been actively represented on the European level and the association holds membership in the ACEA (European car manufacturers' association), FIGIFEA (European aftermarket association), EGEA (European garage equipment association), AIRC (European crash repair industry association), and CITA (the European and World vehicle testing association).

5.1.3 Trends & Characteristics

5.1.3.1 International Trade Indicators (APPENDIX F)

Trends and characteristics are described using available data on the industry. In order to increase the informativeness of the data and place Irish data in international perspective, where possible these trends are compared to similar trends in the UK, EU, and OECD. The Export/Import ratio (D34.XM) indicator for domestic manufacturers of motor vehicles, trailers and semi-trailers shows the share of imports (in relation to exports) in the segment (D34). The first graph shows that the

export/import ratio has been relatively low, mostly varying between 20 and 30 per cent, with the only exception coming in the early 1980s. This means that on average Irish exports were only around 20-30 per cent of Irish imports. The UK index (D34.XM (UK)) was much higher, varying from 70 per cent to 100 per cent, meaning that UK exports were either equal, or a little less than UK imports. In the early 1980s the share of the Irish exports increased from 30 to 60 percent. By comparison, the share of the UK exports decreased from equalling imports to 70 per cent. Overall, the dynamics of the export/import ratio shows that almost always the two countries seemed to move in opposite directions: if Irish exports increased, the UK exports decreased, and *vice versa*. Since the 1970s the share of imports (D34.MSH) and exports (D34.XSH) of the motor industry in comparison with other Irish industries has not changed considerably: imports slightly increased, and exports decreased. In Ireland most of the domestic demand has been satisfied by imports (D34.MPEN), while approximately equal shares of domestic production and imports have met UK demand (D34.MPEN (UK)). The value of the contribution of the vehicle manufacturing to the Irish manufacturing trade balance (D34.CMTB) has always shown a structural deficit. In comparison to the OECD23 countries' vehicle manufacturing exports, Irish exports have remained negligible (D34.XMSO23), comprising around 20 per cent of the OECD23 average until 1983. The industry's import share in total country's imports in comparison to the OECD23 average (D34.MSPEC23) declined from almost matching it in 1979 to less than 40 per cent of the value in 1987 and never went above the 65 per cent mark. This suggests that the country has a declining propensity to import in that industry. The industry's export share in total country's exports (D34.XSPEC23) declined in the mid 1980s, exhibited a more or less steady increase until about 40 per cent in 2001, and then declined again quite sharply. This means that Ireland's exports in comparison with the OECD23 average continued to decrease.

5.1.3.2 Industrial Composition: Value Added (APPENDIX H)

Despite the fact that the currency expression of the value added by the manufacture of motor vehicles, trailers and semi-trailers (D34) to the overall Irish economy has been increasing since the mid 1980s, its actual importance to the Irish economy has been decreasing (D34.VASH), similar to the UK trend (D34.VASH (UK)). Unlike manufacturing (D34), the national currency expression of the value added by the sale, maintenance, and repairs industry segment (G50) remained approximately at the same level since the mid 1990s. Unfortunately, the data for the earlier period and for its contribution to the overall Irish economy for this industry segment is not available.

5.1.3.3 Employment (APPENDIX I)

Employment data for the sales, maintenance, and repairs segment (G50-52[68]), available from the mid 1990s, shows that the overall services employment has been increasing at a higher rate than the

motor sales, maintenance, and repair segment's (G50-52) employment. Despite the increases in real numbers, the industry segment's share of employment (G50-52.EMPSH) in all Irish service industries (50-59) experienced increases in 1997 and 2000, before it began to decline (the UK indicator has been increasing). In manufacturing (D34) the actual employment numbers followed the dynamics of the actual total employment in all Irish manufacturing (1-49). Since 1995, however, while the employment in manufacturing (1-49) began to increase, employment in motor manufacturing (D34) started to decline. The share of employment in total manufacturing employment in Ireland (D34.EMPSH) has been also declining.

5.1.3.4 Average Earnings & Employee Compensation (APPENDIX J)

Despite the fact, that between 1988 and 2008 the average earnings in the sales, maintenance and repair segment (G50) steadily increased from €350 to approximately €600, they were slightly lower than the average for all transport repair segments (G50-52). The employee compensation in the motor manufacturing segment (D34) since 1985 has been steadily increasing. The only reduction at the beginning of the 2000s reflected a common trend in labour compensation (D34.LABEMP) in both Ireland and the UK.

5.1.3.5 Car Registrations & Stock of Cars (APPENDIX G)

Car registrations have always been a subject of debates for the motor industry associations. The index of passenger car registrations is available only since 1957 and publicly available time series data for registrations of vehicles and private cars is not that extensive. It only commenced in 1983 for private cars and in 1997 for second-hand vehicles. The index of passenger car registrations shows that from 1957 to 1978 Ireland generally followed the EU pattern. In 1999 the country experienced an unprecedented level of registration well above that of the UK and EU average. The stock of both new and second-hand cars has steadily increased since 1982.

5.2 EARLY DEVELOPMENT & EMERGENCE OF INDUSTRY–LEVEL COOPERATION

> Ireland's first motorist had a habit, when the humour seized him, of pulling out a revolver and firing in the direction of some passing neighbour. At first sight it might appear striking proof of how the automobile, from its earliest days, brought out more of a devil than the angel in its drivers
> John O'Donovan

According to the Society of the Irish Motor Industry (SIMI)[69] and O'Donovan[70], the 'first, and possibly only example of a serious motor car' in Ireland was a car produced by the Belfast-based Chambers Motors in 1904. The estimated output of the company until it ceased its production in 1925 (and closed in 1929) was between 200 and 300 cars in 2 and 2.4 litre models[71]. Despite the introduction of a limited system of mass production in the 1910s, the Irish market remained small

and had a limited potential. The highly labour intensive[72] and specialised[73] car manufacturing industry was not efficient and could not compete with cheaper vehicles import.

Small coach building companies and cycle manufacturers were the predecessors of the motor industry in Ireland. The former provided a basis for car manufacturing, sales, and assembly, while the latter successfully diversified into repairs of motor vehicles and provided a foundation for the development of the motorcars service industry[74]. John Hutton & Co, established in Dublin in the 1770s, and Bianconi's, founded in 1815, became the leading coach building companies in Ireland. The former became the coach maker to the Queen and her sons[75]. By 1820 Bianconi's one-car mail delivering operations had expanded to carrying passengers and repair services based in Clonmel. The introduction of rail services in the 1830s and 1840s forced the company to remodel its operations for coach building. In 1840 the expanded company was sold to Walsh & O'Brien[76]. With the introduction of the motorcar at the beginning of the century many coach building companies partially or wholly switched to the manufacturing of motor vehicles and/or repair services and their numbers began to decrease Figure 5-1. Some of the largest companies and their main activities are listed in Table 5-1.

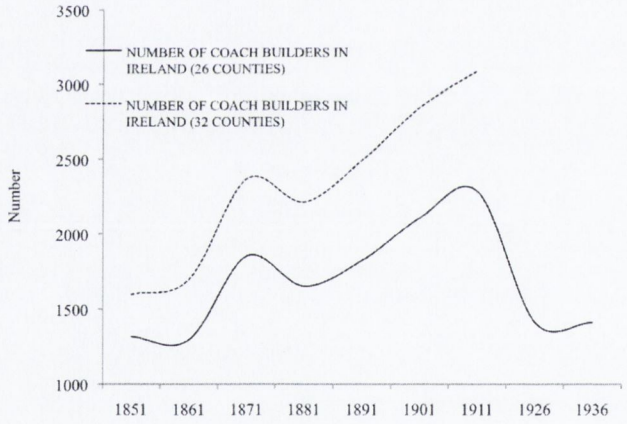


Figure 5-1: Number of Coach-Building Companies in Ireland

The data on the number of companies involved in vehicle body-building in Ireland at the time is not clear: according to Jacobson[77], from approximately 1911 the occupation classifiers coded both motor vehicle body building and coach-building companies as one category. Nearly all firms registered in Kevin Kenny's Irish Manufacturers' Directory & Yearbook[78] as motor car body builders in 1918 were also coach-builders, while some companies produced motor cars without explicit registration as body builders[79]. The establishment of Ford in Cork in 1917 became one of the milestone events in Irish motoring[80]. Unlike other Ford plants, the Ireland-based plant was family owned. In July 1919 Ford produced its first 303 tractors, Fordsons, and in 1920 production increased this to 3626 units[81]. Following the transfer of ownership to the Ford Motor Co based in

Detroit in 1921, due to the difficult civil war times, along with seaman, coalman and railway strikes, the company run into difficulties. In 1921 tractor production was reduced to 1433 units[82].

	Coach-building	Motor cars	Motor Engineers, Repairer
Bianconi, Belfast	X	X	
Chamber Company, Belfast		X	
Burke Engineering Company, Clonmel		X	
Fergus car, Belfast		X	
Alesbury Brothers, Edenderry	X	X[83]	
Shortall Brothers, Phibsborough	X	X[84]	
Halpin & Sons, Clonmel	X	X[85]	
O'Gorman Brothers, Clonmel	X	X	X
P&T Murphy, Clonmel	X		X
John Robson, Belfast	X		X

Table 5-1: Motor Industry Actors

The British House of Commons legislated for Ireland from 1801 until 1922. From a legal perspective mechanically propelled vehicles did not exist until 1832, when the *Stage Carriage Act* was passed 'prescribing maximum measurements of stage carriers, regulating their conduct on the highway, the carriage of passengers, and ordering the identity of the owner to be stated on every vehicle'[86]. This was followed by the *Highway Act of 1835* concerned with the regulation of traffic on the highways. The maximum permitted speed of 10mph and 5mph for highways and towns was set by the *Locomotive Act of 1861*, but was cut to 4mph and 2mph respectively. From 1869 all vehicles were subject to a tax. The *Locomotives on Highways Act of 1896* exempted lighter mechanical vehicles from almost all earlier enactments and imposed a 14mph speed limit. In 1903 the law for first time used a 'motor car' term, when the *Motor Car Act* acknowledged the light locomotive as a car, raised a speed limit to 20mph, and empowered local authorities to reduce it at their own discretion[87]. The act also dealt with dangerous driving, penalties, and licensing of drivers and cars[88]. Thus, as O'Donovan put it, 'the policeman now had a wider array of offences to deploy against the driver'[89].

The legislation regulating customs duties on motor vehicles of an independent Ireland originated from the UK Finance Acts. Under section 12 of the *Finance (No2) Act of 1915*, motorcars (excluding tyres) were made subject to a $33^{1}/_{3}$ per cent import duty. Section 13 exempted the 'motor omnibuses', commercial vehicles, fire engines and other vehicles used by the local authorities and their component parts and accessories from the duties. Section 13 of the *Finance Act of 1920* imposed taxes on motor bicycles, lorries and tractors according to their weight, on buses and taxes according to seating, and on private cars according to their horsepower. The latter issue somewhat protected local motor manufacturers from imported cars as, following certain technical specifications (broad cylinder) of the American cars, they were considered to have higher horsepower than British engines (narrow cylinder)[90]. The *Road Act of 1920* introduced some amendments to the excise tax on motor vehicles, and, finally, the *Safeguarding of Industries Act of*

1921 protected certain categories of items relevant to the motor industry (*e.g.* magneto). Following independence no adjustments were made to the excise duties on motorcars. Some questions on motorcar tax reductions were raised on a number of occasions in Dáil[91]. Other legislation regulating the Irish motor industry prior to independence is listed in Table 5-2.

The Motor Car Registration and Licensing Order of 1904
The Motor Car Use and Construction Order of 1904
The Heavy Motor car Order of 1905
Light on Vehicles Act of 1907
Motor Car International Circulation Act of 1909
Development and road Improvement Funds Act of 1909
Finance Act of 1909-1910
Motor Car International Circulation Order of 1910
Horse-power of Motor Cars Regulation of Treasury for purpose of Finance Act
The Motor Cars (Use and Construction) (Ireland) Amendment Order of 1911

Table 5-2: Other British Legislation Regulating Motor Industry

The first professional association, the Royal Automobile Club (RAC), was founded in Britain in 1900 as an exclusive motor association. On January 22nd, on the day Queen Victoria died, a meeting presided over by W. G. D. Goff was held in Dublin for the purpose of forming an Irish branch of the RAC of Great Britain and Ireland, IAC (Irish Automobile Club). Its initial purpose was 'developing the past time of motoring and furnish members with information about the roads, hotels, etc.'[92], and to

> encourage and popularise the motor movement in Ireland, to engender feelings of consideration and toleration between motorists and the public, to prevent inconsiderate driving, and to protect motorists' interests. [93]

In reality the association, which had twenty-eight members, controlled 'motoring competitions and other such events within its own territory'[94]. During the meeting the formation of the Defence Committee of the new club to 'protect members against frivolous and vexatious prosecutions' and the establishment of the Automobile Union (in addition to IAC) for those motorists who could not become members of the IAC, was announced[95]. Thus, the latter would deal with general interest issues, while the IAC would practically become a social club[96]. Following the first meeting a temporary committee comprised of 16 members was formed to draft rules to be submitted to the general meeting. The rules were considered and approved at the annual general meeting in March 1901. It was decided that the IRAC would be directly represented on its committee, and membership would also entail membership in the Vehicle Users' Defence Association[97]. Randal Pilgrim Ralph Plunkett, the 14th Baron Louth, headed its first committee and the premises were at St. Stephens Green[98]. In 1901 the IAC organised the Motor Tour, and by mid 1902 the Automobile Union absorbed the Motor Vehicle Users' Defence Association and successfully fought a few motor cases[99]. In spring 1902 it opened its first private car park with free daily service to members, and in 1903 it organised the famous international Gordon Bennett Race[100]. In its first years of existence the IAC engaged in a 'splendid fight to remove the legislative and other restrictions

which hamper the development of motoring in this [Ireland] country'. As one of the donors of the IAC said

> I feel that the manufacturers and agents in this country do not sufficiently appreciate the work of the Automobile Club, and they do not, in my opinion, support the club in the practical way that should be done. It seems to me that whilst they can do really nothing to repay the number of gentlemen on your various committees who give an enormous amount of honorary labour, the manufacturer should, at any rate, support the war fund of the club, and not leave it to the hundreds of private members which the club at the present time possesses.[101]

The IAC paid a lot of attention to the road development and in January 1907 it organised the first Irish Motor Show. The club's membership was increasing and it quickly took on the motor traders over price fixing[102]. Motorists set up another professional association in the early 1900s. Following the *Motor Car Act of 1903* the motorists began to fight back by operating private warning systems, especially along the London-Brighton road. In 1905 the Autocar journal published a letter from Walter Gibbons, one of the motorists, proposing an anti-trap club. He suggested that cyclists with special badges paid from the annual club's submission patrol the roads to spot the police traps and give warnings[103]. A month later a few men, who already operated a private warning system on the Brighton road, recruited members for an Automobile Mutual Association (AMA), which was renamed as an Automobile Association (AA) in June 1905[104]. AA was founded at the time when the motorist's lot was growing intolerable'[105] and its membership was quickly increasing (Table 5-3). In 1910 Ireland had 54,064 miles of roads (compared with 149,759 in England and Wales and 24,615 in Scotland)[106].

Year	1906	1907	1908	1909	1910	1911	1912
Members	600	2866	6067	9302	16000	31000	50000

Table 5-3: AA Membership (Source: (AA, 1913))

The first formal trade association in Britain was set up in 1902. Frederick Simms registered the Society of Motor Manufacturers and Traders (SMMT) in Britain on July 16th without much consultation with the companies, who were later to become its members[107]. Simms was a 'born initiator' and many believe that if it were not for him the establishment of the society would have been postponed for years[108]. On July 22nd 1902, at the lunch to celebrate SF Edge's victory in the Gordon Bennett Cup race from Paris to Vienna, Simms announced his idea to boost the industry in Britain. Within an hour of the meal SMMT had 21 member companies[109], in a year-ninety, in 1906-four hundred, and in 1981-more than seventeen hundred[110]. In the first circular to its members the association declared that 'it came into existence at a time of great difficulty and dissention in the Trade' and to overcome barriers to development which were erected by 'patent monopoly holders', who hoped that controlling the patents would lead to the control of the motor industry[111]. Another worry to the industry prior to SMMT's establishment was the 'proliferation' of motor shows, which generated considerable profits, to 'outsiders'. So there was a need to establish the association, which would also organise exhibitions on behalf of the industry[112]. A few minor associations,

which existed at the time, were formed to deal with specific issues and were dissolved shortly after their objectives were met. By the end of 1902 the association already had ninety-one members, representing all the commercial vehicle and motor component makers, and their franchised importers. Within the first six months SMMT organised its first annual Motor Show[113]. From 1907, in accordance with the finalised society covenant, SMMT signatories undertook to support or exhibit only society organised shows, a monopolistic matter, which later had repercussions in Ireland. Thus, the two motor shows organised by IAC were not officially recognised by SMMT, as an application was refused[114]. As a result many traders did not take part in the show, and it proved to be a 'costly nuisance to the trade'[115]. Partially, this happened in light of the general opposition of the industry to IAC, which was viewed as a way for its members to get discounts and imports vehicles directly, partially, this was due to the worldwide motor trade recession of 1908[116].

The Irish branch of SMMT was set up around 1910 as an alternative to IAC, but was dissolved following the outbreak of war in 1914[117]. IAC, in turn, managed to survive the hard times and was rewarded with the name 'Royal' for providing ambulance services during World War I. As the National Motoring Organisation of Ireland it compiled a Register of Members, which consisted of 400, who were willing to volunteer for war service with their cars. The list was given to the Military Authorities in 1914 'to be drawn upon as required'[118]. It also created an ambulance fund to equip ambulances. There were 20 ambulances in 1915 carrying 68 stretchers. For its services His Majesty the King, in consideration of the War Services rendered by the Club 'was pleased to command that it should henceforth be known as the Royal Irish Automobile Club'[119]. Another major event organised by RIAC in the first half of the 20th century was the Irish International Grand's Prix of 1929-1931[120].

R. J. Mecready, who was involved in 'nearly all motor activities at the time', and actively participated in the IAC activities, became the founding editor of the first motor publication in Ireland[121]. The Irish Motor News, later known as the Motor News, was published by the Dublin-based publishers *Mecready, Percy and Company.* The magazine 'was not going to become a heavy technical journal of limited interest, but was determined to deal with motoring topics in a very informal and interesting matter' was published from 1900 to 1939, and chronicled the development of the Irish motoring[122]. Thus, the first publication in Ireland was affiliated with the professional motoring association.

5.3 INDUSTRIAL REPRESENTATION IN THE NEW REPUBLIC

Changes to the post-1921 industry were brought about by a number of regulation and finance acts in the 1920s. The Road Vehicles (Calculation of Horse-power) Regulations, was introduced in December 1922. A year later Section 15 of the *Finance Act of 1923* reduced the customs duties on

motor cars, motor bicycles, motor tricycles, accessories and component parts excluding tyres by 1/3. The same year in its First Interim Report presented in November, the Fiscal Inquiry Committee[123] recommended the withdrawal of duty on motor accessories and component parts. According to Jacobson[124], this happened following pressure from the coach-building industry representatives[125]. Section 20 of the *Finance Act of 1926* increased and amended the excise duties on 'mechanically propelled vehicles'. According to Jacobson[126], the aim (as it also was in 1922) was to 'differentiate' in favour of the Ford car' and to 'encourage people to buy new cars thus increasing home production'. The *Finance Act of 1928* included revisions of duties on motor vehicles, which reflected changes in Britain over the previous three years[127]. The Act also changed the definition of a 'motor car' to include 'motor tractors, motor bicycles and motor tricycles, and … vehicles designed … for traction by or attachment to motor tricycles'. Agricultural tractors and motorcars 'for use on rail tracks exclusively' were exempted from the rule. Finally, the *Finance (Customs and Stamp Duties) Act of 1929* exempted from import duty on 'motor tractor parts and assemblies of such parts' a manufacturer of motor tractors, who showed that a 'substantial proportion of the motor tractors manufactured by him [tractor manufacturer]', was exported. In 1922 the duty rate imposed by the British made production in Cork unreasonable and the decision was made to build a factory in the UK. Between 1924 and 1929 Ford in Ireland became an assembly plant. In 1929 it resumed tractor production and successfully exported to Africa, Europe, Asia, America, and Australia[128].

Following independence, the Irish motor traders continued their membership with one of the two British-based trade associations: the MTA (Motor Traders Association), and or the more important SMMT[129]. According to O'Donovan[130], the Irish members felt they were treated as second-class citizens. In November 1921 at an informal meeting of the Irish motor traders under the Chairmanship of S. L. Hutchinson at the Clarendon restaurant in London, it was decided to form a separate Irish Motor Trade Association (IMTA). The association was established on January 16th 1922 and had affiliation with the British MAA. IMTA was shortly renamed as the Irish Motor Agents Association (IMAA)[131]. It initially restricted its membership only to agents with headquarters in Dublin[132]. In the mid 1920s the association decided to seek affiliation with the British MTA. It also planned to form local executive committees in every county, delegates from each were to form a Central council, fix an annual submission fee of £5.25, and limit membership eligibility to traders with garages staffed by skilled mechanics[133]. Not all of these objectives were fulfilled. For example, MTA refused to incorporate IMAA due to legal reasons, and the association's membership had to be limited to only 26 counties[134]. Moreover, the British MAA[135] announced it could no longer act for its members in the Irish Free State, so the association had to learn to deal with everything on its own.

The lack of support from the British trade associations forced IMAA to learn how to deal with numerous issues on its own. In the 1920s the association attempted to resolve some matters in relation to limited petrol supply and illegal advertising. IMAA attempted to make the Government compensate for the loss and damage to cars seized during civil unrest, and to pay its outstanding bills for vehicles, repairs, and petrol[136]. It also lobbied the Government to 'lighten the tax burden on the motorist'[137]. The council asked President Cosgrave to meet them to discuss tax reform, the use of trade plates, and the granting to IMAA of representation on the Roads Board, but never got to meet him. In addition the association campaigned against indiscriminate tyre distribution, made representations to oil companies, and unsuccessfully protested against petrol supplies to non-traders[138]. Overall, according to R.W. Archer (President of IMAA):

> the activities of the association were becoming more and more important to every trader, and under the new constitution the members would find that combined action was a powerful weapon for defence and advancement of their interests.[139]

While IMAA still represented only the dealers, the proposal to reform the association and to incorporate all sections of the motor trade, including manufacturers and wholesalers, was supported by the Vice-President R. W. Archer. He also suggested the IMAA merger with the Irish Motor & Cycle Wholesale Traders' Association (IMCWA). The proposal, however, was rejected, and 'the matter rested for a while'[140]. In 1926 the Pneumatic Section of the British SMMT became involved in a scandal involving the Michelin Tyre Company and IMAA. The former supplied its production to unapproved dealers in Ireland, refusing to respond to the association's warnings. Consequently, the latter proposed that its members ban sales of Michelin tyres and return all unsold stock, forcing the supplier to turn to London to remove the ban[141]. SMMT, in turn, threatened to stop the supply of all British tyres and demanded that the stock to be returned. Only a few Irish dealers reordered Michelin stock. The situation resulted in a split within IMAA, another proposal to expand the association's membership to manufacturers, and a strong disagreement between the Council members on the matter[142].

Since its establishment IMAA combined the functions of an employer and a labour association. Following legal advise, the functions were separated in order to be dealt with by two separate bodies. Thus, the Society of Irish Motor Traders (SIMT) was incorporated on October 22nd 1926, and IMTA, a retailers' protection body, was registered as a trade union on July 12th 1927[143]. The two associations coexisted in the same building, shared staff, and had many common council members[144]. While the new SIMT was an autonomous society, it had three SMMT representatives at its Council. The latter could also withhold the sanctioning of trade participation in rallies and motor shows[145]. According to Prole[146], one of the organisers of IMTA, following World War II the Irish traders had to either be members or approved by IMTA to receive certain supplies, for example fuel.

The Institute of the Motor Industry (IoMI), the professional body for the Motor Industry, was founded in 1920 in Britain and was incorporated by the Board of Trade in 1927[147]. Upon its foundation the aims of IoMI included setting examinations leading to a professional qualification, providing educational facilities, increasing knowledge of members on the latest developments and establishing and maintaining a code of professional conduct[148]. Following its foundation IoMI was not very well known in Ireland, which, according to J. Bourke, the Merchandising Coordinator of Henry Ford & Son's Limited, was due to the fact that it was mainly perceived as a technical and not a management-focused institution[149].

5.4 CHANGING INDUSTRY STRUCTURE

The De Valera Government assumed that a policy of tariff protection was the most efficient way to encourage indigenous industrial development. To support the establishment of an indigenous motor vehicle assembly industry the Government imposed stringent quota protections, which effectively eliminated the import of fully built-up (*f.b.u*) vehicles[150]. The new policy affected the Cork-based Ford plant, which made a decision to move its production to Britain and keep the facility in Cork to act as an assembly plant[151]. Between 1932 and 1938 it produced 25000 vehicles, increasing the number of units to 75000 in 1950[152]. The *Control of Imports Act of 1934* encouraged foreign manufacturers to establish plants in Ireland either as a direct subsidiary or in partnership with an Irish company (*e.g.* Gowan Motors & Peugeot) to fulfil the requirements of an internal market. The quota imposed on *f.b.u* vehicles did not extend to the completely knocked down (*c.k.d.*) vehicles, which needed to be assembled. This forced the former *f.b.u* vehicle importers to set up assembly operations for the imported component parts. Thus, Government protection created the foundations for a new Irish motor vehicle assembly industry. The legislation regulating the industry remained almost unchanged until 1966, when the AIFTA was concluded with the UK. In the post war period the protected industry expanded the motor components production segment[153], comprised of assembly, importation and exportation, and had a 'remarkably large' number of firms offering private cars assembly[154].

During the period of economic growth in the 1950s, when the European states were dismantling their tariff barriers to encourage exports, Ireland was experiencing stagnation. The attraction of foreign capital became an essential part of the country's development and the Government sought to encourage foreign investment in Irish industry by reducing tariffs on imports and developing industrial exports. The Irish Industrial Development Authority (IDA) and the Export Profit Tax Relief Scheme (EPTRS) became the framework for industrial expansion. Around 1958 tax reliefs were granted on all earnings from exports, in respect of new investments in buildings, machinery and plant, no Income Tax or Corporation Profits Tax was payable on profits earned on new exports for a period of 10 years[155].

	Category	%
(a)	Motor cars (including motor bicycles and motor tricycles)	75
(c)	Component parts and accessories other than those mentioned as chargeable with duty at (b), (d), (e), and (v) of this reference number, of motor cars	37.5
(d)	Chassis	75
(v)	Tyres and inner tubes for motor vehicles	50
Compounded rates		
(w)	Complete to substantially complete aggregates of parts	
	(i) parts for an omnibus chassis or an ambulance chassis	12.5
	(ii) in any other case	20

Table 5-4: Motor Tariffs, 1930s (Source: (McCarthy, 1984)

The two main protective devices still used in Ireland at the time were the quotas introduced in the 1930s and the tariffs (relevant to the motor industry tariffs are listed in Table 5-4). For example, British and Canadian cars of over £1,300 CIF price were liable for duty only if imported fully assembled, but would qualify for a substantial road tax concession in the case of local assembly[156]. No duty or quota restrictions applied to agricultural tractors and no duty was charged on their components[157]. While preparing for the tariff reduction, the Government commissioned a report by the Committee on Industrial Organisation[158] on the motor assembly industry. It found that the protective devices used in the industry at the time were not being used to their full potential. Having analysed industrial and ownership structures and the potential of the motor industry[159], the report concluded that the industry could not become competitive under a free trade economy and would not survive for more than four years from the elimination of quota restrictions[160]. According to McCarthy[161], by suggesting that EEC accession would destroy the motor assembly industry in Ireland, the report was 'behind some of the bargaining which led to Protocol No 7 of the Treaty of Accession'.

5.5 AIFTA

Anglo-Irish Free Trade Area Agreement (AIFTA), which was aimed at achieving free trade between Ireland and the UK by 1975, was signed in 1965[162]. Under Article 1 of the Agreement import duties were reduced by 10 per cent per annum from the rate in operation on July 1st, 1966 to nil on July 1st 1975. Under Article 6 all quantity restrictions on UK imports of a wide range of goods, including motor vehicles, were eliminated imposing threats on these segments. In 1967, to protect the industry, the Department for Industry and Commerce introduced a special 25-year[163] scheme to control the importation of the fully-built-up (*f.b.u.*) vehicles, which replaced the quota orders and was given legal effect under the *Motor Vehicle (Registration of Importers) Act of 1968*. Following the Act the motor vehicle assembly industry was excluded from AIFTA, the quota on the import of fully assembled vehicles was abolished, but the tariffs were kept. Only registered

importers were permitted to import fully assembled vehicles. Following the Act the number of passenger car registrations in Ireland rapidly increased by around 15 per cent (APPENDIX G). Similar increase patterns, however, were observed for the UK and for average EU registrations.

5.6 EEC ACCESSION: IN ANTICIPATION OF JAPANESE COMPETITION

The *Motor Vehicle (Registration of Importers) Act of 1968* was not in line with the requirements of the Treaty of Rome, as it did not conform to the principles of free trade and EEC Commission requested amendments to be made. The fear of the weak position of the motor industry upon accession, however, forced it to protect its interests. According to Alan Dukes [164] and Peter Brennan[165], large manufacturers, such as Ford and Toyota, as well as the Society of Irish Motor Industry (SIMI), were particularly interested in keeping the protection and were extensively lobbying for its continuation.

In his speech during SIMI Annual Dinner in 1971 P. J. Lalor, the Minister for Industry and Commerce, said the following:

> The submission, which we have made to the Community seeking special treatment for the motor assembly industry, in effect the retention of the agreed arrangements for the industry, is essential for their full life, recognising the importance, which of course extends to the many supplying firms, which are so largely dependent on local assembly. We can look forward to the future on motor assembly with reasonable optimism.[166]

Following the Ireland-Community negotiations on the EEC accession the parties agreed to the following: the terminal date for the operation of the scheme governing the assembly and importation on motor vehicles was extended to January 1st 1985; discrimination between importers and assemblers of cars of the enlarged Community was to be eliminated on accession at the quantity level and on January 1st, 1974 at the tariff level; a global quota in favour of non-assembler importers of Community origin would be established and would be fixed annually on the basis of a percentage of the number of vehicles assembled in Ireland during the previous year - in 1973 it would amount to 3 per cent and it would annually increase by one percentage point; and, finally, protective customs duties were to be progressively eliminated in accordance with the standard transition period for industry. Thus, it was agreed that a modified form of the scheme would remain in operation until 31st December 1984 when all quota restrictions would cease[167]. These modifications were laid down in Protocol 7, which was annexed to the Ireland's Treaty of Accession to the EEC. In addition to the imposition of a terminal date, the main modification to the scheme included the extension of special provisions for British manufacturers to all EEC manufacturers. The main provisions of the modified scheme are listed in APPENDIX K. In 1985 the protective measures contained in Protocol 7 ceased to exist[168]. From 1973 until 1975 the number of passenger car registrations in the EU, including Ireland, decreased APPENDIX G. From

1975, however, the indicator for Ireland shows a faster increase in car registrations than in the UK or EU.

At the beginning of the 1970s the Japan-based 'Big Two' of world motorcar manufacturing, Toyota and Nissan, began to express their interest in the establishment of assembly plants in Ireland to serve EEC markets. This interest was seen as an opportunity for the Irish 'condemned' motor assembly industry to finally develop, but was viewed by Brussels as a threat to European car manufacturers[169]. On June 6th 1972 Toyota signed an agreement for the assembly of its cars in Ireland[170] hoping to overcome the 75% duty on *f.b.u* cars imported from the outside of EEC and to pay 37 ½ % duty in European markets and 25% (only until 1974) in the British market[171]. Nissan eventually made an assembly agreement with Britain[172]. In addition to the Japanese interest, DAF Ireland was set up to assemble trucks at Rathcoole. The company was set to import DAF car as *f.b.u* under the new deal worked out between Ireland and EEC[173] from January 1st 1973[174]. In the late 1960s non-franchised dealers accounted for a large number of new cars sales, but the arrival of Toyota and Datsun enabled the non-franchised dealers to become main dealers[175].

Anticipating EEC accession and a consequent increase in competition, the two motor industry trade associations, SIMT and IMTA, merged to form SIMI on January 1st 1968[176]. According to John Sheridan, SIMI President in 1972/73, the industry felt it needed a 'more streamlined body for all sections of the industry with an aggressive outlook and capable of doing a PR job, which was badly needed'[177]. The merger of the two bodies was planned in 1966 by SIMT Reorganisation Committee[178]. Leo Keogh, recruited from the Retail, Grocery, Dairy & Allied Trades Association (RGDATA), became the first Chief Executive of the newly formed SIMI[179]. As a RGDATA member Leo would have been involved in protests on the streets and other similar ways of lobbying and tax campaigns[180]. According to Alan Nolan, such strategies were good at 'getting industry united and having a feeling that you do something', but were not very efficient in achieving their objectives[181]. Upon Keogh's retirement James T. Barton, the President of SIMT & IMTA, said that at the time 'the society was at the crossroads and required someone of Leo's experience and calibre to lead into the respected position it holds in the community today [1992]'[182]. The objectives of the new Society were to provide for more effective representation for the motor trade in national and local affairs, and to improve and increase the range of services for members[183]. In 1968 SIMI joined the International Organisation for Motor Trades and Repairs (IOMTR) and since then it has been represented at its annual congresses around the world. In 1976 it held its first Irish Motor Show, which has since been staged every two years until the 1980s[184]. The 1977 IOMTR Congress held in Ireland became one of the major events in the Irish motor trade[185]. During its first years as the industry's representative body SIMI initiated a wide range of activities. For example, it formed a team to study garages in the UK and Northern Ireland,

explained a new National Wage Agreement, and advised its members about a new trend of selling groceries through petrol forecourts[186]. In 1969 it nominated Jack Daly[187] for the Senate elections, and in 1970 it waged a campaign against stamp trading and welcomed a second enquiry held by the Fair Trade Commission into 'conditions, which exist in regard to the growth in the number of motor spirit retail outlets'[188]. The same year the association published a guide to incentives and workshop productivity created by a management consultant employed by the society[189]. In 1972, in conjunction with IoMI, it organised visits to garages in London with an educational purpose, and with the IMI organised a series of management courses for the industry[190].

In the 1970s other more focused than the SIMI trade associations began to emerge. One of them, the Vehicle Leasing Association (VLAI) was set up in Ireland in 1972 to meet a 'danger of a drop in business standards due to the rapid and undisciplined growth of finance leasing of cars'[191]. It had 20 founding members, became an associate member of the British Vehicle Rental and Leasing Association (BVRLA), and was affiliated with SIMI[192]. The VALR, which was run by an elected council appointed by a common vote at the annual general meeting and became the third representative body in the field working exclusively with long - term leases. Brian Ross became its Founder President. The VLAI's membership was opened to leasing companies, financial institutions and manufacturers / distributors. Its aims were to:

> promote and develop the general interests of members, to maintain a standard between the association and the business community in which membership of the association is recognised as a guarantee of integrity and a high standard of service, to bring before the business community the advantage of dealing with members of the association and to collect and distribute information on matters that concern the interest of members.[193]

In January 1968 SIMI published the first edition of the Irish Motor Industry with a foreword from George Colley, the Minister for Industry and Commerce. According to W. G. Wilkinson, SIMI's President, the journal was:

> in its own way symbolic of the role of the new Society which will be fully representative of all sectors of the industry from manufacturing through to the last and very important link in the distribution chain, the retailer. [194]

The journal became the first periodical dedicated to the Irish motor industry since 1939, when the Motor News publication ceased to exist[195]. It was also the first journal published by a trade association in the Irish motoring. Among other things, the first two issues of the journal dealt with vehicle survey results, the 22nd IOMTR Congress, new positions and appointments, the problem of abandoned cars and charged £35 for a full page ad and £12 for a quarter page of advertising. In 1972 Jemma Publications became the publisher of the Irish Motor Industry Magazine and Frank Corr was appointed as its new editor.

5.7 TRANSFORMATION OF REPRESENTATION: FROM RESERVED TO ACTIVE

Although, according to McCarthy[196], EEC accession had a very little direct influence on the Irish motor industry, certain developments in Europe and the world affected its structure. The economic impact of the first oil crises in 1973-1974, increasing competition from Japanese manufacturers[197], and dated production methods 'stretched' the motor industry. It experienced massive redundancies, reductions in sales, and the closure of plants (*e.g.* Chrysler in Detroit). Unlike the Irish industry, however, it received heavy capital investment in the mid and late 1970s[198]. The negative effects of environmental tendencies were deepened by the second oil crises in the early 1980s. Following accession the Irish industry underwent a drop in the market, a rise in petrol and insurance prices, and petrol shortages[199]. The number of assemblers dropped and the assembly plants began to specialise in relatively fewer car models[200]. Between 1973 and 1981 imports of motor vehicles (especially non-EEC, from Japan) into Ireland increased, while production and employment levels decreased[201]. In addition, unlike the rest of the EU countries, which experienced increases in passenger car registrations, Irish indicators show a decrease that lasted until 1981 APPENDIX G. The major issues for the motor industry at the beginning of the 1970s were the control of company owned petrol stations, the activity of the National Prices Commission (NPC), and the arrival of the VAT.

In April 1972, following its investigation into car prices in Northern Ireland and the Republic, the NPC published a report, which attributed the wide price gap in the two countries to different levels of taxation[202]. The report claimed that car dealer margins in Dublin were higher than in Belfast, which contributed to the 'psychology of inflation'. As a response, the Society of Irish Motor Industry (SIMI) set up a committee to investigate the recommended retail prices for cars. It also studied the implications of EEC entry, the introduction of the VAT, the retail discount structure, and communicated its findings with the NPC[203]. The discussions between NPC and SIMI resulted in an agreement for a 10 per cent cut in the rate of dealer discounts with effect from December 1st 1973. Thus, SIMI dealer members agreed to accept lower margins on new vehicles, which resulted in a reduction in the list price of most cars[204]. The dealer margin issue became relevant again in 1973, when Justin Keating, the Minister for Industry and Commerce, introduced a temporary freeze on the margins of some traders, including motor. SIMI made representations on this to the Minister on a number of occasions during 1974[205]. According to SIMI, 'the only response to-date [January 1975] has been the instigation of yet another investigation into car margins and selling costs by the National Price Commission'[206]. At the beginning of 1974 the motor industry reported 'squeezed to the limit' margins, as a result of the rise in costs of almost all goods and services, which led to an increasing cost of money and scarce working capital[207].

In April 1975 the Government announced its decision to remove motor assemblers and importers from the restrictions of price controls[208] [209] allowing them to notify price increases 21 days in advance[210]. This decision was based on the NPC's examination of applications for price increases[211]. In December 1975 and March 1976 the NPC reviewed the factors affecting the motor industry[212] and concluded that further extensions of the period of exception from the price controls until 30 September 1976 were needed[213] [214]. In 1975 the Minister also amended the *Prices (Stabilisation of Profit Margins of Retailers) Order of 1973*, which 'repealed the 'Freeze' legislation, but introduced an overall maximum discount level of 13 ½ per cent of the recommended retail price'[215]. At the same time, in its 37th report NPC proposed a new scheme for the control of retail margins, according to which retailers should not be permitted to exceed the level of gross percentage margin attained in the last complete accounting year. In addition the NPC also proposed a variation of the price control system applied at the time in Britain. In addition to car dealer margins, a lot of controversy took place in relation to retail petrol margins. In 1973 the Retailers Committee of SIMI submitted an application to the Minister for Industry and Commerce and the NPC asking for an increase in petrol margins[216] to 2-4p per gallon of petrol[217]. The NPC's consultants 'totally rejected' the application[218]. According to John Forte, SIMI President, this action triggered the possibility of industrial action by the retailers[219]. A year later on March 11th the Retailers Committee of the Society of SIMI met with the NPC to make a detailed submission in support of its case for an improvement in retail petrol margins[220]. SIMI representatives criticised the Consultant's approach to assessing the trend in earnings and suggested that the margin criteria level in Northern Ireland and Britain could be of aid in determining one for Ireland[221]. They also argued that since the original application was submitted by SIMI, the wholesale price of petrol had increased by 42 per cent and the cost of evaporation also increased[222]. SIMI urged the Minister to 'grant retailers, as a matter of urgency, parity of margin with retailers from Northern Ireland'[223].

SIMI's requirements were not met and in December 1974 the Minister for Finance increased the retail price of petrol by more than 30 per cent to 65p per gallon in order to reduce overall petrol consumption by 10 per cent[224]. SIMI expressed its anger with this decision arguing that this increase was not in the interests of the economy and that it narrowed the gap between the price of petrol in Europe and Ireland thus diminishing 'a valuable marketing tool used by Board Failte on the Continent'[225]. In 1974 and 1975 SIMI regularly reported the low sales and negative impacts of the increased motoring costs on consumers. Another report produced by the NPC in August/September 1975, deferred the request by the Retailer Committee of SIMI for a gross margin on petrol of 8.33 per cent, and indicated that OPEC increases might lead to some increases in 1976[226]. In October 1978 the Retail Committee of SIMI made a detailed submission to the Restrictive Practices Commission (RPC) in connection with its public inquiry. The RPC intended

to examine matters such as a prohibition on the opening of new petrol company owned outlets, solace agreements, the prohibition and discrimination in prices and other terms, hours of opening, promotion and trading stamps[227]. In another submission to the NPC in mid 1979 the Retailers Committee of SIMI sought an increase in the retail margin of petrol by about 2p[228]. This increase would cause a 1.5 per cent increase in the average retail price[229]. Desmond J. O'Malley, the Minister for Industry, Commerce and Energy, accepted the recommendation of the NPC on the SIMI application and allowed a 1p per gallon increase in retail margins on petrol, which could only be applied after the next price increase granted to petrol companies[230].

According to SIMI, its representations and meetings with senior officers of the Department of Finance to discuss the impact of VAT proposals on the motor trade at the beginning of the 1970s resulted in a number of important changes in the VAT system. Some of SIMI's initial suggestions were to exclude the application of VAT to delivery charges, not to apply VAT to existing rental hire contracts and to commercial vehicles and tractors[231]. Between June 1969 and November 1970 the Government doubled the wholesale tax on cars[232]. According to SIMI, this led to the fact that no growth in car sales was recorded between 1969 and 1970. The association hoped that the new Minister for Finance would not 'look for the motor industry to solve his problem by raising additional taxes'[233]. But instead SIMI reported that its hopes were ruined by the 'soaring cost of private and commercial transport' and 'piling new and additional taxes in the form of higher rate of VAT, higher Road Tax and Driving Licence Fees and the new £5 first registration fee'[234]. Another VAT increase in September 1973 caused prices to go up 5 per cent and had a negative effect on car registrations in August[235]. In its 1974 pre-Budget submission SIMI asked the Government to reduce the VAT applicable to spare parts to 6.75 per cent. The association argued that the Irish market was loosing out to Britain and Northern Ireland, where the VAT was lower and duty free allowances were available for travellers between EEC countries[236]. A similar argument was used during SIMI-Government negotiations in September 1974 in relation to high VAT and import duty rates on car radios and stereo equipment, which, according to the association, contributed to decreasing sales[237].

The first reviews of a consumer protection law relating to the motor industry were offered in the November issue of the Motor Industry journal in 1973[238]. Two years later, in July 1975, SIMI's Order Form Committee examined the National Consumer Advisory Council's (NCAC) recommendations for new Consumer Protection legislation and made a detailed submission to the Minister for Industry and Commerce[239]. Published in August 1975 in the Irish Motor Industry journal, the submission included an objection to the 'open-ended' proposal that the purchaser should have a right of redress for consequential loss, and a request for full consultation on the proposal for the licensing of repairers, which was welcomed by SIMI members[240]. In July 1974, following negotiations between the association and the unions, SIMI introduced a contributory

pension scheme for employees in the retail motor trade[241]. The pension fund, which by 1975 had 168 members covering 1800 employees,[242] was administered by the Royal Trust Company who acted as a Trustees and Investment Managers[243]. The benefits applicable under the fund were agreed to be reviewed from time to time[244], so in July 1976 an increase in benefits was announced and in September 1979 some benefits were also improved[245]. Some other issues that became a concern for the Irish Motor industry following EEC accession were the illegal importation of vehicles, trading stamps, motor insurance, and capital and wealth taxes. By law, only a non-resident in the Republic could drive a car taxed outside the state, but there were a growing number of people driving cars from Northern Ireland and Britain who could not claim to be non-residents[246]. The problem had to do with the fact that there were substantial tax differences between the countries, so the harmonisation of tax rates within the EEC was thought of as a solution. This concern was one of those raised at the annual SIMI General Meeting. SIMI made a number of representations to the Revenue Commissioners, who initiated a campaign to prevent the illegal use of imported vehicles[247] and investigated reported cases of illegal use and importation of vehicles[248].

Trading Stamps also kept causing concern to SIMI in the early 1970s. The Department for Industry and Commerce began an examination of trading stamps in 1971, when the Fair Trade Commission drew attention to the element of discrimination in the franchise system: stamp companies supplied trading stamps only to selected outlets[249]. Subsequently, in 1972, the NPC called for legislation to prohibit stamps. On a number of occasions during Parliamentary Debates: Dáil Éireann (PDDE) discussions in 1973 the Minister indicated that he proposed to regulate trading stamps and that the question was being investigated[250]. The issue, however, was still ongoing in 1974[251]. In July 1974 Leo Keogh, the Chief Executive of SIMI, submitted a letter to the Minister for Industry and Commerce on behalf of the Retailers' Committee of SIMI. Keogh stated that the 'turbulent' state of affairs within the petrol trade was caused by the failure of successive Ministers for Industry and Commerce to take action to tackle the stamp-trading question[252]. He also claimed that considerable tension in the petrol trade in various parts of the country resulted in the petrol traders picketing outlets issuing trading stamps, blockading a distribution depot of a petroleum company, and resorting to the Courts for injunctions[253]. In mid 1974 SIMI made a submission on the Government proposals on Capital Tax and Wealth Tax. The association argued that only a speculative gain should be subject to the Capital Gains Tax, and gains which arise on the disposal and reemployment of capital should not[254]. In relation to the Wealth Tax, SIMI emphasised that in the motor industry the level of fixed assets is generally high and the motor trade traditionally gave 'a poor return on capital', and already paid an 'exceptionally high level of taxation through car and petrol sales'. Therefore, any tax 'would be unrealistic and would endanger the survival of many family businesses'[255]. In 1975, in its final submission on the Wealth Tax proposals, to which the

Minister (in his September reply) provided a detailed answer[256], SIMI again opposed its introduction[257].

5.8 STRONGER INDUSTRY - NEW TACTICS

In 1975 SIMI underwent restructuring. It expanded its membership to new member classifications, such as coach manufacturers, caravan and trailer manufacturers, agricultural tractor importers and sole concessionaires, body builders, panel shops, and agricultural tractor retailer dealers[258]. The President, Deputy President, Immediate Past President and the Hon. Treasurer became the new officers and the representation on the Council was increased to a minimum of 53 representatives with 1/3 of these representing retailers[259]. At the end of 1979 the Irish centres of the professional body, Institute of the Motor Industry (IoMI), also announced their plans on restructuring. They decided to form the Ireland Region unifying the Ulster, Munster, and Leinster centres to establish a stronger representation to the National Council at Institute Headquarters in Hertfordshire. This would enable the Ireland Region to influence IoMI's policy[260]. Paul Maynes and Joe Graham became the new centre's first Chairman and Secretary respectively[261]. By 1982 the restructured Irish IoMI had more than 1000 members in both the Republic and Northern Ireland[262].

During the annual meeting at the beginning of 1975 Brendan Reville, the Society of Irish Motor Industry (SIMI), announced the decision of the association to introduce a Retail Customer Complaints Service[263][264], which was approved by SIMI's Executive Council. The idea of such a service, initiated by the Retailers' Committee, was based on the example of the British motor industry associations (MAA and STMA)[265] and represented 'an initiative by a trade association to guarantee a fair deal, which is the first and perhaps the only one of its kind in this country'[266]. SIMI undertook a mediating role by acknowledging customers' letters of complains, posting complaint forms, and advising a member firm about the complaint made against it. If a settlement was not agreed between a customer and a firm, the matter was undertaken by the Investigation and Complaints Service[267], which became operational in January 1976[268]. In 1977 it dealt with 61 complaints against member firms[269] and by the end of 1970 the members' participation in the Service became mandatory.

Another example of the new SIMI's approach to industrial representation was related to the issue of motor insurance. In mid 1975 the Minister authorised increases in insurance premiums, which caused dissatisfaction among SIMI members. This made the association consider the option of an insurance joint venture with the Dutch motor industry trade association. The latter ran its own insurance scheme covering its members, so SIMI explored whether extending the scheme to Ireland would be feasible[270]. SIMI also carried out an investigation to consider setting up its own insurance company[271]. At the beginning of 1979 Frans Broedelet, the President of the Bovag

Insurance Company run by the Dutch Trade Association, 'promised SIMI every assistance' if it decided to set up a similar scheme in Ireland and said that Bovag would be prepared to 'take a small share of the equity in a such a venture to help get it off the ground'[272]. The initiative in the forms discussed at the time did not take off. According to Nolan[273], probably because the 'risks at the time were higher than we were willing to take'.

In its pre-Budget submission in early 1976 SIMI emphasised that the motor industry found it hard to recover from the energy crisis of 1973 and that 'further tax impositions could have a crippling effect on the industry'[274]. In February 1976 SIMI representatives met with the Minister's senior advisors to discuss the implications of a new Budget, during which they lodged a strong protest at the severity of the tax and duty increases. They also argued that the increase in Road Tax would disrupt the trade in cars in the higher horsepower ranges, the increase on duty and taxes on petrol would add considerably to distribution costs, and the application of a 10 per cent VAT on car hire would lead to a fall in demand for new cars[275]. SIMI representatives also protested the Budget tax increases and made a case for a modification of the benefits relating to the use of company cars by employees. The meeting was followed by a detailed submission in February 23rd, by an informal meeting with the Taoiseach at the opening of the Irish Motor Show, and by another submission on March 11th 1976[276]. According to SIMI, following its representations and pre-Budget submission, the Minister removed the 37.5 per cent excise duty on car radios and stereo units[277][278] and agreed to a relief with respect to new cars in stock[279]. At the same time, the Government did not respond to the association's requests for concessions and increased petrol duty and taxes and the Road Tax. In addition, for the first time VAT was imposed on short-term car hire, a tax was put on liquefied petroleum gas for use in road transport, and a minimum BIK taxation was placed on a person who had the use of a company's car[280]. This caused a wave of disturbance among SIMI members[281]. In light of the disappointing Budget SIMI held some hopes for the debates on the *Finance Bill of 1976*. The BIK provisions of the Budget in relation to company cars, stock relief, and vehicle excise duties issues were raised in the Seanad Debate on the finance Bill by SIMI nominated Senator Jack Daly[282] [283]. According to SIMI[284], Daly made 'a long and informative contribution to the debate on the Finance Bill in which he strongly opposed the additional taxes imposed on motorists and on the motor industry'. The Bill, however, did not meet motor industry expectations and instead introduced the principle of Continuous Liability for the taxation of motor vehicles, which, SIMI claimed, along with the increases in the Road Tax, 'added to the burden on many motorists'[285]. At the press conference in Dublin in February 1976 Ted Sheils, the association's President, said that 'SIMI members were strongly recommending a massive campaign of protest which might include the closing of garages and service stations'[286]. The association's dissatisfaction with the Budget was voiced on a number of occasions, including the SIMI annual

meeting held in Dublin in May 1976[287]. Some motions at the meeting suggested stronger militancy on the part of members in opposing taxation.

5.9 EU-LEVEL REPRESENTATION & PUBLIC RELATIONS

The end of the 1970s decade was not marked by any major events in the industry. In its pre-Budget submission (1977 Budget), the Society of Irish Motor Industry (SIMI) recommended that the Government not increase the excise duty or VAT on motor vehicles, petroleum products or any motoring services[288]. Despite the fact that the Budget retained the high level of taxation, it remained 'neutral for the motor industry'[289]. In August 1977 a new Government removed the road tax on cars of up to 16 house powers[290], which was again reintroduced in September 1981 and increased in May 1982[291]. In its pre-Budget submission for the 1978 Budget, SIMI emphasised a need to reduce the excise duty on petrol, expressed concern at the introduction of an arbitrary cut off point at two litres, recommended the abolition of road tax on private cars, or alternatively a restructuring of the road tax on new cars in excess of 2 litres[292]. Among other issues the association again expressed its concern with the levels of minimum Benefit-in-kind taxation (BIK) assessment, and suggested an introduction of a lifetime driving licence[293]. SIMI also requested a reduction in the taxation of retained profits reinvested in a business and an increase in personal allowances and an adjustment of tax bands to compensate for inflation[294].

Following a period of rapid growth, high consumer spending, and a generally good year [1978] for the industry, the situation changed. 1979 saw fuel shortages, major industrial disputes, and severe limitations on credit[295]. In its pre-Budget submission for the 1979 Budget SIMI raised the issues of stock relief, road tax for larger cars, and a limit on capital allowances for private cars[296]. An argument for the extension of stock relief to all sections of the motor industry was also made in the pre-Budget submission for 1980 Budget. While stock relief was introduced to deal with the cash-flow problems caused by the taxation of 'paper profits' generated by inflation, according to SIMI this problem was:

> most acute in the motor industry because of the escalation in the price of cars and parts which is considerably greater than the rise in the general cost of living, ... the decline in a number of times which the ...dealer turns over his stocks in a year, and the decline in the net profit percentage...on car sales'.[297]

Requirements to extend stock relief to the motor trade and to eliminate excise duty on replacement parts were also voiced in a series of SIMI's submissions to the Commission of Taxation[298]. In its submission to the Transport Consultative Commission in 1980 SIMI recommended an end to the excise duty of 37.5 per cent on commercial vehicles and replacement parts for private vehicles[299].

Some developments also took place in industrial relations. In May 1979 the Labour Court issued a recommendation on claims on behalf of the members of the Irish Transport and General Workers' Union (ITGWU) employed in the motor repair trade for a minimum basic rate of pay on a national

level[300]. The claim was that all motor mechanics employed in the member companies of SIMI would have a basic rate of £70 per week[301]. At the SIMI Annual Dinner Owen Lemass, the President, made a plea for a reform in the structure of trade unions and for 'effective means of controlling wildcat strikes'[302].

In June 1978 Denis Mahony, SIMI Deputy President, submitted a paper to the Management Committee, which suggested that the association be streamlined by recruiting more professional specialist staff and by putting it on a more professionally managed basis[303]. Mahony suggested a new schedule for a smaller Executive Council (meeting twice a year), a regional basis for retailer representation on the Council, and to hold conferences as forums for ordinary members[304]. It was decided to retain the Council but reduce the number of meetings to a few per year instead of on a bi-monthly basis. It was also agreed that the retailers' section should continue to be based on county structures[305]. A special committee was set up to work on the restructuring proposals, which were to be addressed at the first major SIMI conference in August 1978[306]. The first SIMI Directory and Yearbook was published in August 1979[307]. Three years later the body repair members of SIMI formally asked the Executive Council to recognise a Section of Membership within the association for Vehicle Body Repairers[308], which was officially set up in 1982[309] and by the end of 1982 already had about fifty members[310]. The first major challenge for SIMI after a period of relative stability was its opposition to the proposals relating to the application of VAT on trade-ins (used cars taken in part exchange towards the purchase of new vehicles)[311]. In April 1978 SIMI wrote to the Revenue Commissioners expressing its strong views on the provisions of the proposals [312] and hoping that Ireland would oppose Article 4 of this proposal in Brussels. The association claimed that there was also considerable opposition to the EEC proposal by motor trade associations in most of the Member States[313].

At a national level SIMI's delegation, led by Owen Lemass, the Deputy President, also voiced its opposition to the legislation. During a meeting with the *Joint Committee on Secondary Legislation of the European Communities* Lemass suggested some modifications under which the industry would agree to accept the proposal[314]. At the EU level the association expressed its concern to Sean Flanagan, the Irish member of the European Parliament, who, in turn, raised a question about proposals in the *Draft Seventh Directive* on a common system of VAT to be applied to used goods, including motor cars, at the EEC Commission in the European Parliament[315]. In its reply the European Commission provided arguments in support of its initial position. SIMI, in turn, sent their responses to the Commission's reply to Mr. Flanagan 'in the hope they might be able to put down a supplementary question seeking further explanations from the Commission'[316]. By the 1980s the Irish motor industry still had no codes of conduct or any other self-regulating instruments for its

members. In the UK such a Code had been operational since the mid 1970s. According to Joyce Blow, the Head of Consumer Affairs in the Office of Fair Trading, it was:

> a fine example of the advantages of adopting comprehensive voluntary codes. In many ways our understanding of Codes and confidence in the ability of Codes to improve trading standards have been drawn from our experience of the way in which this particular Code [Motor Code of Practice] has worked...[317]

During the second SIMI Conference held in Tralee in 1979 the Irish association announced its intentions to set up a code of conduct. It reported that it examined other countries' motor trade codes with a view of drafting one applicable to the Irish motor trade:

> Voluntary control of standards and practice by an industry is by far the most satisfactory solution for the consumer. The Society of the Irish Motor Industry is moving steadily towards a sophisticated system of self-regulation and the government would do well to allow it to get on with the job.[318]

At the annual SIMI meeting in June 1980 its members authorised the Executive Council to introduce a code of practice[319] and delegated the Management Committee to formulate it[320]. In 1981 James Murray, the Director of Consumer Affairs, invited SIMI to cooperate with his office on a new code[321].

5.10 COPING WITH CHANGE: NATION WIDE CAMPAIGNS

By November 1982 Ireland was the second highest importer of Japanese vehicles in Europe with 27 per cent of new Japanese cars and 60 per cent of the light commercial vehicles registered. And, unlike France, the UK, or Italy, which had restrictions on Japanese imports[322], Ireland as a non-manufacturing country did not impose any limitations[323]. An unusual pattern is observed for the passenger car registrations (APPENDIX G). Similarly towards the end of the 1970s, while the EU and UK registrations were steadily increasing, Irish indicators show a steep decrease, which lasted until the early 1990s. The level of imports, which was increasing from 1973 to 1978, remained almost unchanged until 1987, and the level of exports remained unaffected until 1997. The beginning of the 1980s was marked by active campaigns on the part of the Society of Irish Motor Industry (SIMI) opposing the Government's approach to the taxation of the motor industry. The establishment of the Dublin Transportation Authority (DTA) was announced in 1980, and a scheme for the compulsory testing of commercial vehicles came onto operation in 1983. The association made submissions in relation to the Unfair Dismissals Act, actively commented on EU block exception legislation, and supported a ban on the importation of used cars, which had failed their national tests[324]. The same year SIMI nominees Jack Daly and Michael Langan were elected to the Seanad on the Industrial Panel[325]. However, SIMI's lobbying prior to the *Sale of Goods and Supply of Services Bill* and the *Finance Bill of 1982*, and its VAT reduction campaign and the resulting threat of militant action became the most important developments within the motor industry during the early 1980s.

The DTA was established following the report of the Transport Consultative Commission (TCC) on passenger transport services. The new agency, whose responsibility was to ensure the integrated planning and operation of transportation in the Dublin area, was welcomed by the industry[326]. According to Leo Keogh, the Chief Executive of SIMI, the association constantly:

> advocated the implementation of the overall traffic strategy for the city and has warned that delays in improving the traffic infrastructure would result in all city centre traffic grinding to a halt.[327]

The scheme for the compulsory testing of commercial vehicles came into operation in January 1983 and similar compulsory tests for private cars were pushed for by SIMI for a number of years[328]. In 1985 delegates from the association met with Liam Kavanagh, the Minister for the Environment, to discuss its introduction[329]. In November 1985 at a lecture delivered by Liam Connellan, its Director General, the Confederation of Irish Industry (CII) also expressed its support of compulsory testing and urged insurance companies to offer premium discounts to motorists who provided a safety clearance certificate from an accredited garage[330]. Car testing was to become compulsory under the terms of a draft directive proposed by the European Commission in 1986. The deadline for the implementation was set for January 1st 1991[331]. In 1983 the Minister for Labour undertook a review of the Unfair Dismissals Act of 1977. SIMI also made some suggestions. For example, it proposed not to presume all dismissals to be unfair in advance of the hearing of an unfair dismissals case, to treat non-statutory and statutory apprentices equally, to place a limit on the compensation amount, and to make special cases for companies employing twenty or less workers[332]. At the end of 1984 the EEC Commission produced a draft of regulations to guarantee the system of franchised motor dealers within the community. When a ten-year rule on the so-called block exemption for motor manufacturers came into force in July 1985, the reaction was controversial. The European car dealers 'broadly welcomed the move', and consumer groups condemned it claiming it would 'restrict choice and keep prices up'[333]. SIMI announced that the most controversial provision of this Draft was the '2 per cent rule', which allowed the EEC Commission to withdraw Block Exemption from a manufacturer if the price of its cars exclusive of taxes varied by more than 2 per cent between member countries[334].

In 1978 active Government debates on the *Sale of Goods and Supply of Services Bill* began. Section 13 of the proposed Bill required motor traders to provide a certificate with each vehicle they sell stating that it is free from any defect, which would be dangerous to the public or to any person travelling in the vehicle[335]. One of the objectives of the section was to reduce the number of unsafe vehicles on the roads[336]. In February 1979 Denis Mahony, the President of SIMI, announced that:

> Section 13 of the Sale of Goods and Supply of Services Bill 1978 contains highly dangerous provisions for the motor industry...therefore we will be pressing the Minister to delete this entire section from the Bill before it is passed into law.[337]

In its representations on the Bill, SIMI, who believed that the 'opportunities for the introduction of amendments arise particularly at the Committee Stage'[338], strongly opposed the section. In its 1979 Spring Information Bulletin, the association published an article entitled 'SIMI to oppose Consumer Bill'. As Máire Geoghegan-Quinn, the Minister of State at the Department of Industry, Commerce and Energy, put it, 'not only have they made these representations to me but I am sure they made similar representations to all Deputies'[339]. The proposal of SIMI was to replace the section in question with a scheme of regular compulsory testing of all vehicles similar to that employed by all other EC member states[340]. During the final stages of the Bill in the Dáil Geoghegan-Quinn announced that she was prepared to cooperate with the trade by introducing amendments in the Seanad if a 'good case could be made for them during the debate'[341]. Following a number of Second and Committee Stage debates[342] the Seanad passed an amendment to the *Sale of Goods and Supply of Services Bill of 1978* providing that a motor trader failing to issue a certificate of fitness on the sale of a vehicle would not be guilty of a criminal offence, was passed by the Seanad in the spring 1980 and came onto force in December 1980. In June 1981 at SIMI's annual general meeting the details of a new insurance scheme in conjunction with Coyle Hamilton Phillips insurance brokers, designed to cover SIMI's members in the event of claims arising from the *Sale of Goods and Supply of Services Act of 1980*, were introduced to the members[343]. The scheme was developed in a way that members who availed of the scheme got discounts, and SIMI received commissions[344]. According to the broker's Director, David Cowman, the Act increased the exposure of motor traders to claims for injury or damage caused by defective vehicles[345]. The Sales Indemnity Insurance Scheme was arranged in addition to another wider scheme covering Sales Indemnity, Defective Workmanship and Public Liability[346]. In 1992 the SIMI insurance range was extended beyond liability coverage to include 'virtually all other insurance required by the trade'[347], and in 1997 a special Petrol Retailers Policy was launched[348].

The issue of BIK was again raised in 1982 in relation to the *Finance Bill*. The Budget of 1973 provided a restricted capital allowance of £2,500, a sum that a company could charge against tax with respect to a company car. In 1976 the limit was raised to £3,500 with this level remaining until 1982. In 1982 SIMI wrote to Dáil Deputies and Senators seeking support for the raising of the ceiling on the capital allowance on company-owned cars from £3,500 to £9,000[349][350]. The association hoped these amendments would be incorporated into the Finance Bill during the Oireachtas debates[351]. However, as SIMI put it, the Finance Bill of 1982 also did 'nothing to meet the case put forward by business interests over several years about the inadequate treatment of company cars for taxation purposes'[352].

Another major issue that surfaced at the beginning of 1980s was the rate of VAT. In September 1981 it was increased from 10 per cent to 15 per cent and in May 1982 by another 3 per cent[353]. To

facilitate the campaign for a 3 per cent VAT, in the autumn of 1982 SIMI called for its regional centres to arrange meetings with their local Dáil Deputies and Senators to explain the case[354]. Senator Jack Daly also participated in SIMI's national campaign by meeting with public representatives. He also accompanied the association's President to a November meeting between Mr. McSharry, the Minister for Finance[355], SIMI and the two trade unions[356] to discuss the 3 per cent VAT issue[357]. At the meeting SIMI presented a detailed submission outlining the situation in the industry and offered to recruit at least 200 motor trade apprentices if the government agreed to a VAT reduction from 18 per cent to 3 per cent on garage repairs and services. Edmond C. Goold, SIMI's President, also asked for a reduction of excise duty on new cars and the raising of the capital allowance on motor cars[358].

According to SIMI, the 1981 Budget was a 'double-blow' for motorists due to the raising of the tax[359]. As SIMI put it, 'the car tax was virtually restored in full by the doubling in two successive Budgets'[360]. To symbolise its protest against 'over taxation' [361] and over increasing unemployment in the motor industry, the association began to use ' Enough is Enough' as a slogan. The motor trade referred to 1982 as the 'year of three Budgets, the accumulative effect of which has been to pile an unprecedented level of additional taxation on motoring'[362]. In 1982 there were two general elections, the first, held in February, followed the collapse of the Fine Gael-Labour coalition after the Government's budget had been defeated. The second (a third general election within 18 months) was called nine months later in November, when a number of independents and the Workers' Party withdrew support for the Government after a series of budgetary cuts. In its proposal submitted to the Government prior to the February Budget, SIMI again called for the introduction of an early reduction in the duties and taxes on motor vehicles. In particular, the association requested the implementation of the 3 per cent VAT rate on servicing and repairs, stock relief for motor traders, free depreciation of commercial vehicles, higher capital allowances on motor cars, the deferment of payment of excise duty for motor vehicle importers, duty free importation of conversion kits, and the application of a 10 per cent corporation tax on the retail motor trade[363]. The new Budget, however, offered a higher VAT rate on motoring products including cars, additional excise duty on petrol and further increases in road tax[364]. In June 1982 SIMI members gave notice to the Government of the possibility of militant action unless 'the burden of taxation on the industry and the motorists is reduced within the next six month'[365]. SIMI decided to set up a subcommittee to examine the impact of taxation on motorists and on the industry and to make a case for relief to the government[366]. The decision on which action had to be taken was to be finalised after a report was presented by the committee within six month[367].

To make an impact on the 1983 Budget, SIMI developed and introduced an advertising and public relations campaign, which ran in the national newspapers emphasising higher petrol taxes, the

return of the road tax, and increased car taxes and VAT. All SIMI centres were asked to meet local politicians to explain the case for a reduction of VAT[368]. According to SIMI's evaluation, the campaign 'attracted widespread interest from the public and from the motoring press and the campaign received widespread media support'[369]. At the beginning of 1983 the Car Rental Council (CRCI) of Ireland made a plea to the Government asking for the exception of rental cars from the excise duty[370]. In its pre-Budget submission the CRCI also sought a relief from VAT with respect to rental income from car hirers' resident outside of Ireland and the application of the arrangements for depreciation purposes with respect to car fleets as already applied to plant and machinery[371]. When a new Budget did not meet any of SIMI's requirements and 'additional burdens were heaped on the motorists and the industry, including a 23 per cent VAT rate on car sales and servicing and a further 11 pence on a gallon of petrol'[372], SIMI was given a mandate by its members to withhold VAT payments, and to organise a public protest in Dublin. The decision was taken at an emergency Council meeting, which was attended by delegates from all regions[373]. Following the meeting SIMI's Management Committee met with Alan Dukes, the Minister for Finance, to discuss the issue of VAT and of the public protest[374]. The Minister was urged to 'extend the special VAT rate of 5 per cent which already applies to the construction industry, to garage repairs and servicing', and asked to reduce the price of oil rather than increasing excise duty any further[375]. On March 23rd 1983 the motor industry 'took to the streets because reason seemed to have failed'[376]. Thousands of motor traders were led by the SIMI's President (Ned Goold), its Chief Executive (Leogh Keogh), and the Secretary (Robert Prole)[377]. Petrol retailer members of SIMI also protested against the failure of the Government to improve dealer margins in the latest petrol price increase[378]. The association intensified the campaign and published a series of newspaper advertisements braking down the £2.69 retail price[379]. SIMI claims that its prolonged campaign contributed to a margin increase of 2.13 pence per gallon, the level recommended by NPC in July 1982, in April 1983[380]. Following a yearlong campaign by SIMI for tax relief, culminating in the march through Dublin by more than 10,000 members of the motor trade, detailed negotiations between the association and the officials of the Department of Finance took place[381]. These resulted in the Government's decision to reduce the VAT rate on workshop servicing from 23 to 5 per cent[382] from July 1st 1983 and to grant the motor trade equality with the construction industry[383]. The arrangement also included increasing the excise duty on new cars by 4 percentage points with a corresponding reduction in dealer margins from 13.5 to 11.5 per cent. According to SIMI, this achievement was

> among the most important concessions ever won by the Society of the Irish Motor Industry not only because of the immediate benefits which it will bring to the motorist but also because it constitutes a recognition by the government of the important role which the registered tax-paying motor trader fulfils within the economy.[384]

According to Alan Dukes[385], this objection of the SIMI to the new excise duty in the 1984 Budget was not completely unfounded, as the excise tax on cars was excessively high. This achievement of the Irish Motor Industry was praised at an IOMTR meeting in Japan in 1985 'as an example of how national motor trade organisations can successfully lobby for a tax system which gives taxpaying motor traders an advantage over those who choose to operate in a black economy'[386]. Similarly, at the Scottish Motor Show the President of the Scottish Motor Trade Association (SMTA) complimented SIMI on its campaign for a preferential rate of VAT[387]. At the end of 1983 SIMI submitted a 13 point plan 'aimed at restoring growth to the Irish motor trade' to Alan Duke, the Minister for Finance[388]. According to the association, 1983 was a year of reductions in car sale to the lowest point in twelve years and of intensive competitive pressures from Japanese imports[389]. In its detailed proposals the association called for a reduction in taxation on cars, fuel, tyres and parts, for an end to the VAT at point of entry, for the extension of stock relief to the motor trade, and for more investment in road works. The same year SIMI made representations to the Government seeking an extension of Ireland's derogation from the EEC travellers' baggage allowance[390]. The new Budget again did not meet SIMI requirements and 'ignored' the industry 'revitalisation' plan[391]. The road tax on cars was increased by 15 per cent, the excise duty on petrol - by six pence per gallon bringing the tax increase on petrol to 42 pence over the 12 months period[392]. Following the Budget, SIMI's President, Donal Hanrahan, met with Alan Dukes to again explain the necessity for the thirteen-point plan[393].

5.11 PIONEERING STRATEGY OF A TRANSFORMED MOTOR INDUSTRY

5.11.1 The End of Motor Assembly Industry

Since Ireland joined the EU in 1973 its share of the European motor industry in terms of output was very small. Leaving aside large car manufacturing industries, the Irish output level was even smaller than the Dutch (Figure 5-2), domestic demand was mostly fulfilled by imports (APPENDIX F).

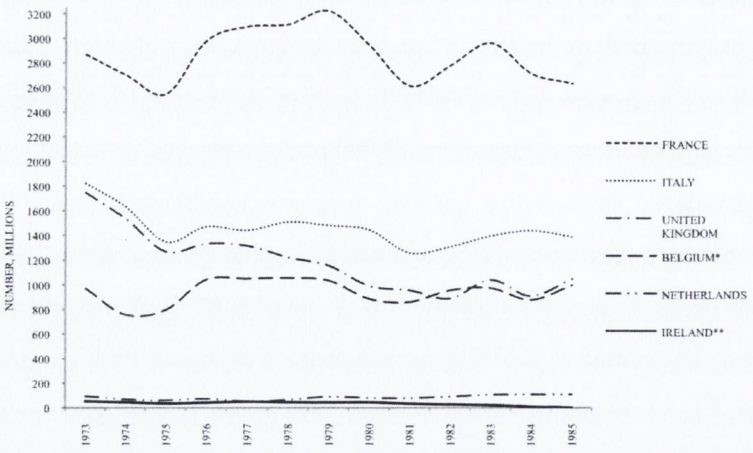


Figure 5-2: Motor Vehicle Production in Ireland and Five Other EU Countries. *Manufacturing& Assembly, **Assembly Only (Source: Census of Industrial Production Ireland, (Cotter, 1988))

The international trade indicators (APPENDIX F) show that towards the mid 1980s D34 imports began to decrease, marking the end of the motor assembly industry. Since then the share of D34 in the country's overall imports, and the share of its imports in relation to the OECD23 has been decreasing. On New Year's Day in 1985 the last barriers to free trade, the final restrictions on the importation of the motor vehicles to Ireland, were removed[394]. The removal of restrictions caused an 'invasion' of the Irish market by manufacturers not previously represented in the country[395]. In the first few months of the 1985 Mitsubishi, Subaru, and Suzuki introduced new products, and Daihatsu, Seat, Jaguar, and Yugo made distributor announcements[396]. In total, eleven new makes established themselves in Ireland: six from Japan, four from the Eastern Block, and one (Seat) from Spain[397]. The ending of importation restrictions marked the end of the assembly industry in Ireland giving way to component manufacturing[398]. Ford, which switched to car assembly in 1932, closed down in 1984. Thus, with the end of the assembly era in Ireland, 'one of the great enterprises of the early years of the Irish Free State came to an end[399]. The good news for the industry at this time of change became the decontrol of petrol prices announced in September 1985[400], two and a half years after the last margin increase[401]. According to the Society of Irish Motor Industry (SIMI), this allowed retailers to 'determine their own selling prices and to seek more realistic profit margins'[402]. In October 1985 the Law Reform Commission issued a report on dealing with the 'large numbers of unregistered vehicles being used on the public roads'[403]. The commission recommended that motor dealers who sell, lease or hire new unregistered cars, face prosecution[404]. SIMI, which was consulted in relation to the proposal, opposed 'another' statutory obligation on vehicle dealers. The association instead pressed the commission to recommend advance motor registration numbers to eliminate the practice of vehicles being used without registration plates, pending completion of registration procedures. The Commission, however, argued that this would not eliminate the

practice[405]. In November 1985 over 1,000 retailers and distributors attended the first National Car Retailers' Convention organised by SIMI. The big issue within the motor trade following 1985 continued to be the dissatisfaction with Government taxation policy. At the convention Hugh Crawford, SIMI's President, blamed the heavy taxation for the 'depression state of the industry'[406]. In addition to the overall dissatisfaction, the findings of the study of the Economist Intelligence Unit caused a lot of dissonance within the motor trade. The Unit reported that Ireland was the second smallest (after Luxemburg) and the most expensive market to buy, run, and insure a car in Western Europe[407]. To raise the awareness of both society and politicians about the tax situation and to subsequently obtain tax reductions, the association resorted to a new lobbying strategy to get its proposals heard: SIMI launched the first stage of an *Axe the Tax* campaign during the 1986 Motor Show.

5.11.2 Budget Blow

The 1985 Budget introduced further taxation, raised the VAT on workshop repairs from 5 per cent to 10 per cent, and put an extra 10p on the gallon of petrol[408]. SIMI representatives met with the Minister for Finance to voice their case for tax relief on motoring and there was still hope remaining for the debates on the *Finance Bill*[409]. Following its report on Retail and Distribution, the Joint Oireachtas Committee on Small Business, whose members included Jack Daly, offered the Government a new deal. This included a reduction in the excise duty on motor vehicles, an increase in capital allowances on cars and more lenient treatment of motorists liable for BIK taxation[410]. When this attempt also failed, the Dublin dealers threatened to take militant action [411] and the association reported 'an unprecedented level of local activity' throughout its 12 centres[412]. In his interview given to the Irish Motor Industry journal Alan Dukes explained the Government position on taxation, and rejected the association's accusation that the motorists and the motor trade were forced to carry discriminatory rates of taxation:

> There are no grounds for feeling that the motor industry or any other specific industry is picked out for particularly harsh treatment because it looks like an easy target... One of the main problems is our restricted tax base. [413]

On the VAT garage service rate increase issue (from 6 per cent to 10 per cent) the Minister said that following the 1983 arrangement (the 4½ increase in car excise and reduction in its margins in return for a new 5 per cent VAT) the exchequer lost revenue, as the excise duty gained did not compensate for the VAT rate reduction. While it was not agreed that the new 1983 rules were to be maintained for a specific period, under the circumstances the Minister adjusted the VAT rate to 10 per cent in 1985[414]. Another controversy was that of a capital allowance for tax purposes on business cars, which was not increased from its 1976 level of £3,500. While SIMI lobbied for its increase to £11,000, the Minister explained that even a £7,000 capital allowance would cause a £23 million loss in tax revenue: 'if I had £23 million in tax revenue which I could do without, I can

think of things which would have a greater priority than changing the capital allowance on cars'[415].

In relation to SIMI efforts to amend legislation, the Minister said the following:

> How could I not be aware of the critical state of the industry when I have several visits every year from Gerry Mackey and his committee, and I have Senator Jack Daly breathing down my neck every week? Its not that if they never get anywhere...I do not think we would have achieved what we did [reduction on VAT garage rates] without an input from the motor trade...we did a very good job together on formulating an efficient system to cover everything from private cars to heavy commercial vehicles'.[416]

5.11.3 'Axe the Tax' Campaign

The new 1986 Budget had a concession on phasing out the excise duty on spare parts, tyres and tubes. In April 1986 the Minister for Finance announced that the remaining 10 per cent excise duty on parts would be reduced to 5 per cent from September 1st 1986 and would be completely phased out by January 1987[417]. At the same time, the petrol tax was increased to 15 pence per gallon and the excise duty on cars was not reduced. Hugh Crawford, SIMI's President, called the petrol tax rise 'outrageous' and said that the industry would demand 'in the strongest possible terms' that in the light of the general fall in petrol prices, all future reductions in the price of petrol had to be passed on to the motorist:

> The Government has once again classified motoring as a luxury activity grouping it with drinking and smoking... The mood of the motor industry is one of great frustration and anger. SIMI plans to intensify its campaign to harness the support of motorists in its lobby for a reduction in the tax burden and will launch a national campaign to enlist this support in the coming weeks'.[418]

As a response to the Budget, SIMI prepared a nationwide campaign 'to harness the support of motorists who have already indicated their frustration and anger at motoring taxes in the Lansdowne survey'[419]. The survey, conducted by Lansdowne Market Research, became SIMI's first step towards increased public awareness of the extent of the tax burden and to transform this into an effective motorists lobby[420].

An *Axe the Tax* campaign was introduced at the 1986 Irish Motor Show. SIMI claimed that following the show about 100,000 personally signed letters from motorists were delivered to the Dáil deputies and many cars exhibited a sticker with the campaign logo[421]. In addition, SIMI prepared display posters and leaflets to be handed out to motorists at the petrol stations and garages[422]. At the EU level the association hoped to 'influence the EEC Commission to put pressure on the Irish Government to reduce motoring taxation' by meeting with EEC officials and briefing the Irish members of the European Parliament'[423]. At the national level the local SIMI centres met with Rotary Clubs, the ICA, and Deputies and Senators 'with a view to influencing the politicians at the grass root level', and other bodies[424]. For example, as part of the campaign, SIMI officials met with Michael Keating, the deputy leader of the Progressive Democrats in November 1986[425].

In the spring of 1986 the capital allowance for tax purposes for company cars was increased from £3,500 to £4,000, which was viewed by SIMI as 'merely a gesture' that 'will do nothing to relieve problems of the motor industry[426]. Following the devaluation of the Irish pound at the end of 1986, according to SIMI the Government took a higher yield from the sale of motorcars. In his letter to the Minister for Finance Leo Keogh, the association's Chief Executive, called for an adjustment to tax rates 'to pass back to the motorist this 'windfall' increase in the yield from motoring taxes'[427]. Keogh pointed out that for cars less than two litres an excise duty rate of 20.6 per cent would produce the same yield after devaluation as was obtained from the 21.7 per cent prior to it[428]. He claimed that the devaluation led to import price increases, and because excise duty was calculated on a percentage basis, the motorists paid an increased tax[429]. As a result, Keogh proposed to adjust the excise duty downward[430].

In October 1986 SIMI officially launched the second phase of the *Axe the Tax* campaign against excessive taxation in the motor industry. It was mainly carried out by the means of personal contact, direct mail, group presentations, and through media[431]. According to Matt Fagan, SIMI's President, 'its [campaign's] effectiveness depends on the lobbying and briefing of local politicians, community opinion farmers, and local pressure groups'[432]. Stuart Kenny was 'retained' by SIMI to devise and coordinate the campaign, whose objectives were to brief national and local politicians, many of whom were 'profoundly ignorant' of the industry's problems, to brief community opinion formers, and to generate public interest[433]. As part of the press campaign SIMI had a car towed through Dublin with 42 per cent of the body work stripped away in order to demonstrate the proportion of the retail price of a new motor vehicle which was taken by the Government as excise duty and VAT[434]. One of the main SIMI's proposals for alleviating the crises in the industry was the suspension of BIK regulation. In its pre-Budget submission for 1987 Budget SIMI recommended reducing the excise duty on cars to 15 per cent and suspending the BIK assessment for two years while it was restructured on a 'more equitable and realistic basis'. Other proposals included an increase of the capital allowance limit for the purchase of business cars from £4,000 to £12,000, treatment of legitimate business motoring expenses as fully deductible for the purpose of Corporation Tax, granting a personal interest allowance not exceeding £1,000 for the purchase of a new car during 1987, and a reduction of excise duty on petrol and auto-diesel to narrow the price gap between Ireland and Northern Ireland[435].

According to SIMI, by January 1987 the first and the second phases of the *Axe the Tax* campaign were completed, and:

> the objectives of creating a full appreciation among the motoring public and the politicians of the size of the burden of motoring taxes, and of the devastating effect of these taxes on the motor industry have been accomplished.[436]

The third phase was designed to 'produce a statement of policy, a declaration of intent by the political parties to tackle the serious situation in the motor industry'[437]. SIMI intensely lobbied the four major political parties. As part of the campaign Irish motorists and industry members marched through Dublin in February 1987 to protest the high level of taxes. SIMI also organised a symbolic gesture to put more pressure on politicians to adopt a policy on motor taxes: 300 wreaths were laid outside Dáil Éireann representing the 300 firms that closed over five years[438].

Prior to the new 1987 Budget SIMI hoped that through an intensive campaign throughout the country and the lobbying of many TDs, 'at least some recommendations contained on the pre-Budget submission might have been implemented', especially the suspension of BIK and an increase in the capital allowance limit for business cars[439]. But the first Budget of Ray MacSharry as the Minister for Finance had 'no news' for the motor industry[440]. Consequently, the Budget was heavily criticised by SIMI, as the 'mountain of taxes which burden the industry and the motorists, all remain'[441]. At the same time the association welcomed the move to restrict all shopping sprees to Northern Ireland to those who spend a minimum of 48 hours outside of the country. It was done to prevent the illegal importation of motor accessories, spare parts and petrol. Another Budget measure welcomed by SIMI was the confirmation of the decision to adopt SIMI's proposal that repair and service charges for business vehicles should be allowed as a deductible expense for Corporation Tax purposes, but only where a VAT-registered garage carried out the work[442]. In March 1987 SIMI held a meeting to put the motor industry case and the taxation issue to the newly elected TDs[443]. In the spring SIMI delegates met with the Minister for Finance to express their disappointment with the Budget and to explain their views on the state of the Irish motoring[444]. In return the Minister promised to carefully examine a further SIMI's submission[445].

According to Brian Murphy, SIMI President, the *Axe the Tax* campaign led by the Anti-Taxation Lobbying Committee was a great success which not only raised the profile of the motor industry with the general public, but also helped to avoid an increase in taxes in the 1987 Budget[446]. Another motor industry achievement in 1987 was SIMI's successful representations to the Revenue Commissioners[447] and to the Department of Labour[448]. The former waived any past liabilities of members in relation to the VAT on leasing and agreed to procedures, which avoided any possible future liability. Following the latter, local authorities were given more flexibility in licensing petrol filling stations[449]. On the subject of road safety, SIMI, in conjunction with the Department of the Environment and the Dublin Road Safety Council, ran a free motoring check scheme. Seventy SIMI members checked over 2000 cars and presented the 'shocking' results to the Minister for the Environment[450].

5.11.4 New Lobbying Strategy

In December 1987 a SIMI delegation met with the Minister for Finance to put forward its Budget proposals[451] and in February 1988 the submission in relation to motor taxation was made to all political parties[452]. This time the association took a different strategy to support its arguments[453]. In its submission SIMI pointed out the three main 'self-financing ways of stimulating the Irish Motor Industry'[454], which were the reduction in excise duty levels to those of 1980, an increase in capital allowance proportionate to the level at which they were introduced, and the restructuring of BIK taxation on the basis of engine capacity which would remove a substantial disincentive to company car replacement[455]. For example, in relation to BIK, instead of proposing to simply reduce taxes (as in previous years), SIMI suggested that the tax be linked to engine capacity as opposed to the price[456]. This would provide a stimulus to the demand for new cars thus helping the motor industry to recover and producing extra revenue for the Exchequer[457]. As a result, in their statement Fianna Fail said that the following:

> In the Fianna Fail Programme for National Recovery we have clearly stated that in government we will reduce taxes selectively where this could lead to an increase in economic activity and employment and where it can be done with little or no loss of revenue overall. The evidence you [SIMI] have presented would suggest that a substantial reduction in BIK could be completely self-financing and indeed generate extra revenue as well as having an overall beneficial effect...[458]

At the opening of the Michael Grant's new Opel Centre, the Taoiseach made another statement following SIMI submissions. He mentioned that a lessening of the burden of taxation on motoring and the motorist was 'essential sooner or later'[459]. Nevertheless, the Budget did not meet the industry's expectations, which 'instead of providing the motor industry with any hope of survival, ensured an even worse year for motorists with the introduction of increased fuel prices yet again'[460]. In addition, the three main issues raised by SIMI prior to the Budget were not mentioned[461].

5.11.5 'Be SIMI Sure'

In 1988 SIMI placed an emphasis on public relations by positioning the associations' members as trustworthy/legitimate companies in order to encourage the public to deal with them. At the beginning of the year SIMI launched an awareness campaign, *Be SIMI Sure,* aimed at encouraging the public to deal with SIMI members[462]. An illuminated external sign was designed to identify SIMI member companies, as well as internal signs setting out the terms and conditions of conducting business in sales, workshops, parts department, and the forecourt[463]. According to SIMI's Deputy President[464], the initial members' reaction to the campaign was 'somewhat disappointing' as many society signs were adopted slowly. As an extension to the campaign SIMI decided to build up a special promotional fund to produce leaflets and engage in advertising 'to point out to the motoring public the advantages of doing business with SIMI members'[465]. By 1989

over 100 SIMI members actively participated by displaying the signs[466]. The *Be SIMI Sure* went further when it published a leaflet as a guide to used car purchase [467] and launched TV advertising alternating between a showroom and a workshop setting and urging the public to buy their cars and get them serviced and repaired only where they see SIMI sign[468]. As well as targeting customers this move was intended to attract more companies to join SIMI[469]. One of the smaller SIMI members[470], who joined the association at around this time, found it difficult to explain his decision to become SIMI member. The argument voiced was that of conformity, *e.g.* the owner did what everyone else did at the time.

5.12 SINGLE MARKET: 'GETTING IN GEAR FOR 1992'

5.12.1 Anticipation of Single Market

A rapid decrease in the shares of imports relative to exports (D34.IIT & D34.XM) (APPENDIX F) took place between 1986 and 1988. From 1988 to 1991 the process reversed, and following the Single Market exports again increased. In comparison to the OECD23 they still remained very small. Since 1990 the industry's import (D34.MSPEC23) and export (D34.XSPEC23) shares in total country's imports in comparison with the OECD23 average began to decline reaching a 1985-level in 1992. In 1992 the domestic demand for cars was still satisfied mainly by imports, but the share of domestic production to meet domestic demand began to increase. Since approximately 1988 passenger car registrations in Ireland again started to match the EU pattern, though number wise they were considerable lower APPENDIX G.

The issue of tax harmonisation, the single market, and its impact on the Irish motor industry has been heavily speculated about since 1988[471]. Thus, a series of debates took place in response to an EU announcement on the harmonisation of VAT and excise duty with the aim to 'get people to move in the right direction'[472]. While Ireland was one of six EU member states with special car/excise duties prior to 1992[473], the Society of Irish Motor Industry (SIMI) kept stressing the importance of the phasing out of excise duty as opposed to undergoing an 'overnight withdrawal'[474]. In an interview in 1988 Eugene Cranley, Deputy President of SIMI, said that:

> ...of all issues great and small in the history of the society ... 1992 ... is probably the most important, daunting, challenging, unknown, worrying and potentially disastrous episode to confront our industry and the Society. My personal belief is...that it could well be an unmitigated disaster of Ben Hur proportions.[475]

According to Leo Keogh[476], the elimination of internal border controls could lead to a scaling down of the size and activities of at least some motor distributors. And while in the long run the proposal would have a positive impact and make motoring cheaper, in the short run it would have had a very destabilising effect[477]. On numerous occasions during 1988 and 1989 SIMI blamed the Government for the lack of action in preparing the Irish industry for the single market. At the same time, the situation 'had a potential to disrupt the whole market place, thus aligning the interests of

the industry with those of the Government[478]. In February 1989 Albert Reynold (the Minister for Finance) issued a clarification statement, in which he explained substantial revenue losses for the Irish Exchequer entailed by the move to VAT rates and excise duty based on EEC averages, and by the excise-related proposals received by the Government:

> Any substantial fall in excise duties finally agreed upon will not be precipitate but will have to be phased in over a number of years along with offsetting measures to replace lost revenue. [479]

In July 1989 a SIMI delegation travelled to Brussels to discuss the position of the Irish motor industry with EEC officials[480]. While the association confirmed that there would be considerable pressure to finalise the tax approximation proposals by the second half of 1989, it was unlikely that the EEC would object to governments compensating themselves for the loss of revenue with some other internal tax[481]. According to Alan Nolan[482], the association had to use whatever route it could to argue its case. Going directly to the EU, however, is a quite a slow and expensive process[483]. In Brussels the situation was also complicated, as the proposed system of VAT harmonisation proved to be a difficult one to agree on at the European level due to significance differences of rates and potential losses to governments[484]. Thus, the Commission abandoned the idea of a single uniform VAT rate and instead pushed for a band of rates thus leaving the members with certain flexibilities[485].

5.12.2 'Politically Aware' Society

According to Eugene Cranley, the SIMI President elected in 1989, the society became more politically aware and 'totally immersed' in the process of lobbying the Government:

> Before that lobbying was just part of some yearly exercise of making a pre-Budget submission and perhaps meeting the Minister...the Government of the day just saw us as lame ducks and really savaged the motor industry. The society is doing better work now than they have even done and the single biggest job we have facing us is to continue the efforts to get some harmonisation on taxes brought about before 1992... [486]

Cranley believed that at the end of the 1980s SIMI achieved the strongest position it ever had, which was proof that the public ceased to see the association as a purely 'bureaucratic shell'. He also claimed that the restoration of petrol margins to 18.1p per gallon was 'one of the society's greatest achievements in restoring some marginal profitability'[487]. In the 1980s SIMI also started to use its Seanad nominating right and nominated candidates to the Industrial and Commercial Panel to have representatives in the Government. In 1989:

> in view of the impact which the 1992 tax approximation proposals of the European Commission will have on the motor industry it is absolutely vital that the society and the motor industry should be adequately represented in the Oireachtas.[488]

SIMI nominated Liam Burke for the Seanad General Election on the Industrial and Commercial Panel. He failed to get a seat that year. Olga Bennett, who also represented SIMI at the Council of Europe in the early 1990s, became another unsuccessful nominee in the November 1988 and 1992 Seanad by-elections[489]. Prior to the election SIMI produced a politician's questionnaire on the

issues it considered a priority[490]. The questionnaire was circulated to all members 'to help them to canvass all candidates on behalf on the motor industry' with the aim to let political parties more aware of the impact of the motor industry on a national economy[491]. In his interview with the Irish Motor Industry magazine W. G. Wilkinson, SIMI first President, made another statement characterising the transformed nature of the industry:

> I think today's [1990] Irish motor industry is a much more integrated entity than in the past. For many years different sectors operate almost as opposing factors, instead of, as today, recognising their mutual dependence.[492]

5.12.3 Focus: Import of Japanese Cars

At the end of the 1980s SIMI repeatedly highlighted the two major issues prevalent in the industry at the time: its campaign against the importation of Japanese second-hand cars and its lobbying for the compulsory car-testing scheme. In 1985 assemblers[493] and the first importers of Japanese cars (Datsun and Nissan) to Ireland, closed down[494], as did Chrysler, thus leaving 'a huge hole', and enabling new dealers to 'fill open spaces fairly easy'[495]. In addition, the PMPA chain of garages and the Smith group were dismembered[496]. These industry level changes enabled the second wave of Japanese distributors[497] to find dealers for their cars. Since the end of the 1980s the registration of second-hand private cars mainly from Japan began to increase, as did the registration of new vehicles. Since 1992, however, the registration of new cars decreased, while second-hand cars were becoming more popular (APPENDIX G) In addition, the active at the time Society of Irish Vehicle Importers (SIVI) began branding the imported cars and their dealers with flags, bunting and point-of-sale materials[498]. Jeremy Hennessy[499], the former Chairman of the Irish Motoring Writers Association (IMWA) and the Honorary President of the Motor Schools Association of Ireland (MSAI), commented that 'in a classic case of overkill SIMI set about destroying the used car import phenomenon'.

According to Alan Nolan[500], with the arrival of Japanese imports the same number of cars was registered in Ireland, but two-thirds of them were second-hand imports. Demand for such cars increased, thus affecting new cars' values, leading to an increase in the cost of trading in old cars for new cars, and subsequently, reducing sales of new cars. Thus, SIMI strongly opposed imports. Responding to the heavy criticism in the media of SIMI's opposition to the importation of Japanese cars, Leo Keogh explained that with its actions the association intended to alert its members to the problem of compliance with mandatory regulations and the unsatisfactory spare parts experience, which marked the importation of these cars into Australia and New Zealand[501]. Another argument that surfaced in numerous SIMI's publications on the subject was the issue of safety, which, unlike elsewhere in EEC, was not regulated in Ireland. In response to heavy industry criticism, Pádraig Flynn, the Minister for the Environment, explained the Government's position on the importation of the second-hand Japanese cars during the Dáil debates in January 1980. He said that inquiries on

the subject were on-going in a few Departments, and emphasised that the primarily concern was with safety issues, and not with the availability of spare parts and repair services. By the early 1990s the import trade established a niche employing a considerable number of people and creating a new segment within the industry. According to Jeremy Hennessy's special report published in the Motor Business journal, the SIMI stance against the imported Japanese cars caused this segment to develop its own infrastructure[502] and representative arrangements. The latter, however, 'would have been a very loose organisation' without staff or structure[503]. Commenting on the SIMI's strategy, Alan Nolan[504] also noted that the association was far too aggressive in that campaign, unwittingly making the issue more difficult to deal with by creating a fuss about it. From 1995 the dynamics reversed: registrations of second-hand cars decreased, and registrations of new cars increased (APPENDIX G).

5.12.4 Compulsory Car Testing Scheme

Car testing was another important item on SIMI's agenda since 1988, when the association expressed its disappointment with an EC decision to postpone the introduction of compulsory road-worthiness testing of light goods vehicles[505]. At the SIMI Annual Dinner in 1989 Brian Fanning, the President, accused the Government of lacking the political will to introduce compulsory vehicle testing in Ireland and of allowing 'double standards' in road safety to operate. He announced that SIMI was preparing the blueprint for a scheme, which it intended to present to the Minister[506]. The 'unique self-funding system', which suggested setting up a private operating company, the National Vehicle Testing Authority (NVTA), was presented to the Government in May 1989[507].

5.12.5 Petrol Retail Margin & Budgets Preceding 'Independent' Market

Following the upward movement of crude oil prices worldwide in April 1989, Ray Burke, the Minister for Industry and Commerce, made a decision to cut the petrol retail margin by 3p per gallon in order to avoid an increase in fuel prices[508]. SIMI, unhappy with the lack of consultation prior to this decision[509], demanded a meeting with a Minister. The Fair Trade Commission was also interested in the cut decision and set up an Enquiry into the supply and distribution of petrol[510]. SIMI was particularly interested in its findings on the gross margin of profit available to the retailer on the sale of petrol and auto diesel, which would not be an issue 'but for the substantial cut imposed in an arbitrary manner by the Minister for Industry, Commerce, and Communications in April'[511].

Following the petrol retailer's expression of anger, the Minister agreed to meet a deputation from SIMI on May 17th 1989 to discuss the position of petrol retailers[512]. At the May meeting the Minister urged SIMI to hold another meeting when the Fair Trade Commission Enquiry report was delivered to him[513]. In his summing up to the Enquiry, the Director of Consumer Affairs and Fair

Trade suggested that price controls should be continued only on the wholesale price, that dealers should be free to charge more for credit card than for cash sales, and that there should be a ban on 'margin support' (companies giving special temporary help to dealers faced with local competition)[514]. He favoured the banning of trading stamps and gift schemes for petrol, but positively evaluated small local promotions by individual retailers on a limited basis[515]. Thus, according to Leo Keogh, the report

> prompted some gesture of a small increase in margin for the petrol retailer. However, the petrol retailer has found it difficult to get fair play with the obvious long fingering by the Government of the full recommendations of the Commission.[516]

By the end of 1989 the margin was increased by just over half a penny per gallon to 5.6 per cent[517] and the industry continued to lobby for its increase. At the end of 1990 Desmond O'Malley, the Minister for Industry and Commerce, announced that the price of petrol and auto diesel was set to rise following the impact of the Gulf crises on world oil prices[518]. Following a Department of Finance review, the Minister made a new Maximum Prices Order, which gave effect to the increases in the wholesale and retail prices[519].

The restructuring of capital allowance limits, a review of the BIK tax, and an urgent clarification of the Government's policy in relation to excise duty as the industry faced 1992 were the major issues raised in SIMI's submission 1989 Budget[520]. Despite 'no-change' in the structure of BIK assessment[521], the overall reaction of SIMI to the new Budget was positive. The association particularly welcomed the increase in capital allowance from £6,000 to £7,000, the reduced excise duty on unleaded petrol, and the implementation of the ten-year driver licence proposal[522]. In its submission for the 1990 Budget the association suggested a few 'significant alterations'[523]. The society called for a further increase in the capital allowance for business cars, a phasing out of excise duty on cars, petrol and auto diesel, a 50 per cent VAT input credit for the purchase of a business car in line with an EC draft directive, revised BIK assessment procedures, a differential of up to 3.3p a litre in favour of unleaded petrol, and an incentive to encourage manufacturers and distributors to introduce catalytic convertors in advance of EC requirements[524]. Following the submission, SIMI delegation met with Albert Reynolds, the Minister for Finance, in December 1989, who eventually acted on a few recommendations, including a start in the phasing down of taxes in preparation for the single market and a reduction in excise duty on unleaded petrol. SIMI welcomed the subsequent 1990 Budget, which for once did not 'hammer' the industry[525]. It greeted the 2 per cent reduction in VAT, but criticised the Government for not offering a sufficient incentive to change to unleaded petrol and for leaving the capital allowance on business cars unchanged at the £7,000 level[526].

The following 1991 Budget became a 'mixed bag' for the motor industry[527]. SIMI was looking for a reduction in taxation, excise duty, and VAT, and pointed out the effects of the influx of second-

hand Japanese cars in to the country[528]. The Budget reduced the VAT on cars, commercial vehicles, accessories, and motor fuels to 21 per cent (from 23 per cent), but increased the VAT on garage repairs and servicing to 12.5 per cent (from 10 per cent). The road tax rates for cars[529] and first registration fees[530] also went up[531]. The 1994 Budget reduced the VAT on garage repairs and services and did not impose tax increases[532]. At the same time it introduced a Vehicle Registration Tax (VRT) to replace excise duty[533], the reduction of which was to become the primary objective for SIMI in the coming decade. SIMI's overall reaction to the 1993 Budget was expressed in its publication:

> The society's efforts at improving its lobbying is beginning to pay dividends. Politicians now realise the enormous contribution that the motor industry makes to the economy and employment.[534]

5.13 NEW FOCUS: LOBBYING, IMAGE, CHANGE

In the years following the Single Market the motor industry underwent a recovery. In 1993 the economy came out of recession. According to Tom Kilroy, President of the Society of Irish Motor Industry (SIMI), the same year the industry 'had a beneficial spin off': the reduction in VRT caused an increase in car sales, and a scrappage scheme improved business in the industry[535].

Despite almost a doubling in car numbers between 1990 and 2003, the numbers of vehicles per 1000 people in Ireland still remained low: way below the UK and OECD averages. Figure 5-3 shows that there was a rapid increase in cars in 1996, and that in 2000 Ireland for the first and only time exceeded the European average indicator. Ireland was also behind other high-income OECD countries in the number of cars per 1km of road (Figure 5-4).

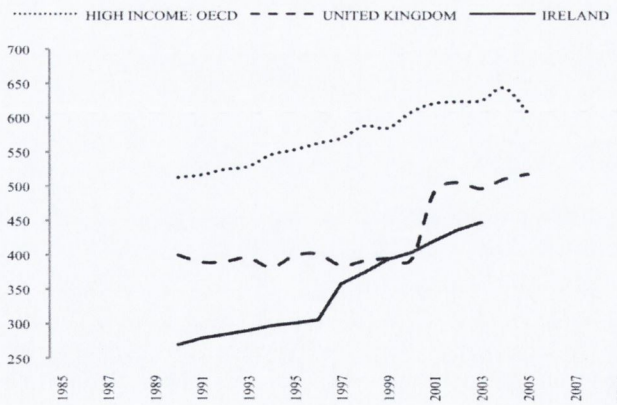


Figure 5-3: Number of Vehicles per 1000 People in Ireland, UK, and High-Income OECD Countries (Data Source: OECD)

The 7th Directive on VAT brought 'the biggest change in retailing, probably in a lifetime', according to Cyril McHugh[536], the Chief Executive, who replaced Leo Keogh in 1992. The two elements of the importance for the industry were the change in technical requirements of VAT

accounting, and the new opportunity to bring the industry to a 'new and more profitable method of operation … by changing from the long wash out to a short wash out system, with each car being a separate profit centre'[537]. SIMI organised a few seminars on the Directive and published a simplified guide to it in its publication the *Irish Motor Industry*.

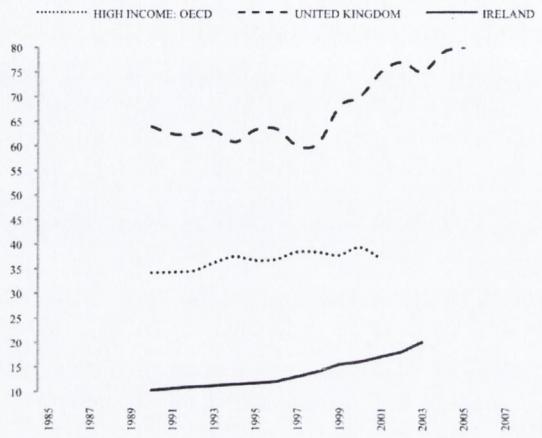


Figure 5-4: Vehicles per 1 km of Road in Ireland, UK, & High-Income OECD Countries (Data Source: OECD)

In 1996 SIMI, in conjunction with the Training and employment Authority (FAS) and the Dublin Institute of Technology (DIT), graduated the first students of the Parts Personnel Distance Learning course[538]. The same year the association admitted 34 new members and participated in a FAS Careers Exhibition[539]. In mid 1996 SIMI, the Revenue Commissioners and the Department of Finance formed a Special Review Committee to maintain a dialogue on various issues, such as taxation[540]. The rocky relationship between the association and the Government also improved:

> We must thank the various Governments over the last couple of years for their prudent management of the economy. Not only the fundamentals been put right, but the prospects for the future also look particularly bright.[541]

A similar view was taken by the subsequent SIMI President, Des Large, who agreed that the Government was listening to the motor trade more than ever in the past[542]. He also emphasised that through such cooperation the association grew in credibility with both the Government and with the public[543]. The two interrelated issues, however, which caused much disapproval within the motor industry for many years, were still on the table for SIMI: the import of second-hand Japanese cars and the lack of a car-testing scheme.

In 1993 SIMI began circulating a Motor Industry Brief to all TDs, senators, and senior civil servants to make politicians aware of the issues affecting the motor industry. The association also began publishing the brief as part of the Irish Motor Industry publication to emphasise the importance of sharing the issues with local politicians[544], and distributed lobbying packs through the National Executive Council[545]. SIMI produced an industry-related video, which 'had a great

impact on politicians'[546], and launched a Christmas advertising Campaign in 1993/94 promoting its logo through a series of television advertisements[547]. In the January issue of the Irish Independent Ivan Yates TD commented on SIMI's latest strategy:

> Lobbyists fall into two distinct categories. There are those who have a view about how the economy can best be run, like the NESC, IBEC, ESRI... who put the national interest before Sectoral claims, and than you have special interest groups who in some cases pinpoint anomalies. Powerful lobbies like the Society for the Irish Motor industry, the Irish Hotels Federation, the Licensed Vintners and the Vintners Federation, the farmers (IFA and ICMSA), and the Building Industry Federation tend to operate double-barrelled lobbying firing off letters, submissions (and in the case of SIMI videos) at both Ministerial and local level.[548]

SIMI believed that as a result of the 'successful strategy' developed by the 'chief architect' Cyril McHugh, the VRT was reduced, the capital allowances were to be increased to £14,000 by 1995 and linked to the price of a 1.6 litre car, and the VAT on services and supplies and BIK remained unchanged. The excise duties on petrol and diesel, however, underwent an increase[549].

Subsequent to the political and media campaign, SIMI hired McIver and Associates Consultants to examine the association's workings and its use of resources[550]. The consultants advised the association to place an emphasis on computerisation and technology in order to be able to effectively respond to members' needs[551]. They also recommended increasing specialisation among SIMI's executives to enable a clear focus on specific key objectives, and the training and development of staff[552]. Following the consultants recommendations SIMI developed a 'comprehensive document outlining the proposed aims and objectives for SIMI for 1995/96' as part of the planned approach to management of the association's activities[553]. The National Executive Council became responsible for setting the aims and objectives, which were to be reviewed and monitored on a regular basis to allow for some flexibility[554]. For 1996 these objectives included the reduction of VRT and VAT in relation to motor taxation, second-hand imports, introduction of car testing, licensing of garages, internal and administrative affairs, communications and links with Europe, and a reduction of the high levels of motor insurance. Cyril McHugh, SIMI Chief Executive, attributed another positive 1995 Budget, which brought the introduction of a new scrappage scheme, reduction in Corporation Tax, Pay Related Social Insurance (PRSI) changes and no increase in motor-related taxation, to the achievements of the association's campaign: '...SIMI has succeeded in changing attitudes of politicians towards the industry, which would be of help in the future'[555].

The scrappage scheme lobbied for by SIMI came into operation on July 1995 and involved the relief of £1,000 VRT when a person who scraps a more than 9 years old car, purchases a new one. Ireland became the fifth European country after Greece, France, Spain and Denmark to introduce a scheme[556], which was believed to be a huge success for the industry with 51000 cars scrapped by the end of 1997[557]. The original idea came from the French example. In addition the SIMI President at the time was connected to Renault and was committed to the idea. Ireland still had a relatively

low car ownership rate compared to other countries and the scheme was an opportunity to sell more new cars[558]. The lobbying strategy for a scrappage scheme involved discussions with the Department of Finance and was very quickly put through[559]. A few years later in his newspaper article on the inefficiency of the pre-budget submission system in Ireland Ruairí Quinn said:

> I distinctly recall a proposal that started with a pre-budget submission from the Society of the Irish Motor Industry (SIMI) – the £1,000 car scrappage scheme. This proposal went entirely against the grain of conventional thinking in Merrion Street. I can still recall the words of recommendation: 'Finally, Minister, we can find no good reason to recommend against this proposal'. [560]

Quinn attributed this motor industry success to the focused, carefully prepared submission, which benefitted the industry, the government, and the society as a whole[561].

According to EC Council Directive 91/328 of June 1991, the member states, which did not already have a system of periodic roadworthiness testing of cars, had to have them in place by 1998[562]. In September 1995 SIMI, which lobbied for a testing scheme to be introduced earlier, made a detailed submission to the Government on the structure to be set up for car testing in Ireland[563]. Based on an examination of the French and UK systems, the association proposed to operate the testing on a geographical basis in dedicated test centres operated by the motor industry under a supervision of a National Vehicle Testing Authority[564]. It brought over French specialists and computer analysis's to hold demonstrations of the French system[565]. The rationale behind the industry's increased interest in compulsory car testing was the following: compulsory testing involves compulsory servicing and repair. A year later the association claimed that the high levels of taxation resulted in a flood of imported used cars into the Irish market[566]. In addition to imposing danger, it caused losses to the legitimate motor trade segment due to unregistered operators who sold second-hand cars without following all of the legal procedures[567]. At the end of 1996 SIMI expressed its anger with the formation of the Irish Motor Dealers Association (IMDA) to 'ship second hand cars half way round the world to sell in Ireland'[568]. At the beginning of 1998 Ireland remained the only EU country without an operational passenger car testing scheme[569]. In other countries the system structure varied. For example, UK had already introduced a garage-based testing system, where a garage could apply for a testing licence. Other members established national organisations to carry on testing in order to separate testing from the service and repairs of cars. In Germany there were two networks competing with each other, and in France four. The Government announced a tender for the compulsory testing programme based on a contract system. SIMI came second leaving the way open to a Spanish company[570].

VRT reduction became SIMI's priority prior to the 1997 Budget. The association again used lobbying as its strategy, which had already become the 'core activity of the Society since its inception': the pre-Budget submission was presented to the Select Committee on Finance and Public Affairs[571] and involved organising regional meetings with local politicians[572]. According to

SIMI its strategy generated a great deal of sympathy among politicians and the general public due to the fact that the trade operated under a huge burden of taxation[573]. Some of the propositions were the reduction of VRT to 20 per cent, the extension of the scrappage scheme for another year, maintaining fuel duties at the existing level, and amending the calculation of BIK[574]. The SIMI argument was that with the introduction of these measures the Government could substantially increase revenue from motor-related taxes[575]. Following the submission SIMI met with Ruairí Quinn, the Minister for Finance, who subsequently wrote:

> With the help of the expert knowledge of the motor trade I believe we have made considerable progress over the years towards improving the environment for long term sustainable growth in the industry, including the introduction of £1,000 scrap car scheme in my first Budget.[576]

SIMI believed that by 'wide' and 'rigorous' campaigning it also significantly advanced the case for vehicle testing, VRT reduction, and for the equalisation of conditions impacting on the level of second-hand imports[577]. The association's lobbying, however, did not really work out and the 1997 Budget became the 'missed opportunity'[578] with an increase in fuel duties and no changes in VRT. The main propositions and lobbying strategies for the following 1998 Budget, which for the first time was held in the winter, were similar to the ones proposed earlier[579].

The issue of the 'hypermarket threat' started to gain momentum in 1997[580]. Before being established in Ireland such hypermarkets 'infiltrated the UK' and had 'a strong foothold in Northern Ireland'. During the SIMI Conference held in December 1997 it was claimed that the hypermarket's entry to the Republic would have 'a disastrous effect on the independent forecourt sector and for the oil companies'[581]. The motor industry feared the disappearance of the small town operators[582]. The first planning permission for a hypermarket was sought in Malahide[583]. SIMI lobbied for a review of the impact of superstores on all aspects of Irish life. In mid 1998 Noel Dempsey, the Minister for the Environment put a stop to the on-going developments until a Planning Review was carried out and made Policy Directive and Regulations under the Planning Acts to limit the size of supermarket developments to 3000 square meters of retail floor space[584] [585]. According to Alan Nolan[586], however, this legislation has been made ineffective by the separation of the petrol station from the supermarket.

Towards the end of the 1990s SIMI turned its focus to the environment. At the end of 1996 SIMI began promoting an environmental initiative campaign. It suggested that its members either get in touch with local schools and offer prizes for an essay on the progress of the motor industry in reducing emissions over the last decade, or promote an art competition for a poster to encourage motorists not to dispose of waste in an unauthorised way[587]. In 1997 it implemented a Battery Disposal Scheme with over 10 million batteries recycled by early 1998[588], talked about a reduction in emissions, got involved in the Auto Oil programme[589], and set up an Environment Committee under the Chairmanship of Des Large 'to look at the total impact of the car on the environment'[590].

During a meeting in 1998 the National Executive Council of SIMI considered a draft code of practice for the changeover from Irish pounds to Euros in the motor industry[591]. The association was represented at the Forfas Advisory Committee and, along with other trade associations, undertook to coordinate the changeover through the acceptance of a code of practice[592]. In the Autumn SIMI launched its Internet Website, which it claimed to be 'the only motor industry website to be controlled by the industry'[593]. In 1999, under Section 30 of the *Safety, Health and Welfare at Work Act of 1989*, the Health and Safety Authority also issued a draft Code of Practice for the Design, Construction, and Operation of Petrol Stations[594]. The draft was developed with the consent of the Minister for Labour Affairs and following consultations with the industry[595]. Another attempt for a self-regulation was the commencement of the Motor Industry Managers Programme[596]. In 2006 the programme was delivered by the IMI, and supported by the Training and Employment Authority's (FÁS) Competency Development Programme[597].

5.14 CHANGING ENVIRONMENT - CHANGING PRIORITIES

From 1999 the number of passenger car registrations increased by more than 1/3 from 200,000 to 280,000, exceeding the UK and EU averages (APPENDIX G). For the same period the value of imports of road vehicles increased from €3 billion to almost €4.5 billion, while export levels remained almost unchanged. The imports of the motor industry as a percentage of the total Irish imports (D34.MSH) also increased. In addition, the confidence indicator[598] of the Irish motor retail trade segment achieved its highest value in 2000 and showed higher levels than the average confidence across all retail segments, before it plummeted in 2001 (Figure 5-5).

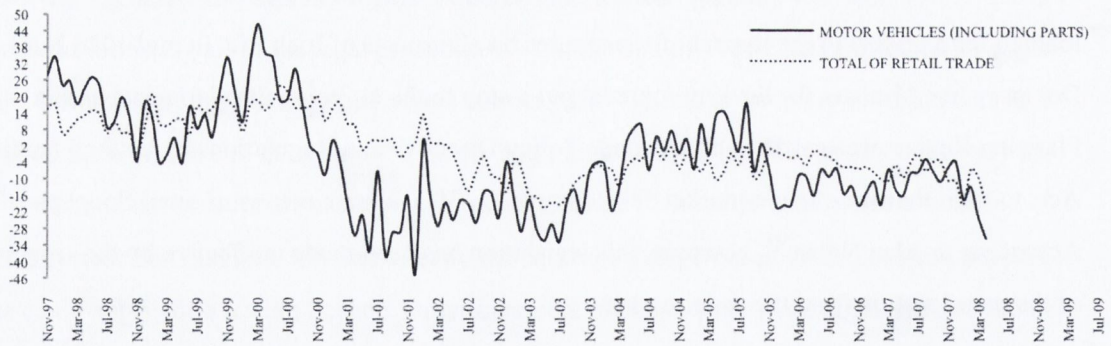


Figure 5-5: Confidence Indicator. Ireland (Source: European Commission, Economic Databases & Indicators, Business & Consumer Surveys)

5.14.1 VRT Shock

In its pre-Budget submission for 1999 Budget the Society of Irish Motor Industry (SIMI) again sought to reduce VRT, leave the VAT rate and duty on petrol unchanged, and to implement the Double Tax Relief for Crime Prevention measures undertaken by a business[599]. Motor taxation, the environment, car testing, and reputation became some of the officially announced SIMI aims and

objectives for 1999. To lobby its Budget interests, the association continued to follow its previous strategy and met with public representatives, held briefings with chief executives of finance houses, and held a press conference for the motoring and general media[600]. For the first time, however, the new Budget introduced an increase in VRT rates causing 'widespread condemnation' from the motor industry[601]. In his Financial Statement Charlie McCreevy, the Minister for Finance, stated, that the:

> new structure will favour smaller cars by raising VRT rate on larger cars...I propose that a new three tier structure should be introduced. The current VRT rate of 22.5 per cent will apply on cars up to and including 1,400 ccs, a 25 per cent rate will apply on cars up to 2,000 ccs, and a 30 per cent rate will apply on all cars over 2,000 ccs. These changes will bring in £43 million in extra revenue and will apply from 1 January 1999.[602]

The Minister offered the following argument for this restructuring of VRT:

> I believe that it is appropriate to seek to recoup revenue in this way from a sector experiencing record sales, which are being underpinned by the rapid economic growth... The increases in VRT will also yield a contribution from the motoring sector to meet the additional road-use and environmental damage arising from the unprecedented growth in private car usage in the State.[603]

McCreevy refused to accept amendments to the Finance Bill on changing the structure of a new VRT thus causing an hour-long PDDE[604]. In June Tom Murphy, SIMI President, admitted that despite the fact that VRT increase 'set the industry back a few years in terms of its efforts to reduce the cost of cars in Ireland, it 'did not dampen the market'[605]. He also noted that while VRT remained an important issue and SIMI would continue to oppose its increase, it was 'important not to loose sight of the larger picture'[606]. Murphy also undertook to implement a new initiative relating to the provision of information between SIMI and the Government. The President considered establishing a Political Communications Unit within the association to focus on direct contact with politicians to allow for an 'effective dialogue between the motor industry and Government'[607]. In addition, Murphy launched the SIMI Carriers Initiative and Training Programme, the blueprint for a 'properly developed career structure within our industry from start to successful outcome'[608].

5.14.2 All Brand New: Budget Message, Lobbying Strategy, SIMI Structure

In the November pre-Budget submission for 2000 Budget SIMI proposed a 2.5 per cent reduction in VRT rates. The association also focused on the importance of the car industry, explained its efforts in relation to emissions reductions, and investments in roads[609]. SIMI announced that to achieve success with the Budget, it changed not only its budget message but also its lobbying strategy. To find support for the proposals SIMI initiated meetings with the TDs in Dublin during sittings of the Dáil in order to contact as many politicians as possible[610]. SIMI Centre Representatives organised four-five member delegations to attend the meetings and urged their local TDs and Senators to also attend[611]. The association posted budget cards to politicians and presented them with a brochure summarising the most important points of SIMI's submission[612].

The personal communications were also complemented by the National Car Owners' Protest Day campaign to collect signatures[613]. The result: the announced Budget was considered by the industry as 'positive'[614]. In 2000 Cyril McHugh announced a major restructuring of SIMI's executive team and headquarters operations, and the recruitment of new professionals:

> We are aiming to bring the delivery of membership service to an even more efficient and effective level, ensuring ... rapid and comprehensive response to member's enquired and difficulties. We also need to take into account the demand for new services.[615]

In terms of a President's background, the established practice was that a retailer, as a representative of the largest segment was elected every second term: for example a car manufacturer would be followed by a retailer, by a parts wholesaler, and by a retailer again[616]. By that time SIMI had become the largest national industry association in Europe, where all branches of the industry are represented in one association. According to Alan Nolan[617], however, it is quite strange, as on the one hand car manufacturers and dealers are members of one organisation; on the other hand, they are business partners, who are vey suspicious of each other's motives. Similarly, independent garages and independent parts wholesalers have a comfortable relationship with neither dealers, nor manufacturers, who they see as trying to keep customers by getting them to service their cars at manufacturing garages. The industry has the inherent potential to fragment, as many countries have associations representing just these fragments. According to Nolan[618], a wide range of commercial activities, such as statistics, insurance coverage and training, serve to provide approximately 40 per cent of its funding, with the remaining 60 per cent coming from subscriptions. This diversification of funding had acted as 'a great cushion' and frees the association 'from the tyranny of membership'. If somebody is unhappy with membership, SIMI could afford to lose them[619]. Nolan stated that representing a range of segments within one industry makes lobbying for something a huge challenge. 'It is difficult to satisfy everyone and a month doesn't come by without some group ... saying we'd be better of in our own organisation... And it is a constant tension'[620]. The fact that Ireland is not a car producing country and the influence of the motor industry is not the same as in other countries (France or Germany) is SIMI's argument for such a diverse membership structure: when the industry is put together, it maintains a stronger position[621]. According to Alan Nolan[622], structure, individuals, diverse interests, and 'being all things to everybody' helps to hold such diverse segments together and maintain membership levels. Car manufacturers might find it important to access statistics produced by SIMI and trace legal changes, dealers might be interested in insurance cover, brands would come into play for smaller members who hope that SIMI's logo is a sign of professionalism and ethics.

5.14.3 End of Life Vehicles System

The European Parliament and Council Directive 2000/53/EC on end-of-life vehicles (ELV) set out specific measures to be put in place by Member States in relation to the collection, storage,

treatment, dismantling, reuse and recycling of end-of-life vehicles[623]. It was designed to increase the recyclability of cars, increase the recovery and reuse of materials, and reduce Europe's reliance on landfills in general[624]. It placed the responsibility for the correct disposal of ELVs onto the manufacturer or distributor[625]. The Directive was important to the Department of the Environment and Local Government, as Ireland had one of the highest rates of dependency on landfills[626]. In 2000 SIMI submitted a proposal to the Department highlighting the fact that Ireland was in a different position regarding the Directive, than other EU countries[627]. For example, the absence of a manufacturing base and manufacturing design facilities distanced the country from the major developments in recycling and dismantling techniques[628]. In addition, 25 per cent of total annual registrations were used imports, so the distributors could not be expected to 'shoulder the legal and financial burden for the disposal of used imports'[629]. SIMI proposed some amendments to be made in relation to the collection, deregistration system, authorisation for dismantlers, recycling, reporting, and financing and organisation. The latter included propositions on restructuring VRT to finance an ELV system for Ireland[630].

In 2002 the parties involved in giving effect to the new EU Directive in Ireland (SIMI, dismantlers, shredders, and the Department of the Environment) appointed KPMG to explore the options for establishing a company to effectively dispose of ELVs[631]. Following the analysis it was agreed to set up a company comprised of SIMI representatives and members of other representative organisations to oversee the collection and distribution of a levy on first registration, which will compensate for a negative value in the environmental decontamination and disposal of the ELVs[632]. According to Alan Nolan[633], the engagement between the Department of Environment and SIMI on the issue was not good and no satisfactory agreement was achieved. What Ireland had in the end was an inefficient and duplicative system, where each manufacturer had to enter into a contract with the ELV treatment centre in every county. As Alan Nolan put it:

> I think time caught up. There was for some reason not a meeting of minds. And it may have been that the industry had a view that it should have gone in a direction of a Dutch model. And the Department wanted a different model. And we ran out of time...[634]

5.14.4 'Remarkable' Year & New Priorities

Overall, 2000 became a remarkable year for the motor industry by bringing, among other things, the introduction of long awaited car testing, successful lobbying activities, and the creation of the Franchise Dealers' and Block Exemption Committees to work towards influencing legislation. In addition, according to Cyril McHugh, the status of SIMI and the industry in general grew[635]. At the end of the summer 2000 Michael Forde, the New SIMI President, announced priorities for the coming year. Along with the struggle against VRT increases and increasing the capacity of national roads it included the renewal of the block exception to the Treaty of Rome[636]. The exemption was initially granted to the automotive industry for a period of ten years and then extended until

2002[637]. To decide on the extension of the scheme the EU Commission appointed the consultancy firm Arthur Anderson to investigate five different scenarios for the renewal of the scheme[638]. As a result the Commission published a document on the exception over the following years, which were commented on by Cyril McHugh, in the Irish Motor Industry magazine.

Several meetings were held between the Department of the Environment and Local Government and SIMI in relation to National Car Testing. Following the meetings Alan Nolan, SIMI Deputy Chief Executive at the time, announced that sales vehicles could be tested up to six month before their due date[639]. According to Alan Nolan, the association also brought up some inconsistencies in the test and proposed cooperation with the Department in improving the situation[640]. The following year SIMI, NCT service, and the Department of the Environment held meetings on resolving test result inconsistencies[641]. In 2002 SIMI started investigating the legality of issuing of a 'monopolistic licence' to test hazardous goods vehicles to Bus Éireann[642]. Toward the end of 2000 industry confidence began to decrease below the average confidence of the Irish retail sector Figure 5-5. The downward trend continued throughout the year, until the end of 2001. In its pre-Budget submission for 2001 Budget SIMI argued that VRT penalised consumers when making environmentally conscious decisions in their choice of a vehicle. The association was pushing for a 2.5 per cent reduction in VRT for vehicles, which were in compliance with the latest EU emissions directive[643]. Other requirements included a reduction in the excise duty on fuel, and the case for an age-related VRT refund for the export of used cars[644]. To promote the submissions SIMI held a series of consultative meetings with a 'cross-section' of political representatives[645]. The Budget contained 'nothing negative' for the motor industry, and Cyril McHugh welcomed many of its provisions infrastructure[646]. Despite a relatively neutral for the motor industry Budget, its confidence remained low until November 2001, when it started to pick up again (Figure 5-5). In its subsequent submission for 2002 Budget SIMI focused on the reduction of VRT by 2.5 per cent, introduction of a VRT equalisation measure, the abandoning of policies based on Environmental Protection Agency (EPA) data, rejection of any proposal for a fuel duty increase, abolishing the 2 per cent levy on insurance and the BIK tax on car parking[647]. The Budget offered an increase in VAT to 21 per cent, and an increase in the tax on a gallon of petrol and audio diesel by 22.7p. per gallon[648].

5.15 MANAGING OLD & NEW CHALLENGES

Since the beginning of the 2000s the opposition to superstores, calculation of CO_2 emissions, reduction of the Vehicle Registration Tax (VRT) and perfecting the pre-Budget submissions emerged as more important areas for the Society of Irish Motor Industry (SIMI) to focus on. The National Car Testing (NCT) changes, block exemption, and Benefit-in-Kind taxation (BIK) became the other worrying every-day issues for the motor industry. The block exemption,

promoted by SIMI for a number of years, was extended. According to the new rules, however, a dealer had to meet the standards set by the manufacturer to remain within a franchise. Among others, these standards covered premises, showroom furniture, and bulbs wattage[649]. On January 1st 2004 the new regulations on the BIK scheme came into force. In 2004 the Road Traffic Act, which provided for the changeover to metric road signs and the lowering of speed limits, was signed into law. SIMI raised concerns with the Department of Transport claiming that the new arrangement was causing problems for the importers[650] and met the Minister to discuss options.

In 2002 the supermarket Tesco was granted permission to build petrol filling stations on three of its premises. Upon the announcement of this decision SIMI immediately appealed to the An Bord Pleanála arguing that the industry 'will be devastated', 'competition decreases', the 'consumer will suffer'[651], and the country would have 'petrol deserts'[652]. The argument was further developed in SIMI's publication, where the association listed all of the possible negative effects of a Tesco petrol station on the industry, consumers, and the country. For years SIMI continued to challenge Tesco planning permissions for its petrol stations in court. In 2005, after a few lost cases, SIMI finally won an appeal in relation to premises in Wilton, Co Cork[653]. In 2009 the situation remains unresolved[654].

At the beginning of 2003 the European Commission began infringement proceedings against six EU members, including Ireland, for not correctly implementing certain EU laws governing emissions. Under the EU scheme for monitoring CO_2 emissions from new passenger cars approved in 2000, Ireland had to annually provide monitoring information on the emissions of carbon dioxide from cars. Thus, in 2003 it was referred to the Court for failing to provide it[655]. Following the proceedings, SIMI announced that the Environmental Protection Agency's (EPA) calculation method of the amount of carbon emissions was incorrect[656] [657], as it did not take into account the 'high incidence of cross border fuel smuggling and sales to Northern Irish drivers'[658]. The association took the matter to the Minister of Transport, who said that he was aware of the 'discrepancies surrounding the EPA's figures for Ireland's CO_2 emissions'[659] and who promised to take some action. However, a 'strong case' brought by SIMI 'did not go anywhere'[660].

The Competition Authority has been involved in prosecuting a number of defendants involved in two cartel cases in the motor retail trade. Thus, in April 2006, the Director of Public Prosecutions initiated proceedings against Denis Manning in Cork District Court, alleging that Mr Manning aided and abetted the Irish Ford Dealers Association and its members in the implementation of agreements to fix the selling price of Ford motor vehicles within the State. A year later proceedings were instituted against a total of 14 members of the Citroen Dealers Association. The charges proffered against the various Citroen dealerships within the State, and the individual officers and directors of those the undertakings, allege that they agreed and fixed prices on the sales of Citroen

cars in breach of sections 4 and 6 of the Competition Act[661]. Ireland has an American model of dealing with competition violations. According to competition law in Ireland, infringement of competition is a criminal offense. To avoid cases such as those described above, SIMI issued strict guidelines to its members on what they do and do not talk about when they get together. But once a competition or any other case is on-going, the association stays out of it[662].

Over the years there has been a tendency to repeat the same issues in SIMI's pre-Budget submissions[663]. SIMI's submission prior the 2003 Budget was prepared by Goodbody Economic Consultants[664] and was presented to the TDs and the Minister for Finance earlier than usual to allow for some consideration time. As Cyril McHugh put it:

> We want to explain the expected state of the car market in light if the changes to block exemption, why there is a need for a reduction in VRT and other pressing issues, which must be addressed.[665]

Among other issues, in its submission SIMI recommended a VRT equalisation measure and no change on fuel excise[666]. Since then, Goodbody Economic Consultants have been working with SIMI with regards to making its submissions 'more professional'[667]. Following the submission the industry's 'confidence', as shown on Figure 5-5, increased reaching the levels of the confidence indicator of the whole retail sector. In the consequent 2004 Budget SIMI pressed for a 2.5 percentage points VRT reduction, and for the introduction of the scrappage scheme[668]. The strategy of the campaign, which was run in conjunction with the Consumer Association of Ireland (CAI) and RAC Ireland, did not change and involved a series of regional meetings with TDs and lobby meetings with the Minister for Finance[669]. Michael Herbert, SIMI President, said that he

> believed that this campaign was instrumental in preventing further VRT increases. In 2004 the society will continue on its relentless campaign to reduce VRT...because of VRT the motorists in Ireland have missed out on benefits of the single market and the reduced car prices that it was meant to bring... Minister McCreevy, we want to compete in Europe, but you are stopping us.[670]

The 2004 Budget did not amend VRT and VAT rates, increased petrol and diesel taxes by 5c per litre, rejected a scrappage scheme proposal, and increased road tax by 5 per cent. Cyril McHugh expressed the reaction of the industry stating that 'it was a very good outcome but the Minister did miss a good opportunity in the scrappage scheme, but maybe that's something for the future'. Bernard Feeney of Goodbody Economic Consultants was again commissioned to prepare SIMI's submission for the 2005 Budget, which was presented to the Department in Finance in August [671] 'to allow the Department more time to consider the proposals'[672]. VRT and excise duty reductions, the introduction of a VRT equalisation refund, and a reduction in the severity of BIK changes were among major proposals[673]. The subsequent 2006 pre-Budget submission was also prepared with the help of the same consultants. In addition to suggestions similar to those of the previous submissions it also sought to subject budgetary changes to the regulatory impact analysis[674]. The industry continued to press for a total abolition of VRT and for a VRT refund on exported

vehicles[675]. In response to the Government's refusal to introduce it, Noel Daly, SIMI President, said that:

> whatever about the long-term replacement of VRT itself, the denial of a VRT refund on the export of a used car is totally contrary to the ethos and spirit of the single market. It is a gross and unethical interference in the free movement of goods. [676]

The main proposition in SIMI's submission to the 2007 Budget was the introduction of a VRT refund scheme to allow for the export of used cars[677]. In the new 2007 Budget Cowen announced the introduction of an emission-based tax system for new vehicles from 2008 and encouraged submissions on the new emission-based registration tax system, which was planned to come into operation[678]. At the beginning of 2007 SIMI launched several newspaper adverts, which were:

> ...critical not only of the levels of tax..., but of the lack of action by the Revenue Commissioners, the Gardai, local authorities and the Director of Consumer affairs in relation to bypassing of VRT, VAT and planning laws by illegal roadside sellers of imported used cars.[679]

According to SIMI, following the campaign the Office of Director and Consumer Affairs set up a task force to investigate and prosecute offences of selling clocked cars, and the Revenue Commissioners increased the number of roadside check points to deter and catch illegally imported cars[680]. According to Cyril McHugh, in its spring submission in relation to VRT SIMI underlined the importance of phasing the system out: 'We strongly believe only when VRT is abolished and we move to a full CO_2 emissions tax system will we have a level playing field on which to do business across Europe'[681]. The new Irish End of Life Vehicle (ELV) regulation on the collection and disposal of ELV was published in the summer of 2006 and came into effect in January 2007[682]. The motor industry heavily criticised it as 'being overly bureaucratic and unnecessarily costly on importers and vehicle producers'[683], and made 'a series of constructive comments... which would have made it [draft legislation] a workable proposition...the majority of these have been ignored'[684]. Prior to the general elections in 2007 the consultation on the rebalancing of VRT to accommodate a shift to a CO_2 base period ended. Following its submissions SIMI expressed its concerns with the timing of the Minister for Finance in relation to the deadline for its implementation (January 2008), as in August it 'was still unclear what the new VRT regime will involve'. The association had meetings with the Department of Finance and Environment and wrote to the Minister 'to make an announcement immediately so the industry will have enough time to react'[685].

5.16 THE LATEST DEVELOPMENTS

In the latest submissions the association moved from the taxation and purchase of vehicles to the taxation and use of vehicles, thus shifting the focus on the environment[686]. In its pre-Budget submission for 2008, again developed with Goodbody Economic Consultant, the Society of Irish Motor Industry (SIMI) pressed for an 'environment-friendly' taxation, for a delay in the new

Vehicle Registration Tax (VRT) system implementation until July 2008, and outlined other general principles that the association felt had to be applied in considering a move to a CO_2 based tax:

> If the Minister is genuinely concerned with reducing CO_2 emissions, then he should encourage the renewal of the national car fleet, as other countries have done in embracing emission saving technology.[687]

According to Alan Nolan[688], the strategy of pre-Budget submissions has changed over time. Instead of repeating the same issues from year to year, SIMI started to focus on identifying challenges facing the Government in a coming Budget and talking to senior politicians about it, as well, as about industry problems. For example, the issues of losing jobs and taxation would be raised with the Department of Finance, which was concerned with increasing employment and tax income. The Department of Environment, in turn, would be concerned with CO_2 reduction, which could be achieved by old car replacement programmes, which are also beneficial for the industry. But reductions in CO_2 means replacing cars for smaller engines, which reduce tax income for the Department of Finance. Therefore, not only the interests of the industry drive a new approach to policy submission, but also an analysis of the issues arising at Government level[689]. Following the pre-Budget submission SIMI launched a 'Smoke and Mirrors' media campaign 'to highlight the damage that any increases in Vehicle Registration Tax could do to the car market'[690]. During its meeting with Cowen on the association's recent submission, the Minister announced its decision to defer any changes in VRT until mid 2008[691]. The new Budget announced investment in the national road infrastructure, changes to the road tax system, and a reduction in VRT. In relation to the latter Nolan said that 'this will give a clear focus to potential car buyers on CO_2. In the medium to long term, it will increase the proportion of diesel cars being purchased'[692]. In April 2008 SIMI launched a new consumer information campaign regarding the changes to VRT and new road tax both based on CO_2 emissions. As part of the campaign the association developed a website facility which allowed customers to calculate the changes to new vehicles purchased after the introduction of the new system in July 2008. In addition, a new Q&A tool outlining the new arrangements was added to the SIMI site[693]. In its pre-Budget submission for 2009 Budget SIMI recommended no change to the current rates and bands, a new scrappage scheme to stimulate the market, and retaining existing VRT levels for commercial vehicles[694].

At the end of 2005 SIMI's National Executive Council agreed to a number of amendments to its aims and objectives. One of the amendments approved was the 'Reputation of the Industry' objective, which ensured that SIMI members were made aware of legal obligations under areas such as competition regulation, and health and safety. Another amendment was to make sure that its own committee represented every segment within the industry, with a 'focus on the needs of that segment under the overall aims and objectives of the society'[695]. In 2006 SIMI and FÁS signed a contract representing a contribution of approximately €350,000 towards the development and

training of motor industry employees[696]. The programme was initiated by FÁS. The training issue also became the focus of the Irish Motor Industry publication editorial, where Alan Nolan, SIMI Chief Executive, emphasised that 'recent changes to the way training courses are delivered means there are huge benefits for both employees and employers'[697]. In the spring of 2007 SIMI announced its decision to contribute to the European-level 'Right to Repair' campaign, which was launched by the International Federation of Automotive Aftermarket Distributors (FIGIEFA) to inform motorists of their right to have vehicles repaired[698].

Another SIMI initiative was the member survey based on on-line questionnaires and member interviews. According to Alan Nolan, then Deputy Chief Executive, who looked into strategy development in the National Business Association under an IMI/Trinity programme, the research sought to measure the association's performance 'with a view to informing SIMI's future strategic direction'[699]. Nolan reported that the overall response from the members on the association's performance as the National Representative organisation was extremely positive, and suggested that:

> ...the key strategic focus for SIMI is not lobbying, nor the provision of services, nor the provision of information and advice, not is it founded on a badge of ethics and professionalism, rather it is all of these and more.[700]

In the Autumn of 2007 following the recommendation of SIMI honorary officers and executives, SIMI decided to modernise its corporate identity, including SIMI sign, signature and stationary[701]. In 2008 a Membership Standards Committee was established to review entry into membership and current members' standards[702]. The association also introduced new rules for all members giving its National Executive Council (NEC) the right to suspend from SIMI's membership and to review membership in cases where the control of the business changed[703]. In the autumn of 2008 SIMI launched the 'biggest used car campaign in the history of the motor industry in Ireland'[704]. The campaign highlighting the value and quality of used cars offered by SIMI members was promoted on the TV, radio and Internet:

> This advertising campaign highlights the quality and value now available in used cars nationwide and in particular at this period when many participating dealers will have additional promotions at a local level.[705]

In response to the claims in the media that the association achieved its SIMI Wage Agreement in the aftermath of the breakdown of the national negotiations, in the summer issue of the Irish Motor Industry Alan Nolan, who replaced Cyril McHugh as new Director General in 2008, wrote:

> SIMI does not normally get involved in public debate regarding industrial relations in the industry, preferring to carry on our own strategies quietly in a business-like manner... SIMI has never been a part of the National Agreement mechanism involving the other social partners but we have been committed to our own Motor Industry National Agreements for almost thirty years now.[706]

ENDNOTES TO CHAPTER 5

[64] SIMI. 2010a. Annual Report.

[65] SIMI. 2010b. SIMI home page, Vol. 2010.

[66] Ibid.

[67] Brennan, G., & Buchanan, M. 1977. Towards a tax constitution for Leviathan. ***Journal of Public Economics***, 8, (3): 255-273.

[68] The data for G50 is not available, therefore an aggregated indicator for Wholesale and Retail Trade in general is used

[69] Irish Motor Industry. 1986a. 100 years of motoring. June.

[70] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

[71] Irish Motor Industry. 1986a. 100 years of motoring. June.

[72] Vehicles were mostly personalised and required a number of highly skilled men to build them

[73] Few of the parts could be outsourced or were mass produced

[74] Saul, S. B. 1962. The motor industry in Britain to 1914. ***Business History***, 5, (1).

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[78] Kenny, K. J. 1921. ***Irish Manufacturers' Directory***. Dublin: The Kenny Press.

[79] Jacobson, D. S. 1981. ***A political economy of the motor industry in Ireland***. Trinity College, Dublin.

[80] Montgomery, B. 2000. ***Ford manufacture & assembly at Cork 1919-1984***. Dublin: Dreoilin Publications.

[81] Ibid.

[82] Ibid.

[83] Car production started in 1908, but registered only as coach –builders until 1918

[84] Produced cars, but were registered and coach-builders

[85] Produced cars, but were registered and coach-builders

[86] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

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[93] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

[94] Ibid, The Motor News. 1901b. The Irish Automobile Club. II: 96.

[95] The Motor News. 1901c. The Irish Automobile Club. II: 37.

[96] Ibid.

[97] Ibid.: 96.

[98] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

[99] The Motor News. 1901b. The Irish Automobile Club. II: 96.

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[103] Ibid.

[104] Ibid.

[105] AA. 1913. ***The Irish motorists' handbook***. Dublin: Hely's Limited Printers.

[106] Ibid.

[107] Irish Motor Industry. 1977f. SMMT is 75 years old. August.

[108] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian, Personal interview. Aug 17th, 2009. ***Bob Montgomery***.

[109] Irish Motor Industry. 1977f. SMMT is 75 years old. August.

[110] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

[111] Ibid.

[112] Ibid.

[113] Irish Motor Industry. 1977f. SMMT is 75 years old. August.

[114] Similarly, applications from Scotland and Manchester were also refused

[115] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

[116] Ibid.

[117] Ibid, Personal interview. Aug 17th, 2009. ***Bob Montgomery***.

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[120] Montgomery, B. 1999b. ***The Irish International Grand Prix 1929-1931***. Dublin: Dreoilin Publications, Personal interview. Aug 17th, 2009. ***Bob Montgomery***.

[121] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

[122] Irish Motor Industry. 1986a. 100 years of motoring. June.

[123] Set up in June 1923

[124] Jacobson, D. S. 1981. ***A political economy of the motor industry in Ireland***. Trinity College, Dublin.

[125] Unfortunately, no data is available on coach-industry representation

[126] Jacobson, D. S. 1981. ***A political economy of the motor industry in Ireland***. Trinity College, Dublin.

[127] Ibid.

[128] Montgomery, B. 2000. ***Ford manufacture & assembly at Cork 1919-1984***. Dublin: Dreoilin Publications.

[129] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

[130] Ibid.

[131] Fanning, B. 1988. Speech by Brian Fanning, the President of SIMI: 21 years - the society comes of age. ***Irish Motor Industry***, December.

[132] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

[133] Ibid.

[134] Ibid.

[135] Formerly an Agents' Section of the SMMT, since 1909-independent organisation, in 1913 incorporated into an ltd. as the Agents Section Ltd., since 1928-the Motor Agents Association Ibid.

[136] Ibid.

[137] Ibid.

[138] Ibid.

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[139] Irish Motor News. 1925. Irish Motor Agents' Association. ***Irish Motor News***, February 21st.

[140] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

[141] Ibid.

[142] Ibid.

[143] Ibid.

[144] Prole, R. 2000. Interview. ***Irish Motor Industry***, May.

[145] O'Donovan, J. 1983. ***Wheels and deals: People and places in Irish motoring*** Dublin: Gill & MacMillian.

[146] Prole, R. 2000. Interview. ***Irish Motor Industry***, May.

[147] Irish Motor Industry. 1972g. The Institute of the Motor Industry and you. June.

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[149] Irish Motor Industry. 1977c. Must the motor industry have a bad name? , July.

[150] O'Hagan, J. W., & McStay, K. P. 1981. The evolution of manufacturing industry in Ireland: 1-63. Dublin: Confederation of Irish Industry.

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[152] Ibid.

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[154] McCarthy, J. P. 1984. ***European integration and the motor vehicle industry***. Trinity College, Dublin.

[155] Irish Banking Review. 1958. Foreign capital in Irish industry. June: 3-9.

[156] McCarthy, J. P. 1984. ***European integration and the motor vehicle industry***. Trinity College, Dublin.

[157] Committee of Industrial Organisation. 1963. Report on the motor vehicle assembly industry. Dublin: Committee of Industrial Organisation.

[158] Ibid.

[159] In 1963 33 were engaged in assembly, 4 of which accounted for 80%, and 9 accounted for 97% of annual production; three of the firms accounting for 70% of annual production were wholly-owned subsidiaries of the foreign motor manufacturers; the assembly factories facilities could be used by any other light industry; 8 largest firms employed 90% of the total work force; the Irish assembled vehicles were more expensive than if they were imported fully assembled, thus there was no hope of succeeding at exporting Irish assembled vehicles. Some of the assembly industry output data is presented in Figure 5-2

[160] Committee of Industrial Organisation. 1963. Report on the motor vehicle assembly industry. Dublin: Committee of Industrial Organisation.

[161] McCarthy, J. P. 1984. ***European integration and the motor vehicle industry***. Trinity College, Dublin.

[162] Cotter, C. M. 1988. ***The effects of trade liberalisation on the automobile industry in Ireland***. Trinity College, Dublin.

[163] At the time it was generally understood that the scheme would remain in operation for 25 years, but this was not formally agreed Irish Motor Industry. 1977d. NPC report finds keen competition in motor market despite assembly losses. February.

[164] Personal interview. Sept 3rd, 2009. ***Alan Dukes***.

[165] Personal interview. Aug 9th, 2009. ***Peter Brennan***.

[166] Lalor, P. J. 1988. 21 years: The society comes of age. ***Irish Motor Industry***, December.

[167] Irish Motor Industry. 1977d. NPC report finds keen competition in motor market despite assembly losses. February.

[168] Cotter, C. M. 1988. ***The effects of trade liberalisation on the automobile industry in Ireland***. Trinity College, Dublin.

[169] Irish Motor Industry. 1972e. Japanese motor invasion: Yellow pearl or Yellow peril? . June.

[170] The assembly of commercial vehicles was already set up in Ireland at Cloghran, Dublin

[171] Irish Motor Industry. 1972e. Japanese motor invasion: Yellow pearl or Yellow peril? . June.

[172] Irish Motor Industry. 1972d. Japanese confirm car deal. November.

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[173] Assemblers of EEC vehicles could import as many *f.b.u* vehicles as they require provided their basic level of assembly was maintained Irish Motor Industry. 1972c. DAF first to avail of new agreement. July/August.

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[175] Hennessy, J. 1995. Special report: The changing face of used cars. ***Motor Business***, July.

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[177] Sheridan, J. 1992. Tributes to Leo Keogh. Ibid., May.

[178] Prole, R. 2000. Interview. Ibid., May.

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[180] Personal interview. Jun 16th, 2009. ***Alan Nolan***.

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[182] Barton, J. T. 1992. Tributes to Leo Keogh. ***Irish Motor Industry***, May.

[183] Irish Motor Industry. 1988j. The first issue of IMI. December.

[184] Prole, R. 2000. Interview. ***Irish Motor Industry***, May.

[185] Irish Motor Industry. 1974h. SIMI at IOMTR Congress in Argentina. February, Irish Motor Industry. 1976d. Motor industry will survive this crises. Interview with Ted Shields. February.

[186] Irish Motor Industry. 1988a. 16 years of Irish Motor Industry. April.

[187] As a SIMI nominee Jack Daly lost 3 elections from the end of 1960s, but was elected to the Seanad in 1975, 1982, 1983, and 1987

[188] Irish Motor Industry. 1988b. 21 years: The society comes of age. December.

[189] Ibid.

[190] Ibid.

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[192] Irish Motor Industry. 1981g. Vehicle Leasing Association celebrates a decade. December.

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[194] Wilkinson, W. G. 1988. Speech by the W. G. Wilkinson, President of SIMI. ***Irish Motor Industry***, December.

[195] Irish Motor Industry. 1988a. 16 years of Irish Motor Industry. April.

[196] McCarthy, J. P. 1984. ***European integration and the motor vehicle industry***. Trinity College, Dublin.

[197] In 1975 Nissan had 10% of the total Irish market Irish Motor Industry. 1988b. 21 years: The society comes of age. December.

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[201] Cotter, C. M. 1988. ***The effects of trade liberalisation on the automobile industry in Ireland***. Trinity College, Dublin.

[202] Irish Motor Industry. 1988a. 16 years of Irish Motor Industry. April, Irish Motor Industry. 1988b. 21 years: The society comes of age. December.

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[204] Irish Motor Industry. 1973d. Unwise taxation. May.

[205] Irish Motor Industry. 1975m. Wanted - a uniform discount structure. February.

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[211] Irish Motor Industry. 1975e. Minister frees assemblers and importers from price control. May.

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[213] The extension was than given to 31 December 1976 Ibid.

[214] Ibid.

[215] Irish Motor Industry. 1975f. Prospects not encouraging Prole tells SIMI annual meeting. June.

[216] Since 1962 There was one increase by one-third of a penny per gallon Irish Motor Industry. 1974a. Callous procrastination. January.

[217] Irish Motor Industry. 1974b. Hitting at the basics. February.

[218] Ibid.

[219] Irish Motor Industry. 1974a. Callous procrastination. January.

[220] Irish Motor Industry. 1974i. SIMI spells it out for NPC. March.

[221] Ibid.

[222] Ibid.

[223] Ibid.

[224] Irish Motor Industry. 1974f. Ryan's folly. December.

[225] Ibid.

[226] Irish Motor Industry. 1975d. Fair play. November.

[227] Irish Motor Industry. 1978f. Society submission on petrol prices. October.

[228] Irish Motor Industry. 1979i. SIMI seeks 9p. petrol margin. June.

[229] Ibid.

[230] Irish Motor Industry. 1979f. Increase follows SIMI submission. July.

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[232] Irish Motor Industry. 1973a. Anxious times. April.

[233] Ibid.

[234] Irish Motor Industry. 1973d. Unwise taxation. May.

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[236] Irish Motor Industry. 1974g. Sause for the goose. September.

[237] Ibid.

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[242] Irish Motor Industry. 1975j. SIMI Pension Fund makes progress. April.

[243] Irish Motor Industry. 1974e. Minister launches new SIMI Pension Scheme. May.

[244] Irish Motor Industry. 1977a. Improvement and progress. March.

[245] Irish Motor Industry. 1979h. Pension Fund improvements. September.

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[246] Irish Motor Industry. 1974c. Illegal imports. May.

[247] Irish Motor Industry. 1975b. Bid to stop illegal imports. March.

[248] Irish Motor Industry. 1975f. Prospects not encouraging Prole tells SIMI annual meeting. June.

[249] Irish Motor Industry. 1974d. Minister blamed for acrimony in retail petrol trade. June.

[250] Parliamentary Debates: Dáil Éireann. 1973a. Ceisteann. Questions. Oral answers. Trading stamps. Volume 269 - 06 December, Parliamentary Debates: Dáil Éireann. 1973b. Ceisteanna. Questions. Oral answers. Trading stamps. Volume 266 - 26 June, Parliamentary Debates: Dáil Éireann. 1973c. Ceisteanna. Questions. Oral answers. Trading stamps company. Volume 265 - 09 May.

[251] Irish Motor Industry. 1974d. Minister blamed for acrimony in retail petrol trade. June.

[252] Keogh, L. 1974. Minister blamed for acrimony in retail petrol trade. ***Irish Motor Industry***, June.

[253] Irish Motor Industry. 1974d. Minister blamed for acrimony in retail petrol trade. June.

[254] Irish Motor Industry. 1974k. What wealth? , June.

[255] Ibid.

[256] Irish Motor Industry. 1975g. Ryan replies to SIMI on Wealth Tax. September.

[257] Irish Motor Industry. 1975f. Prospects not encouraging Prole tells SIMI annual meeting. June.

[258] Ibid.

[259] Ibid.

[260] Irish Motor Industry. 1979g. Institute launches Ireland Region. September.

[261] Ibid.

[262] Irish Motor Industry. 1982b. Institute expands its membership. July.

[263] When set up, the service was officially named as an Investigation and Complaints Service

[264] Irish Motor Industry. 1975l. State has lived too well from motoring says Reville. January.

[265] Irish Motor Industry. 1975i. SIMI launches customer complaints service. March.

[266] Irish Motor Industry. 1976a. A fair deal. January.

[267] Irish Motor Industry. 1975i. SIMI launches customer complaints service. March.

[268] Irish Motor Industry. 1976a. A fair deal. January.

[269] Irish Motor Industry. 1978b. Complaints service deals with 61 cases. June.

[270] Irish Motor Industry. 1975f. Prospects not encouraging Prole tells SIMI annual meeting. June.

[271] Irish Motor Industry. 1975k. SIMI to study establishment of new insurance company. June.

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[273] Personal interview. Jun 16th, 2009. ***Alan Nolan***.

[274] Irish Motor Industry. 1976h. The budget. February.

[275] Irish Motor Industry. 1976f. SIMI may turn militant - storm of protest follows budget. February.

[276] Irish Motor Industry. 1976i. The last chance. April.

[277] The issue on-going since 1974

[278] Irish Motor Industry. 1976f. SIMI may turn militant - storm of protest follows budget. February.

[279] Irish Motor Industry. 1976i. The last chance. April.

[280] Irish Motor Industry. 1976c. Import ban was major problem for industry - Prole. June.

[281] Irish Motor Industry. 1976f. SIMI may turn militant - storm of protest follows budget. February.

[282] Jack Daly won the Seanad elections in the Oireachtas in April 1982 Irish Motor Industry. 1983j. Senator Daly seeks re-election. January. and was re-elected in 1983 Irish Motor Industry. 1983g. Motor men elected to Senate. March.

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[285] Irish Motor Industry. 1976b. A new look at tax. May.

[286] Irish Motor Industry. 1976f. SIMI may turn militant - storm of protest follows budget. February.

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[288] Irish Motor Industry. 1976e. SIMI calls for positive Budget on motoring. December.

[289] Ibid.

[290] Irish Motor Industry. 1977e. Promising move. August.

[291] Irish Motor Industry. 1982l. VAT campaign gains momentum. November.

[292] Irish Motor Industry. 1977b. Leave motoring alone. November.

[293] Ibid.

[294] Ibid.

[295] Irish Motor Industry. 1979c. Coping with change. September.

[296] Irish Motor Industry. 1979e. End stock relief discrimination says SIMI submission. January.

[297] The Irish Motor Industry. 1979. The case for stock relief. December.

[298] Irish Motor Industry. 1980b. Country too heavily taxed says SIMI. September.

[299] Irish Motor Industry. 1980d. End parts duty says SIMI. September.

[300] Irish Motor Industry. 1988b. 21 years: The society comes of age. December.

[301] Ibid.

[302] Ibid.

[303] Irish Motor Industry. 1978c. Proposals to restructure SIMI. June.

[304] Mahony, D. 1978. Proposals to restructure SIMI. ***Irish Motor Industry***, June.

[305] Irish Motor Industry. 1978c. Proposals to restructure SIMI. June.

[306] Irish Motor Industry. 1978e. SIMI to hold Autumn Co. June.

[307] Irish Motor Industry. 1988b. 21 years: The society comes of age. December.

[308] Irish Motor Industry. 1981b. Body repairers to form SIMI section. September.

[309] Irish Motor Industry. 1982f. SIMI group at Thatcham. July.

[310] Irish Motor Industry. 1982a. Fifty body repairers join new SIMI section. November.

[311] Irish Motor Industry. 1978a. A backward step. April, Irish Motor Industry. 1978d. SIMI opposes VAT proposals. April.

[312] Irish Motor Industry. 1978a. A backward step. April, Irish Motor Industry. 1978d. SIMI opposes VAT proposals. April, Irish Motor Industry. 1979e. End stock relief discrimination says SIMI submission. January.

[313] Irish Motor Industry. 1978g. The EEC. November.

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[315] Irish Motor Industry. 1980c. EEC view on used car VAT. July.

[316] Irish Motor Industry. 1980f. SIMI deplores M-way ban. July.

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[318] Speaker at the SIMI Conference. 1979. Consumer view. ***Irish Motor Industry***, October.

[319] Irish Motor Industry. 1980e. Green light for Code of Practice at SIMI annual meeting. June.

[320] Irish Motor Industry. 1980a. Blueprint for a Voluntary Code of Practice. July.

[321] Irish Motor Industry. 1981c. Consumer director's invitation on code of practice. July.

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[324] Irish Motor Industry. 1984b. Dangerous imports. September.

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[326] Irish Motor Industry. 1981d. Minister promises action on traffic chaos. March.

[327] Irish Motor Industry. 1980g. SIMI welcomes traffic plan. June.

[328] Irish Motor Industry. 1985j. SIMI pushes for car tests. May.

[329] Ibid.

[330] Irish Motor Industry. 1985b. CII supports car tests. November.

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CHAPTER 6 CASE: BANKING INDUSTRY

6.1 OVERVIEW OF IRISH BANKING

6.1.1 Irish Banking Today

Upon achieving independence Ireland had a developed banking system incorporated into the Sterling area, international level interest rates, proximity to London as a financial centre and its institutions as its main lenders, and parity with Britain's monetary area[707]. The *Currency Act of 1927*, the establishment of the Central Bank in 1943 and its gradual expansion of power, the structural changes and increasing competition of the 1960s, the entry into the EEC in 1973, and the breaking of the link between the Irish pound and Sterling, a series of industrial disputes, and membership in the European Monetary Union (EMU) became the most significant episodes of banking development in 20th century Ireland. Until recently, the size[708] of the Irish banking industry and its contribution to the state in terms of employment and taxation was very large. Although, in 2000 the European Central Bank (ECB) classified Irish banking as being of medium concentration, some of the banking elements are more concentrated than others[709]. Estimates of the concentration of the industry vary and, depending on the source, range from 90 to 82 to 47 per cent of the overall domestic retail banking market[710]. According to the Department of Finance[711], in 2000 the five clearing banks accounted for about 83 per cent of the employment of the Licensed Banks and 90 per cent of the branches and sub-offices. In 1999 the same banks held 40 per cent of the total resident assets of all credit institutions[712]. At the same time, the industry is quite small relative to the banking industries in other EU countries, making it difficult for Irish banks to expand to the EU level[713].

Until the 1980s Irish credit institutions were highly segmented into retail, merchant, savings, North American, building societies, and credit unions. Since then, however, the industry has experienced the development of new financial services, the establishment of new institutions, the introduction of new legislation and regulation, and the removal of many barriers to entry and restrictions on competition. According to John Hurley[714], the former Governor of the Central Bank, over the last decade competition between the financial institutions has manifested itself through consolidation and a reduction in the number of banks, a greater reliance by banks on non-retail sources of funding, a change in the sectoral composition of lending towards households and away from corporate borrowers, lower net interest margins[715], an increasing proportion of income coming from off-balance sheet activities, and an increasing reliance on credit risk transfer instruments.

The main services provided by Irish banks today include the 'traditional intermediation functions'[716], such as deposit-taking and loan provision, money transmission services through retail

payments systems, stock broking facilities, and life assurance products. Public limited companies (Plcs) are dominant in the ownership of banking and strong segmentation between retail and wholesale banking no longer exists. Retail banking, dominated by the Clearing Banks[717], involves taking deposits, advancing overdrafts and other loans, dealing with the personal, small business, farming, non-profit, corporate and government sectors. It also provides money transmission services and a clearing system of non-cash retail payments[718]. The wholesale banks deal with large corporate and government institutions and provide financial consultancy. The industrial banks focus on instalment credit, leasing facilities and mortgage lending[719].

Despite the stability of the Irish banking industry and the positive results of the assessment of the industry by the International Monetary Fund (IMF), some concerns had been raised prior to the emergence of the recent banking crises. For example, in 2007 John Hurley identified the high rate of credit growth, the concentration of income and loan books in property-related businesses, increasing reliance on non-retail, the non-domestic deposit sources of funding and low net interest margins[720]. Within this context the Governor of the Central Bank said that these and other risks and increasing competition require, among other things, the 'attention of the Central Bank, the industry, and its representative bodies, such as the Irish Banking Federation'[721].

The structure of Irish banking regulation is activity based[722]. The operation of the banking industry in Ireland is subject to all of the normal legislation covering the operation of business (including companies' legislation, taxation legislation, competition legislation, health & safety, etc).

The Central Bank and Financial Services Authority of Ireland (CBFSAI) - The Financial Regulator	Responsible for overall stability of the banking system. Carries out supervisory duties on the CBIFSAI behalf
The Irish Financial Services Regulatory Authority (IFSRA or the Financial Regulator)	Responsible for prudential supervision of the banks and consumer protection
The Competition Authority	Promoting competition in the financial and other sectors
Office of the Director of Corporate Enforcement (ODCE)	Specific responsibilities for the registration of companies, observance of company law and fitness of persons to serve as directors
The Financial Ombudsman	The position envisaged in the CBFSAI Act of 2004. Dealing with complaints about financial services fro individual members of the public

Table 6-1: Regulation, Supervision, and Oversight in Irish Banking

In addition, banking is subject to a wide range of legislation, which is wholly or mainly aimed at banking. The Central Bank's supervision and its power to regulate bank charges, obtained in 1989, was transferred to the Office of the Director of Consumer Affairs (ODCA) in 1995 and to the Irish Financial Services Regulatory Authority (IFSRA) in 2003. The structure of banking supervision in Ireland is described in more detail in Table 6-1.

The developments concerned with market and political representation of the industry were closely linked to its transformation over the last four decades. From the 1920s until the accession of Ireland to the EEC there was only one representative body – the Irish Banks' Standing Committee (IBSC). The group was formed by and protected the interests of a small number of the powerful Irish banks

and played a very important role in banking developments[723]. Despite the decreasing role of the IBSC since 1970s, its reputation, built over three quarters of the 20th century, is still strong. Many people involved in banking and other industries retained a perception that IBSC was a powerful cartel. Pat Farrell[724] referred to the negative influence of IBSC as a clearing system monopoly. Brendan Kelly[725] mentioned that 'you could just sit down and decide the price of money. You can't do that any more'. In the 1970s increasing competitiveness and changing legislation trigged new activity by both established and new industry members. The Irish Banking Federation (IBF) was set up in 1973 as a retail banking representative body. A number of other specialised associations have been founded as new financial segments emerged, such as the Irish Clearing Service Organisation (ICSO), the Irish Association of Investment Managers (IAIM), the Irish Funds Industry Association (IFIA), the Reinsurance and International Insurance Association (DIMA), the Irish Insurance Federation, and the Irish League of Credit Unions (ILCU). In addition, FSI was set up to provide access for international banks to social partnership and HR issues. As a result a significant proportion of associations emerged in the Irish banking industry to represent different financial segments and offer different services. Brennan [726] suggests that this fragmentation of representation in Irish banking reflects similar arrangements at the European level, where each financial segment is represented by its own association. According to Pat Farrell[727], this has not been the most efficient way to organise industrial representation: 'Ireland is too small to sustain the number of trade bodies it has in financial services…'. In other countries of similar size (Finland, Norway, Netherlands, and Belgium) there has been a trend towards amalgamating trade bodies.

The attitude of the Government, Central Bank, and other credit institutions towards banking industry associations has been contradictory. Here is an example of the view of Senator Joseph Connolly, the Leader of Fianna Fáil in the Seanad from 1928, on IBSC:

> 'I never suggested for a moment that there was a monopoly amongst the banking institutions in this country. But there is such a thing as an Irish Banks' Standing Committee, and the difference between that and a monopoly I do not see, because it works on an agreed basis of operation'.[728]

A decade later James Dillon, TD, then a Fine Gael member in the Dáil, and later the Minister for Agriculture, said:

> '…the banks of this country operate the most water-tight monopoly of any monopoly at present existing within the country, through the Banks' Standing Committee. On the whole, I think that the banks of the country act reasonably, and for that we may be profoundly grateful…The question we have got to ask ourselves here is: can we allow the absolute autonomy of the joint stock banks to remain in this country indefinitely, or should there be some degree of control…' [729]

Many politicians referred to IBSC (and later to IBF) as a 'cartel' thus emphasising their negative attitude towards the strength and actions of the banking industry association. For example, Tommy Broughan[730], a Labour Party member of the 27th Dáil, suggested, that 'the development of the banking industry has resulted in an effective cartel with massive control of funds and massive outflows of capital'. This generally negative attitude has never ceased to exist[731]. Academics and

researchers supported a different view. While acknowledging the lack of competition in the industry and certain monopolistic features of its associations, they agree on some of the positive aspects of their activities. Thus, Ó Gráda[732] believes that the special relationship between the Clearing Banks and the fact that all its members complied with agreed rates and policies contributed to the relative stability of the industry throughout unstable times and helped to protect the industry from new entries for a few decades in the 20th century[733]. Patrick Honohan also agrees that the Irish banking system was able to cope with shocks, such as the deflationary shrinkage of the money supply caused by the capital outflow or by the current account balance deficit[734]. He attributed this to the large external assets of the private banks: until 1963 the net assets of the Associated Banks exceeded those of the Currency Commission, and, subsequently, the Central Bank. The excess of external reserves over note issue in the Irish banking system provided additional elasticity, as 'net capital outflows were absorbed without any shrinkage in the currency'[735].

6.1.2 Trends & Characteristics

6.1.2.1 Interest Rates (APPENDIX D)

Irish interest rates from the establishment of the Central Bank until the establishment of a Single Market are represented in Figure 6-1 by two series: the official discount rate, and the government bond yield. The data for the later periods and other types of rates are given in APPENDIX D.

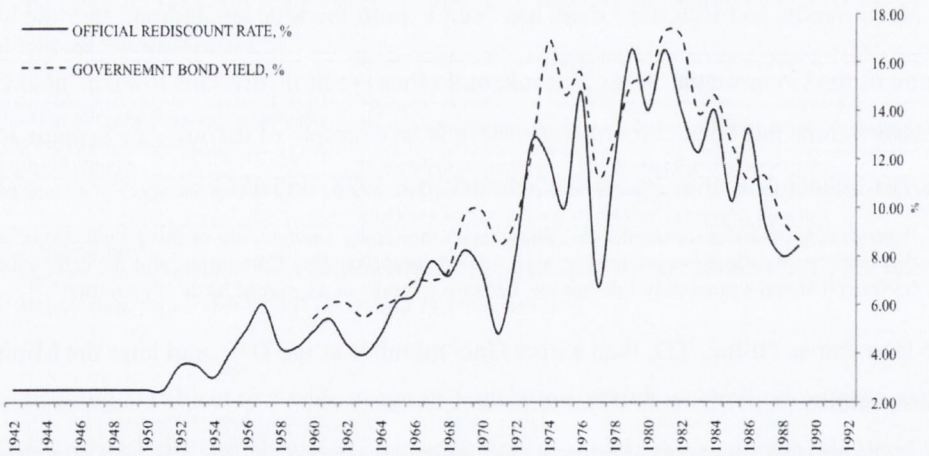


Figure 6-1: Irish Interest Rates. Annual Averages 1942-1990 (Kaufman *et al.*, 1996)

Since the 1940s very close financial ties have been maintained between Ireland and the UK. While the Irish discount rate did not precisely follow the English Bank rate the two countries' decennial discount rate averages were almost identical in the 1950s and 1960s. The government bond yields were also reported. In the 1970s and 1980s the Irish discount rate and bond yield averages were higher than the British ones[736]. Interest rates are the main determinant of investment levels. Their

increase causes investment decreases, followed by a fall in national income. By altering interest rates, financial institutions can affect the levels of borrowing and investment, thus affecting national income. Unfortunately, the data offered by the CSO only covers the period from 1980 to 2009, leaving out the period of monetary union with the UK (1826-1927), and only partially covering the period of one to one parity of the Irish pound to sterling (1927-1979). The parity of the Irish currency ceased to exist in 1979, leading to readjustments of the Irish pound to the Deutsche Mark. The effect of joining the ERM for the Irish interest rates was similar to the effect of inflation. A notable year during this period was 1992, when, on 16th September referred to as Black Wednesday took place and the UK withdrew from the ERM. The interbank market rate and mortgage rates rapidly increased. Since 1993 exchange rates in Europe and Ireland have been relatively stable.

6.1.2.2 Industrial Disputes (APPENDIX E)

Since 1985 the Irish financial and other business services industry experienced only a few noticeable disputes: in 1997, 1998, 2004, and 2006 resulting in a loss of 24,106 days, 22 days, 10,277 days, and 2,280 working days respectively. At the same time, industrial disputes in financial and other business services have been on going since 1997. Unfortunately, in this instance the CSO makes no distinction between the financial sector and other business services.

6.1.2.3 Industrial Composition: Value Added (APPENDIX H)

The value added by the banking industry (J65-67) to the overall Irish economy has been increasing since the beginning of 1990s. It's actual importance to the Irish economy has been also increasing but at a slower rate (J65-67.VASH). The Irish banking trend differed from the UK value added dynamics (J65-67.VASH (UK)). The rapid index increase in the mid 1990s was followed by a steady period.

6.1.2.4 Employment (APPENDIX I) & Average Earnings & Employee Compensation (APPENDIX J)

The banking industry's (J65-67) employment has been steadily increasing since the end of the 1980s, as did the share of banking in the total economy (J56-57.EMPSH). Average weekly earnings have also been increasing. Rapid improvements in earnings are observable in the insurance sector in the early 1990s and in the building societies sector in the early 2000s. Actual employee compensation in banking expanded from around €1,000 million in 1990 to about €6,000 million in 2006. Relative to the total economy (J65-67.LABEMP) it declined towards the end of the 2000s. Employee compensation in Ireland relative to the total economy exceeded the same indicator for the UK (J65-67.LABEMP (UK)) by 40 points.

6.2 EARLY DEVELOPMENT & EMERGENCE OF INDUSTRY-LEVEL COOPERATION

The emergence of banking in Ireland dates back to the end of the 17th century, half a century after the first banks appeared in England[737]. The term 'banker' (formerly known as a discount merchant, a bill broker, a deposit-accepting goldsmith, and a moneylender) first appeared in Irish law in 1709, marking the development of the issue of notes payable to the bearer on demand.[738] [739] The European banks in the 18th century mostly served the needs of the developing merchant classes[740]. In Ireland, however, the banks were more interested in the landed aristocracy and focused on the sale of agricultural products and passing the proceeds on to the landlords[741]. Following a famine in 1740-1741, which resulted in a series of poor harvests that weakened the country, the banks began to assist the merchants with their liquidity and debt problems[742]. The legislation of 1756 banned those involved in foreign trade from conducting any banking activities[743]. Many 18th century banks emerged and disappeared: only three banks survived until the 1760s and the only bank that managed to carry on for a century was the La Touch Bank[744]. There is little evidence of any cooperation/competition issues between the banks during this period. J.W. Gilbart, at the time the General Manager of the London and Westminster Bank, however, noted that in a speech delivered to the Parliamentary Committee in 1804 the Director of the Bank of Ireland, William Colville, suggested, that:

> ...the bankers of Dublin ... were in competition with one another to send their specie over to London... The consequences of this showed itself in the succeeding [1754] year; all the banks failed except Messrs., LaTouche's House, and Gleadowe & Co... [745]

The weakness of the economy, the problems of private banks, and the public finances deficits in the 18th century required a serious transformation of the banking industry. The Irish House of Commons passed the *Act of 1782* requiring all public monies to be lodged in a bank[746]. To facilitate a makeover of an unstable industry, the Bank of Ireland[747] received its Royal Charter in 1783[748]. Beside its commercial function it became the banker to the Irish government, and from 1797 it managed the national debt[749]. The Bank of Ireland obtained full government and certain statutory privileges. It also became the only bank to benefit from incorporation and permission to issue currency. The Bank of Ireland was heavily criticised for bias against Catholics in its staffing and discount policy[750]. The Irish private banks remained weak following the restrictions imposed by law that limited the number of partners to six[751].

The 19th century transformation of Irish banking determined the industry's structure for the next century. These included the development of joint-stock (currently known as Clearing) and savings banks, and the establishment of building societies. The arrangements for exchanging currency notes between the banks, the introduction of clearing facilities for cheques, the emergence of secure overdraft facilities for an increasing number of firms with limited liability status, and the

establishment of bank branches outside Dublin became the most important industry innovations of the century[752]. At the beginning of the 19th century Ireland was going through a post war depression, a rapid increase in population, and high unemployment. In 1800 there were 11 private banks in Ireland[753]. In 1820 16 of the 31 private banks in Ireland failed or suspended their activities[754]. The role of the remaining institutions was limited to providing currency, mobilising capital, and financing trade[755]. The position of the Bank of Ireland was also weakened when in 1817 the Irish Exchequer was merged with the British Exchequer and the financial dealings with the government were relocated to London[756]. The lack of mechanisms through which an exchange economy could have operated led to a shortage of currency, an outflow of capital, and a stagnation of trade[757]. According to Barrow[758] and Hickson & Turner[759], the underdeveloped banking system and the public's dependence on small and weak rural banks in Ireland led to the private banks crises of the 1820s creating strong pressures for reform[760]. In 1821 the authorities began negotiations on restricting more of the Bank of Ireland's privileges[761].

The introduction of British capital into the Irish banking institutions following the *Irish Banking Act of 1824* and the *Irish Banking Copartnership Regulation Act of 1825*, which extended the privilege of incorporation to all banks[762], initiated the establishment of three groups of joint stock banks[763]. Numerous banking failures preceded the formation of joint-stock banking. In the 1920s nearly half the commercial banks failed in Ireland, and in 1825 sixty banks failed in England[764]. According to Ó Gráda[765], a possible explanation for this is related to the six-partner restriction, which restricted the banks from growing and made them undercapitalised, and thus less robust in economic downturns. Later in the century, the Southern Bank of Ireland, the Provident Bank of Ireland, the London and Dublin Bank, and the Tipperary Bank ceased to exist shortly after they were founded. The latter failed due to fraud in 1856[766]. The Agricultural Bank, founded in 1834, also closed in 1840[767]. According to Hickson & Turner[768], some historians believe that this bank failed due to fraud on the part of its promoters.

The first group, the Presbyterian-supported banks with their Belfast offices, included the Northern Banking Company[769], the Belfast Banking Company[770], and the Ulster Banking Company[771]. A second group, the Hibernian Joint Stock Company[772] and the Royal Bank of Ireland[773], comprised of Dublin banks was established as competitors to the Bank of Ireland. Finally, the last group was based outside of Dublin and was comprised of banks with significant external backing and head offices in London[774]: the Scottish-backed Provincial Bank of Ireland[775] and the National Bank[776]. In 1825 the banks introduced cheques, overdraft facilities and branching networks. Following these transformations, eight main banks were established in the Irish banking industry by the 1840s. Along with the Munster and Leinster Bank, established in 1885, they made up the commercial

banking industry in Ireland until the 1960s[777]. The evolution of the indigenous Irish banks since the early 1800s is presented in APPENDIX L.

It is around this time that the first signs of industry-level cooperation became evident with the banks making arrangements for the clearing and exchanging of each other's notes[778]. The Belfast-based group of banks, who demonstrated 'identical deeds of copartnership, the same governance structure, similar amounts of total assets and approximately similar numbers of branches'[779] formed a 'successful cartel', and are generally regarded as having being the most efficiently managed of all the Irish banks in the 19th century[780]. In the mid 19th century the foundations for IBSC, formed a century later, were established. The *Irish Banking Act of 1845* confined the right of notes issue in the country to the five joint-stock banks[781], thus unifying them and creating the first major barrier to entry[782] [783]. Moreover, the Act also authorised the foundation of the Clearing House in Dublin to settle the six banks' balances on a multilateral basis[784] and eliminated the remaining privileges of the Bank of Ireland, thus weakening its position. The legislation of 1879, *the Companies Act*, allowed the joint-stock banks to avail of limited liability status[785]. Initially the joint – stock banks were unenthusiastic about moving to limited liability, but all of them converted by 1883[786]. Despite the fact that in the mid 1880s the Irish money supply and its regulation were linked to the UK, Barrow[787] suggests that the rise of joint-stock banks and increasing cooperation between them matured the banking system. At the end of the 19th century the industry was characterised by a wide geographical spread and quality improvements[788]. The Munster and Leinster Bank, the last of the large joint-stock banks, was established in 1885[789].

The Cork Savings Bank and the Dublin Savings Bank were established in 1817 and 1818 respectively. Since their establishment savings banks became the fastest growing (over 60 banks by 1829) but unstable grouping with a small market share[790]. The insecure position of these banks prompted the establishment of the Post Office Savings Bank (POSB) in 1861[791]. It competed mainly with the Clearing Banks in rural areas and gradually grew until the 1960s[792]. The establishment of Building Societies (four of which were founded between 1861 and 1883) as competitors to the Clearing Banks became another important development of the 19th century. For the following 110 years, however, they neither played an important role in the Irish banking system, nor imposed a real threat to the Clearing Banks[793]. The Institute of Bankers in Ireland was founded in 1898 to 'enable its members to acquire knowledge of the theory and practice of banking and to promote the consideration and discussion of matters of interest to the profession'[794].

In 1913 the Bank of Ireland issued a memorandum to all Irish banks, proposing an agreement for fixing and maintaining deposit rates, for linking Irish interest rates to those of the Bank of England, and for holding an annual meeting of all partners to the agreement[795]. The eight banks[796] represented at the proposal discussion meeting, agreed to set up an association later known as

IBSC. It was initially just an agreement on interest rates and charges and on dispute resolution between the Irish Clearing Banks[797]. However, the scope of the association quickly expanded beyond the initial agreement to include bank charges, loan rates and the expansion of branch banking[798]. The new association of the Clearing Banks emerged just at the time of the first unionisation of bank employees in Ireland. Until the 1910s there were no trade unions in the industry. They were considered to be 'for factory and manual workers'[799]. At the beginning of the 20th century, however, the increasing cost of living forced British bank employees to unsuccessfully attempt cooperation[800] [801]. In February 1918, however, the Bank Officers' Guild was set up in Britain. Naturally, the British banks opposed its creation and managed to weaken the centralised union by establishing separate Staff Associations in each bank. According to the Irish Bank Officials' Association (IBOA) these localised unions became 'a major problem' for the Guild[802] [803]. In Ireland, which followed the British example, the first general meeting of the Irish Banks' Officials Association was held in the spring of 1918. The threat of a strike and pressure in commercial circles, however, forced the Clearing Banks, who in 1919 refused to recognise the IBOA, to sign an Agreement on December 4th 1919 accepting the IBOA's claim for recognition and the arbitration of the salary dispute[804]. This arrangement created between the banks and the IBOA lasted until 1947.

The Clearing Banks formally met as the Irish Banks' Standing Committee (IBSC) for the first time in 1920 to 'fix rates for overdrafts, loans, and discounts for all banks'[805]. The Chairman and the secretariat for the meetings were provided by the Bank of Ireland[806]. One of the first decisions of the Committee was to support the Belfast Bank. In their letter to Sir James Craig the Clearing Banks insisted on the amendment of the *Government of Ireland Act of 1920* to place the regulation of banking 'outside the control of the two proposed Irish parliaments'[807].

6.3 IBSC VS. THE FIRST IRISH FREE STATE GOVERNMENT

According to Ó Gráda[808], the new President of the Executive Council of the Irish Free State from 1922 to 1932, William T. Cosgrave, and his Minister for Finance, Ernest Blythe, were cautious about monetary issues and preferred a policy of non-interference. According to Honohan[809], this position reflected the substantial role of private banks, and the 'balance of power in the US Federal Reserve District Banks'[810]. During the private currency period (prior to the establishment of the Currency Commission as the first currency board in 1927)[811], the Irish Banks' Standing Committee (IBSC) successfully employed self-regulation and banking developments were mainly conditioned by its operation. For example, in 1920s IBSC made a decision to adopt a fixed schedule rate[812], in 1922 it approved a central clearing arrangement[813], and in 1923 it questioned the ability of the young secretary (Joseph Brennan) and the Assistant Secretary (J. MacElliogott) of the Department of Finance[814]. In the early 1920s the Irish Free State government approached the IBSC asking for a

loan of two and three-quarter million pounds to put 'the national credit of the State on a sound footing'[815]. First, the Treasury Remembrancer, A.R. Waterfield, privately asked the Governor of the Bank of Ireland, Howard Guinness, who replied that the banks wouldn't provide a loan unless it was guaranteed by the British Government. He also informally suggested to the government that it raise the money outside the State, which the latter preferred to avoid[816]. On March 13th, 1923 Joseph Brennan officially met with the representatives of the banks. After the meeting, he outlined the requirements of the Government in a letter to the Governor of the Bank of Ireland. After some consideration and two meetings, the banks agreed to provide a loan, but in return pressed for the introduction of 'immediate legislation allowing for the more equitable distribution of the government's statutory banking accounts'[817]. In 1924 Brennan and McElligott, however, refused to meet the 'repeated inquiries on the subject'[818], despite IBSC's expected concessions in return for the loan.

The IBSC members were active participants in legislative and policy-making issues. For example, four of the seven board members of the Banking Commission were members of the Irish Clearing Banks[819]. The *ad hoc* Commission of Inquiry into Banking and the Issue of Notes[820], was established in 1925 by the Department of Finance following the introduction of the 'distinctively Irish token coin that began to raise some doubt … about the status of Irish currency'[821]. Professor Henry Parker Willis of Columbia University (who was also the Director of Research of the US Federal Reserve Board) chaired the Commission. In its report issued in 1927, the Banking Commission recommended the 'establishment of a new unit of account on par with Sterling', 'the creation of a standing Currency Commission to administer the introduction of Irish legal tender currency notes against receipt of Sterling', and 'the consolidation of the existing private bank note issue into a single parallel currency, part of the seigniorage which was taxed'[822]. It also recommended the exclusion of the Northern banks representation, suggested an outside chairman, and proposed granting the Commission the right to seek information from the IBSC[823]. The latter opposed these recommendations.

The IBSC members were also the shareholders of the Currency Commission and elected three of its directors (the other three were appointed by the Minister for Finance, the chair was elected by the six directors)[824]. The Currency Commission, 'the statutory body … to issue and manage the new Irish currency'[825] was established following the *Currency Act of 1927*. Joseph Brennan, the former Comptroller and Auditor of the Free State and the former Secretary of the Department of Finance, became the Commission's first Chairman. According to Honohan[826], the Currency Commission had 'the essential financial arrangements' of the currency board. For example, it could not lend, its notes had the status of legal tender, and all notes issued needed a full backing by a gold or Sterling reserve. The new currency, the Irish pound[827], was fixed at a one-to-one parity with Sterling.

Instead of arranging for the old bank notes to be retired in favour of new notes, the Currency Commission replaced them with consolidated notes (not legal tender notes) guaranteed by the banks and by the Commission itself. The banks with note issue rights could issue a limited amount of notes, but were liable for a 3 per cent annual fee, half of which was payable to the Currency Commission, and half to the Government (from 1932 only, in 1937 fee to the government was reduced to 1 per cent). The *Currency Act of 1927* also empowered the Currency Commission to access individual deposits information and to regulate 'the exercise by the shareholding banks of their rights and powers in respect of legal tender notes and consolidated bank notes'[828]. According to the Department of Finance, this information was necessary to 'confirm that figures for total deposits supplied by the banks were accurate'[829]. Despite the efforts of the Clearing Banks to oppose the information disclosure requirement, in 1929 IBSC unwillingly agreed to accept it[830]. In 1932 the Currency Commission reported that the 'absence of any institution to monitor the rise and fall of the level of external reserves was the strongest case which might be advanced for setting up a central bank', whose creation the banks also strongly opposed[831].

6.4 PERIOD OF TENSIONS

As with the first government, the Fianna Fáil (1932-1948) and coalition (1948-1951) administrations were also wary about monetary issues. According to Ó Gráda[832], apart from a few individual politicians[833] the cabinets preferred to keep their distance. In the 1930s the banking industry was still dominated by the Irish Banks' Standing Committee (IBSC) which, according to Ó Gráda[834], lacked dynamism, but proved very stable in avoiding banking failures. Since the 1930s the Irish banks followed the British path: in addition to trade credit they began offering mortgages and expert advice, underwriting industrial share issues, and starting capital for entrepreneurs[835]. Following the worldwide trend towards stronger regulation in the banking industry in the 1930s, the government proposed to set up Commission on Banking and Credit[836]. The Department of Finance and the Currency Commission opposed its creation, and IBSC requested that its establishment be deferred (which was refused)[837]. In 1934 the government set up an *ad hoc* Commission of Inquiry into Banking, Currency and Credit (the second Banking Commission), which functioned until 1938. The second Banking Commission was influential enough to alter the configuration of power within the industry. For example, the Commission argued that the country had an 'overbanking' problem and that closing branches would reduce the cost of banking to the public[838]. As a result, the requests of the Provincial, Northern and Belfast banks to open new branches in Belfast were indefinitely deferred by 1937. In addition, the IBSC closed twenty-five branches by the end of 1939[839]. Another feasible worry of the IBSC was the Banking Commission's proposal to terminate consolidated bank note issue[840]. By 1939 the IBSC approved the establishment of a Central Bank. According to Fanning[841], the consultations between the

Department of Finance and banking representatives in 1941 postponed the circulation of a Bill for a year. The IBSC and the Currency Commission, which received the text of the bill with the government's approval, were 'alarmed' by a few issues. These included three non-banking (against three banking) directors, and restrictions on the banks' foreign assets. The Government refused to amend the Board of Directors requirement, but looked into 'watering down' the second. The IBSC and the Currency Commission still remained critical of the amendment, but the government decided not to alter it at all in principal[842]. Later in 1942, when the Clearing banks received the final version of the bill, they raised concerns about section 7 (g), which would allow government access to unlimited borrowing from the Central Bank[843]. In January 1939 the IBSC declined to underwrite a loan of £2 million to the Dublin Corporation for housing, claiming that 'the character of the housing programme was uneconomic; that it was aggravated by the high level of building costs and, also, the magnitude of the sums required by the corporation for their programme of works'[844]. In April same year the IBSC agreed to underwrite a loan of £1,5 million on certain terms. This act of the banks was repeatedly highlighted by the Government representatives during Parliamentary debates[845] as proof of the banks' inefficiency and their lack of cooperation and public responsibility.

A round of tensions between the IBSC and the Irish Banks Officials' Association (IBOA) marked the beginning of the 1940s. The former refused to consider the abolition of the 1934 salary scale and intended to limit the cost of living bonus agreed to in 1919[846]. When IBOA representatives rejected these terms, the banks threatened to terminate the employment of those who would not accept their new terms and on December 28th 1940 they gave a notice of their intention to dismiss all staff. The IBOA accepted the compromise: Arbitration was added to the clause in 1919 and was to decide the cost of living bonus formula, but the scale was not amended[847]. The disputes between the two parties continued until 1946, when the National Arbitration award was rejected by the IBOA, a strike was called, and the government had to intervene. In 1948 the leadership of IBOA changed, leading to new achievements for the Union: one hour for lunch, overtime payment, and a temporary tellers allowance. Some other changes included the abolition of compulsory attendance on Sundays and Banks Holiday and 'of the requirement for an official to sleep on Bank premises during the absence of the normally resident official'[848]. In December 1949 the union again initiated a seven-week strike, which, according to IBOA[849], helped to achieve improvements in salaries, overtime rates, and 'the introduction of a gross up of overtime rates by 50 per cent for the period of clearing up following the strike'. Some other amendment of the existing order included the withdrawal of the need for bank permission before marriage and of uniform increases in pensions, improved overtime arrangements, and the introduction of a five-day week.

6.5 CENTRAL BANK: ATTEMPTS TO TIGHTEN REGULATION

Following the *Central Bank Act of 1942*, the eight Shareholding Banks[850] (five of which were incorporated in the UK and five of which had note issuing rights) were designated as the Associated Banks[851], and 'the substantial proportion of their liabilities to the public (demand deposits) formed a part of the stock of money used by the community'[852]. Together with Chase and the Bank of Ireland Ltd (formerly the National City Bank Ltd) these banks continued to comprise the membership of the Irish Banks' Standing Committee (IBSC)[853]. All other banks became the Non-Associated Banks[854]. At the time this category included the 'two merchant banks, a few small savings banks, a number of hire-purchase finance companies and other financial firms engaging in similar forms of lending'[855]. The Post Office Savings Bank (POSB), building societies, assurance companies, pension funds, the Trustee Savings Banks, the Agricultural Credit Corporation Ltd, and the Industrial Credit Company Limited were also part of the industry[856].

A Central Bank, the new regulator to replace the Currency Commission, was established in 1943. Despite the fact that the Banking Commission 'emphasised the need to keep the central bank free from political pressures'[857], the first of the Central Bank's Governors, Joseph Brennan, was appointed by the President, Douglas Hyde, on the advice of the government for a statutory 7 year term. Ó Gráda[858] suggests that this indicates the Bank's limited independence and its strong link with the government. The eight-person Board of Directors consisted of three nominees of the Associated Banks, two persons in the permanent service of the state, and three experts in the field[859]. Richard T. McGuiness, the former Secretary to the Currency Commission, became the Secretary to the Bank's Board[860].

Before the *Central Bank Bill of 1942* was passed, the Taoiseach warned that the Central Bank would not change the way the Irish banking industry had worked for the previous 20 years. The joint-stock banks' held a considerable amount of sterling assets abroad, which they could convert into cash and lend at their own rates. And The Central Bank would not be able to use its financial power to coerce the private banks to regulate their rates of interests[861]. Immediately following the Bank's establishment it did not. Despite the fact that the Central Bank was given extensive powers and obtained some powerful rights[862], initially it acted only as a currency board in relation to monetary policy (as did the Currency Commission earlier). According to Honohan[863], its activities were 'circumscribed by the continued existence of a backing requirement for the currency and by the fact that the banking system, with its large net holdings of external assets, had no need of the new Central Bank as a lender of last resort'[864]. It did not immediately become the banker to the government[865], did not lend to other banks and the government until the mid 1950s[866], and limited its authority to recommendations on the balance of payments deficit throughout the late 1940s and

the early 1950s[867]. One of the first activities undertaken by the Central Bank was fixing the minimum rate for discounting different classes of bills at 2½ per cent[868] in November 1943[869].

Following disagreements between the Central Bank and the government on economic and financial policy considerations published in the Bank's annual reports, the Governor Joseph Brennan resigned in 1953[870]. James McElligott, the former secretary of the Department of Finance, was appointed the second governor of the Central Bank[871]. In April 1954, in compliance with provisions of Section 7 of the *Central Bank Act of 1942*, the Governor of the Central Bank was given discretion to buy and sell government securities[872]. The Central Bank didn't influence 'the trend of credit through regulations on interest rate actions'[873] and the Irish foreign and cash reserves continued to be held by the main Clearing Banks[874]. The powers of the Central Bank were debated during the fifth meeting of the Statistical and Social Inquiry Society of Ireland in 1957. For example, Patrick Lynch, an academic at University College, Dublin, and the Chairman of Aer Lingus, suggested that the eight Associated Banks were not likely to operate with sufficient coordination to ensure that their sterling assets were maintained at adequate levels. Thus he argued that sterling reserves should be centralised under the control of the Central Bank in order to coordinate credit control[875]. An alternative view suggested that Central Bank's control over the Associated Banks was successfully achieved through consultation and that the Bank already possessed considerable powers[876].

6.6 POWER STRUGGLE: IBSC, GOVERNMENT, DEPARTMENT OF FINANCE

In 1952 the banking industry was heavily criticised during the Parliamentary Debates: Dáil Éireann (PDDE) for restrictive trade practices[877]. Despite the fact that the discussion was concerned only with restrictions on goods, M. Cosgrave suggested that a separate investigation should be undertaken in relation to the banking industry:

> ...the system at present in operation under which there is virtually no competition between the banks because of the rate of interest and other matters of that sort being decided by the Banks' Standing Committee is a matter that requires investigation... It may be that services, which are excluded from the scope of this Bill would require to be dealt with in a separate measure, but it is obvious that services and all that is regarded as coming within that definition are just as vital to the public interest and require to be investigated as fully as merely the supply and distribution of goods. [878]

The second coalition government (1954-1957) was much more radical in relation to monetary policy than its predecessors[879]. For the first time the Minister for Finance, then Gerard Sweetman, expressed interest in the rate setting practices of the Clearing Banks[880] and for the first time 'moral suasion'[881] over the interest rate decisions of the Irish banks was exercised. The Central Bank continued to act only as a mediator between the Department of Finance and the Irish Banks' Standing Committee (IBSC)[882]. In 1955 the new cabinet chose not to follow the January and February London Bank Rate upward movements of 1½-percentage points (to 4½ per cent)[883].

Gerard Sweetman advised the IBSC not to follow the usual practice and leave the Irish rates unchanged[884]. He argued that the rate increase could have a negative psychological effect on employment[885]. When the IBSC voted to raise the rates anyway, the Minister threatened the autonomy of the Clearing Banks in their interest rates decisions[886]. The IBSC complied by adhering to the lending rates, but still increased the deposit rates on large amounts[887]. The Central's Bank discount rate also did not follow the London rise[888].

In March 1955 the IBSC decided to involve the Central Bank as a consultant and a mediator prior to their submissions to the Minister but still left the Bank outside the meetings between the IBSC and the Gerard Sweetman[889]. In its 1955 annual report the Central Bank supported the position of the Clearing Banks by emphasising that the difference between the British and the Irish deposit rates affected the ability of the Irish banks to obtain deposits and, consequently, to provide loans and advances[890]. Another major disagreement between the Clearing Banks and Gerard Sweetman took place in November 1955. This time it was related to the measures necessary to reduce lending[891]. The July returns of IBSC members indicated some worrying tendencies, including the static position of deposits, the increase in advances, the large deficit in the balance of payments, and the sharp decline in the net external assets[892]. The IBSC prepared a memorandum to the government, in which they focused on the monetary and banking implications of not increasing interest rates, one of them being that they were forced to refuse loan applications[893]. As a resolution Gerard Sweetman proposed restricting credit, while the IBSC favoured an increase in interest rates[894]. The Clearing Banks argued that credit restrictions would lack credibility, that it would be difficult to decide on which advances to restrict, and that the policy would be heavily criticised by both the public and politicians[895]. This time it was the IBSC's turn to pressure the government. The Hibernian Bank, the Royal Bank, and the Provincial Bank announced their intention not to renew bills maturing on 31st of December 1955 as a result of the deterioration[896]. The same month Gerard Sweetman agreed to allow interest rate increases[897] and Richard T. McGuinness announced his retirement from his position as Secretary of the Bank's Board of Directors[898]. In January 1956 William J. Meagher was appointed to take his position.

A new round of disagreements began when the British Bank interest rate increased again in February 1956 from 4 ½ per cent to 5 ½ per cent and the London deposit rate rose to 3 ½ per cent[899]. Following a fall in deposits, an increase in advances, and a reduction in external assets, which the Clearing Banks experienced early the same year, the IBSC also proposed an increase[900]. The Governor of the Central Bank, who by that time got more involved in the discussions between the IBSC and the government, informed the IBSC that their proposed rates were unacceptable to the government[901]. The alternative rates anticipated by the government, however, did not suit the Clearing Banks[902]. The new revised IBSC rate increase schedule proposed in March had to be

deferred following threats of legislative changes by the Central Bank and by the Taoiseach John A. Costello[903]. As a result, no rate changes were implemented in Ireland that year[904]. The British Bank rate was reduced to 5 per cent in February 1957 aligning the two rates and there was no more need to change the rate schedule in Ireland[905].

The decision of the Ministry for Finance not to follow the British rise resulted in a 'fall in the net foreign assets of the banking system by an amount equivalent to about 8 per cent of GNP during 1955'[906]. Honohan believes that half of the drop resulted from the net capital outflow caused by the substitution of Irish bank credit for foreign credit[907]. The remaining half was associated with a sharp increase in imports and a decline in meat exports[908]. Heavy import duties on finished and semi-finished consumer goods introduced in early 1956 as a respond to the crises of 1955-1956 resulted in reduced imports and a recession followed by emigration[909]. Honohan suggests that despite the negative effect, the reassessment of the crises in the long run contributed to the shift towards an outward-looking economy[910].

An agreement between the Clearing Banks and the Minister for Finance on the Exchequer Bill rate (6 per cent) restored the relationship between IBSC and the new De Valera government, which came into power in March 1957[911]. In addition, later the same year the IBSC agreed to keep lending rates as low as possible following discussions with the acting Minister for Finance, James Ryan. According to the Minister[912], 'the Government was satisfied that the changes in interest rates announced by the banks on 30th September, 1957, were, in the circumstances, necessary and appropriate and no cause is seen for any legislation bearing on this matter'. But the interest rate policy caused new tensions between the government and the Clearing Banks[913]. Direct discussions between the IBSC and the Minister, James Ryan, ceased as the Central Bank undertook an active mediation role between the IBSC and the government[914]. Under this new role, James J. McElligott, the governor of the Central Bank, asked the Clearing Banks to reconsider their decision not to reduce interest rates following changes in the Bank Rate and the London Banks Deposit Rate[915]. His worry was the deflationary effect on the economy of unchanged interest rates[916]. In August 1958 the Clearing Banks agreed to a ¼ per cent reduction[917]. A further reduction in the Bank Rate and the London Banks Deposit Rate in November 1958 led to a ¼ per cent (½ of the Bank Rate) reduction in the Irish rates[918]. Despite the fact that IBSC members did not favour a new reduction, the Committee had to give in to government pressures related to the new Programme for Economic Expansion, which outlined the new role of the Central Bank and the Clearing banks in economic development, and the government position towards interest rates[919].

Increases in the Bank Rate and the London Banks Deposit Rate in January and in June 1960 led to increases in Ireland, which in January were calculated as ½ of the rise in the Bank Rate. In June, however, the '½ of the British Bank Rate' rule applied only to the lending rates and deposit rates

on amounts less than £25,000[920] [921]. The same rule was applied to the October, and partially[922] to the November downward movements[923] [924]. In 1961 the '½ of the British Bank Rate' rule was accepted by the Department of Finance as typical[925]. It was again applied (with some exceptions[926]) to reductions in October 1961, November 1961, March 1962, and April 1962[927]. In January 1963 the British Bank Rate and the London Banks Deposit Rate were reduced by ½ per cent[928]. Despite the Central Bank's interest in using the rule again, the Clearing Banks used it for overdraft and deposit rates only, thus maintaining independence in interest rate related decisions[929]. The British Bank Rate and the London Banks Deposit Rate were increased twice in 1964, reduced once in 1965 and increased again in 1966[930]. When reflecting on these changes the Irish Clearing Banks were acting with caution and trying to maintain their independence[931].

6.7 SHIFT OF POWER

When the Second Programme for Economic Expansion was introduced in 1963, the Government expected the Irish Banks' Standing Committee (IBSC) members to finance the Programme through uncontrolled borrowing[932]. The Clearing Banks, however, expressed the view that the independent policies and the stability of the banking industry were more important for maintaining confidence in Irish banking[933]. The IBSC created a Working Group to examine the capacity of its members to provide funding for the Programme[934]. Following pressure for funding from the public and the private sectors, IBSC sought the support of the Central Bank[935]. The *Central Bank Act of 1964* amended the *Central Bank Act of 1942* to allow the Central Bank to pay interest on deposits in the General Fund, which resulted in a decline in clearing balances and a rise in deposits[936]. By 1965 the Central Bank had relaxed the backing rule to include (in addition to gold and silver) US dollars and some domestic assets[937]. In January 1965 the Central Bank redesigned the Central Bank Quarterly Bulletin to allow for expanded monetary and fiscal analysis[938]. In October 1965 the Central Bank began to publish a quarterly Supplement to the Statistical Appendix, which included statistics on the activities of the Associated Banks. In June 1966 the publication's range was expanded to include POSB, the financing of hire purchase debt, and other financial institutions, such as merchant and commercial Non-Associated Licensed Banks, industrial Non-Associated Licensed Banks, and hire purchase finance companies[939].

One of the most important events in the Irish 20th century banking industry, which considerably reduced the powers of the Clearing Banks, took place in 1968-69, when the bulk of the Clearing Banks' external assets were transferred to the Central Bank in exchange for security in US$ against weak a British pound[940]. Following the transfer, the Central Bank obtained effective control of Irish external reserves (other than those held privately)[941] and extended the range of short-term deposits accepted by it from banks in 1968[942]. By the early 1970s the Central Bank managed the two government loans, became the registrar of National Loan and Government stocks, administered the

issue of Exchequer Bills, managed the external reserves (formerly done by the Minister for Finance)[943], acted as a mediator between the IBSC and the government, and actively participated in interest rate decisions[944]. In fact, it requested that no interest changes be made without consultations with its Board[945]. Following the advice of the Central Bank, the British Rate increases in October 1967 and in November 1967 did not cause any changes in the Irish rates[946]. There were two reductions the British Bank Rate in March 1968 and in September 1968[947].

The link with Sterling initially constrained the role of the Central Bank. As 'there was no role in Ireland for an independent monetary policy'[948], the Central Bank focused mostly on fiscal policy and still did not directly influence interest rates or the reserves of the commercial banks. The need to control overspending in the public and private sectors and a sharp drop in the Central Bank ratio[949] in the second quarter of the 1960s necessitated restrictions on credit[950]. In 1964 the Central Bank for the first time laid down guidelines on domestic credit policies to the association banks (which were implemented by IBSC):

> the rate of credit growth should be modified in the present circumstances of the economy and in view of the progressive decline throughout 1964 and the first half of 1965 in the ratio of the Clearing Banks' net external holdings to their domestic deposit liabilities. [951]

Following the 1965 balance of payments crises, the Central Bank began taking responsibility for credit control[952]. In the May response to the request of the IBSC for Central Bank actions, the latter recommended that over-all credit for the rest of 1965 should not expand as rapidly as before, and that priority should be given to 'financing projects of a productive character...and to those related to exports'[953]. Following an invitation from the IBSC, the Central Bank began to regularly outline its' credit policy in letters to the IBSC[954]. According to Leddin & Walsh[955], the banks were very reluctant to follow the guidelines, implementation of which depended on a 'moral suasion by the Central Bank and the good will of the banks'. In 1967, 1968, 1970, and 1972 the growth in bank credit exceeded the one proposed in the guidelines by 68, 65, 73, and 60 per cent respectively, so, the guidelines failed to curtail the growth of bank credit. At the same time, the authors suggest that if the credit guidelines were more restrictive, the degree of compliance would not be higher, but lower. In 1978 special deposits were introduced to enforce the guidelines.

From 1965 the IBSC promoted the adoption of the decimal currency system. According to the Irish Banking Review[956], adopting a decimal system was the only choice for Ireland for a number of reasons. For example, the heavy influence of the UK media and the public, the volume of mutual trade and transactions of the Irish banks with the UK banks and the Northern branches and the transit of the majority of the country's visitors through the UK. In 1971 Ireland adopted the pound-pence system, and cheques and lodgements had to be written in pounds and pence[957]. In 1969 the Central Bank bought the net external assets of the Associated Banks thus 'boosting the official external reserves, which thereafter averaged about two-and-a-half times the currency stock'[958].

The 'expansion and rationalisation' of the Irish banking system in the 1960s raised the question of the control and supervision of an increasing number of industry players[959]. In addition, the Government had no legal authority to break the pound/sterling link[960]. The *Central Bank Act of 1971,* which further expanded the powers of the Central Bank to licensing and supervision of banks[961], ensuring access to clearing facilities and charges applied by the Clearing Banks to Non-Clearing Banks. The latter made submissions to the Minister for Finance that the Central Bank 'should assume a statutory obligation to ensure fair competition and fair arrangements between all the banks, which are licensed to operate within the State'[962]. First, the Clearing House operated by IBSC charged a commission of 5p per cheque for the clearance of cheques from banks, which were not members of the Standing Committee. Secondly, the Non-clearing Banks were entirely dependent on the operations of IBSC members. For example, the clearance of the Non-associated Banks' cheques did not take place during the industrial dispute between the Clearing Banks and their employees in 1970, when the former closed the Clearing House. The Act made it impossible for Clearing House members to refuse clearing facilities to other licence holders or to the trustee savings banks[963]. The Act also reduced the number of Banking Directors from three to two and they were to be appointed by the Minister for Finance upon consultation with the Governor[964]. According to Noel Lemass, the Parliamentary Secretary to the Minister for Finance,

> '...changes in the banking scene...including the emergence of two predominant groups amongst the associated banks, make it necessary to review the arrangements [the three banking Directors] ... and, following the various mergers, it is not considered necessary to have three directors representing the associated banks'. [965]

6.8 DECLINING DOMINANCE OF IBSC

In the 1960s Irish banking, in addition to power realignment, underwent considerable structural changes for the first time since the 19th century. Until the 1960s the Associated banks 'had a virtual monopoly of the provision of banking services'[966]. In the 1960s, with more than 640 branches, they had about 70 per cent market share for short-term savings[967]. Their current account service accounted for 70 per cent of total bank credit within the state[968]. In 1965 the Irish Banks' Standing Committee (IBSC) members and the Irish Banks Officials' Association (IBOA) entered unto a formal agreement on opening hours[969] [970]. All of these allowed the IBSC to successfully protect the industry from new entrants. Since the mid 1960s the industry saw an expansion of the Non-Associated Banks engaged in commercial and merchant banking and in consumer finance to 20 per cent[971]. These banks were mostly subsidiaries and affiliates of the Irish Associated Banks, other banks and British banks, and branches of North American Banks[972]. They were not members of the clearing system for cheques, had a small number of branches (73 in 1970)[973], a relatively small share of the deposit markets, and a slightly larger share of the lending market in 1960[974]. By 1968 there were twenty four Merchant and Commercial Banks (two of which were branches of

foreign commercial banks and two that were partly owned by the Associated Banks), fifteen Industrial banks involved in credit and hire purchase lending (three of which were subsidiaries of the Associated Banks), and twenty nine hire purchase finance companies (many were subsidiaries of other Non-Associated Banks)[975] [976].

At the end of the 1960s the banking industry underwent a series of extended strikes. The 1966 strike achieved a new structure of salary scales and retaining of the one-tier recruitment system. All offices of the members of the IBSC, the Associated Banks, Chase and the Bank of Ireland were closed from May 1st 1970 until November 17th 1970 because of the industrial dispute. This was preceded by the reduction of working and opening hours, and a large backlog of uncleared cheques. In his speech during the Adjournment Debate on Closure of Commercial Banks, John O'Donovan, a Labour Party deputy for Dublin South Central, said, that

> the Irish Banks' Standing Committee who ... are the essential people in this case, have at no time during the many disputes and strikes which have occurred since the year 1950 pleaded that they could not pay what the officials asked for. What they have said in effect is that they are paying their staffs adequately for the work the staffs do. This is a problem which it is not at all easy to solve, because who is to determine the answer to this problem? [977]

Though the dispute was resolved in October and the banks opened in November, full operations did not resume until February 1971[978]. Due to the limitation of services, the Non-Associated Banks and POSB couldn't provide a full alternative to the normal current account and lending facilities of the closed banks[979]. Nevertheless, during the closure there was a substantial shift of resources from the Associated to Non-Associated Banks. For example, domestic current and deposit accounts held with the latter increased by about 70 per cent, £100 million[980], deposits with the POSB and the Trustee Savings Banks increased by £43 million[981] and with building societies by £16 million[982]. The exiting deposits of the Associated Banks, however, remained almost unchanged[983].

Following the dispute the Non-Associated Banks expanded to twenty-four institutions[984]. To a degree this growth happened at the expense of the Associated Banks, and partially - following the diversion of business from London to Dublin[985]. The London money market offered specialised lending and deposit taking services and the hire purchase finance companies funded via UK partners became the main competitors to the Associated Banks in the lending market[986]. In addition to the Non-Clearing Banks, a threat to the Clearing Banks emerged from the building societies, which were quick to respond to increasing demand in the mortgage market due to changing demographic and income levels. The number of building societies has declined from sixteen in 1980 to three in 2000[987]. They were reduced in numbers due to a transfer in engagements (merger) and demutualisation, which involved the conversion of the First National Building Society (now First Active) and the Irish Permanent into public companies[988]. The IBSA was established in the mid 1960s to represent the common interests of the major building societies.

The Irish Associated Banks had to reassess their competitiveness. According to Fanning, the department of Finance was also

> anxious to promote the consolidation of the domestic banks into larger units able to withstand foreign competition and develop a more dynamic approach to banking in tune with the needs of an expanding economy.[989]

Honohan also emphasises that the government initiated the mergers among the Irish Associated banks, not the banks themselves[990]. Thus, the government welcomed the formation of the two main groups of Irish banks[991]. In 1958 the Bank of Ireland acquired the Hibernian Bank, in 1965 the Midland Bank acquired the Northern Bank, in 1968 the National Provincial Bank acquired the Ulster Bank, and in 1972 the Bank of Ireland, the Hibernian and the National completed a merger and became one of the major domestic groups[992]. External interests controlled two of the seven Associated Banks. This made smaller domestic banks vulnerable to takeovers[993]. For example, the Royal Bank, the Munster and Leinster, and the Provincial Bank became too exposed and could not compete with the Bank of Ireland. In 1966 the three banks announced an alliance (AIB) but initially maintained their identities. In 1972 the three banks integrated all operations and were transferred to a holding company[994]. The Northern Bank and the Belfast Banking Company (owned by the Midland Bank) merged in 1970.

Undergoing horizontal mergers and establishing subsidiaries in rapidly expanding areas enabled the Clearing Banks to maintain their market share[995]. According to McGowan[996], the four newly configured Clearing Banks, the AIB, the Bank of Ireland, the Ulster Bank, and the National Irish Bank, successfully adapted to the new competitive environment. They introduced term-lending in 1972, engaged with the inter-bank market, offered money transmission and payments systems, and focused on retail[997] branch banking. The banks provided saving, lending and mortgage products[998]. The Clearing Banks successfully established subsidiaries (which did not qualify for IBSC membership) to obtain a share of non-clearing banking business, to compete with the UK banks' subsidiaries on the instalment-credit, leasing, and rapidly growing wholesale[999] market, and to increase the competition between Clearing Banks[1000]. After years of focusing on the stability of the local banking and financial industries and following the major structural changes the industry underwent by 1970, the banking industry began to diversify into international markets[1001]. The two major successful Irish banks, the AIB and the Bank of Ireland, established themselves in the British retail-banking segment[1002].

6.9 FROM IBSC TO PLURALISM OF INDUSTRIAL REPRESENTATION

6.9.1 IBF: New Level of Representation

Prior to the Ireland's accession to the European Community in 1973, the Irish Banks' Standing Committee (IBSC) was the only representative body of the banking industry. It continued to

represent only a small number of dominant banks. Prior to EEC accession a small number of other industry institutions were too minor to participate in the representation process and to engage in the decision-making process[1003]. Its membership was exclusive to only a small number of influential institutions and it continued to be an 'unincorporated members' association whose activities were not laid down by statute or internal regulations'[1004]. According to IBSC's submission to the Commission of the European Communities[1005], the association's functions were in providing 'a forum for cooperation in technical and operational matters', and coordinating and representing 'the views of its members in dealings with the Authorities and other relevant representative bodies'. The new Economic environment, however, imposed new rules and requirements for all sectors of the Irish economy. It necessitated the need for a different representative arrangement for the Irish industry, which would reach beyond the national level, expand to include other industry members, and deal with new legislative frameworks. Thus, the Irish Bankers' Federation (IBF), later known as the Irish Banking Federation (IBF), was set up in 1973 to represent the Irish banking industry at home and abroad, particularly in the context of EEC membership. It initially comprised thirty-eight members (APPENDIX M).

The first IBF council was comprised of the six nominees of the Associated Banks, and one nominee from each of the remaining four categories of banks (the North American Banks, the Merchant Banks, the Industrial Bank, and the other Licensed Banks)[1006]. The two associations had a very close connection: the Chairman of the IBSC was the President of the IBF. One of the two Vice-Presidents had to be nominated from a Non-Associated Bank[1007], and an Associated Bank had to provide both the Secretary and Secretarial Services. John Guinness (of Guinness and Mahon Ltd) and John Ryan (of the Bank of Ireland) became the first Vice-Presidents, and Dr. Edmund O'Driscoll (of AIB) became the first President. The IBF appeared to be a rebranding of the IBSC to better fit with a changing environment[1008]. From its establishment the IBF participated in the Judicial Committee, the Fiscal Committee, and the Central Committee of the European Banking Federation (EBF). Its representatives went to Brussels annually. The purpose was not to lobby or participate in decision-making and policy development and implementation, but to get an update on what was going on in European banking[1009]. In November 1980 WD Finlay was elected as the Chairman of the EBF's Board. During his time in Office, the EBF's secretariat was reorganised and a new Secretary General was appointed.

According to the IBF, from its establishment the association aimed to live up to its initial purpose: it dealt with EEC matters, such as the monetary affairs, harmonisation of banking legislation, the European model balance sheet, stocks and shares, and the financing of multinational exports[1010]. It quickly took over many of the functions of the IBSC and quickly became the representative body of the whole industry[1011]. At the same time, neither the IBSC, nor the IBF, had much more

engagement with the Government during the 1970s and 1980s. According to Alan Dukes[1012], during his time in the office as a Minister for Finance (1982-1986) he never held a meeting with IBF, and met with the IBSC on only one occasion in 1981/1982. The discussion, initiated by the Minister, was related to the farmers' winter-feeding problems (the meeting took place in the autumn), and excessively high fees charged by IBSC members on farmers loans. This only meeting resulted in mutual agreement. No other encounters took place between the Minister and the bank during Alan Duke's time in the office.

6.9.2 IBSC & IBF: Banking Directives & New Legislation

In 1973 the Central Bank raised liquidity ratios and introduced a requirement for a 50 per cent deposit on capital inflows through the Licensed Banks, which were not suspended until April 1976. The banks were advised not to increase private sector credit to non-productive sectors, including financial property companies and personal credit[1013]. Following a Central Bank initiative and in anticipation of a tax incentive in the 1976 Budget, IBSC members introduced their own credit facilities for extending mortgage credits[1014]. The Central Bank reintroduced the 50 per cent deposit requirement on net capital inflows through banks in June 1977[1015]. In the same month the Foreign Exchange Market Committee chaired by the Bank was established to regulate and supervise foreign exchange[1016]. In 1978 stricter personal (excluding housing) private sector credit guidelines were applied to the Licensed Banks[1017].

In relation to credit policy, in March 1979 the Central Bank again suspended the 50 per cent deposit requirement on capital inflows and in the summer it increased penalties on discounting and other forms of borrowing by the Associated Banks from the Central Bank[1018]. Finally, in October 1979 it implemented changes in primary and secondary liquidity ratios, which the Licensed Banks were required to observe[1019]. In the autumn of 1979 a few banks requested that they be allowed to place supplementary deposits at the Central Bank at non-commercial rates of interest[1020]. Incorporating the first EEC's Banking Coordination Directive, in the autumn 1980 the Central Bank published revised licensing and supervision requirements and standards for the banks[1021]. In 1982 the Central Bank imposed tighter guidelines on the sectoral lending of the Licensed Banks. In December 1982 it also implemented the first change to the Licensed Banks' monthly statistical reporting system since 1932[1022]. In 1983 the Central Bank introduced domestic gilt sale and repurchase arrangements to provide or absorb liquidity through the extension or cancellation of short-term loans to the banks[1023]. In 1984 the formal guidelines for the Licences Banks' lending to private sector were terminated[1024] [1025].

Towards the end of the 1970s the banking industry started to experience significant changes. The first major EU Directive prior to the Single European Act (SEA), the *First Banking Directive on*

Coordination of Regulations Governing Credit Institutions (1977), required member states to establish systems for authorising and supervising banks and other credit institutions that take deposit and lend money. Such institutions also had to be licensed to conduct business in other states. In addition, the monetary union between Britain and Ireland, which had lasted since 1826, was broken when Ireland joined the European Monetary System (EMS) and the European Exchange Rate Mechanism (ERM I)[1026] in March 1979. Upon joining the EMS, the Central Bank developed some techniques to influence financial market, intervene in foreign exchange, and manage the liquidity of the banking system. For example, in June 1979 it introduced a 'short – term' facility[1027], which permitted the banks to secure borrowing under a quota system overnight and for up to seven days[1028]. The *Directive on the Supervision of Credit Institutions on a Consolidated Basis* (1983) 'established the common principle that bank activities were to be supervised on the basis of their worldwide activities'[1029]. The directive aimed to prevent banks from seeking to avoid capital requirements by arranging business through less strictly regulated financial sectors[1030].

The two commissions: the Interbank Money Market Committee chaired by the Central Bank and the Weekly Markets Committee chaired by the Governor of the Central Bank were established in January and October 1986 respectively[1031]. In February 1986 the Central Bank required the Associated Banks to increase rates on their short-term business loan and mobile deposits by 3 percentage points[1032]. The indicative credit guidelines were discontinued in March 1986[1033]. In autumn of 1987 the Central Bank published new licensing and supervision requirements[1034]. In 1988 it expressed concern about the rate of increase in banks' lending to the personal sector[1035].

6.9.3 Turbulent Times

The decade of the 1970s saw some turbulence related to new industrial relations disputes. Thus, the Associated Banks closed their branches from the end of June until early September in 1976, and the Central Bank was closed for a few days in December 1978[1036]. Many claim that in the 1980s the IBOA contributed to the delay in introduction of ATM machines in the country[1037], opposed the extension of opening hours and restricted recruitment to higher positions from outside an individual bank[1038]. The introduction of new technology led to three-years of negotiations resulting in the five-year Technology and Change Agreement[1039].

In 1981 the Commission of the European Communities carried out an investigation into the commissions charged by Member States' credit institutions. As a result, it concluded that practices that might infringe EEC competition rules existed in Ireland (and some other EEC states). Industry associations in these countries were required to provide information on these agreements to the Commission[1040]. In October 1984 the IBSC, on behalf on its members, submitted an application for

negative clearance[1041] to the Commission of the European Communities. The application was concerned with a number of agreements between IBSC members other then those submitted to the Commission of the European Communities in 1981. Namely, it was concerned with the opening hours, the clearing rules[1042], and direct debiting scheme[1043] arrangements[1044][1045]. The Commission received no observations from interested parties following its publication of the notice[1046]. According to the Commission of the European Communities[1047], the application was filed 'as a precautionary measure' and its members 'voluntary terminated a number of agreements relating to commissions charged for various banking services' prior to the submission. Based on the facts provided by the IBSC, the Committee decided that there was no grounds for any action[1048] with respect to the agreements between IBSC members. It gave the IBSC agreements negative clearance, as the opening hours were deemed to be affecting only some of the services available to customers, and the arrangement did not affect competition. The Clearing Rules and Direct Debit agreements also were not found to restrict, distort, or prevent competition within the common market[1049]. Although the Commission of the European Communities granted the negative clearance, the IBSC was loosing its importance in the industry. In May 1985 the Central Bank announced new interest rate arrangements for the Associated Banks which 'led to the effective decentralisation of their retail lending and deposit rates[1050]. From then on the IBSC lost not only its interest setting privilege, but also its coordination role in the setting of fees, charges, and opening hours, that became the matter of the 'individual bank and relevant regulator'[1051]. Moreover, all remaining agreements were to be reported to the European and the Irish competition authorities. According to J. A. Bardon, then the Director General of IBF, this arrangement ended the 'anti-competitive cooperation' and 'collusion' between the Associated Banks thus increasing competition in the industry[1052].

6.9.4 More Legislative Changes

The *Central Bank Act of 1989* became operational in July and the *Currency Act of 1927* was revoked. The provisions of the new Act included strengthening the licensing and supervision powers of the Central Bank with respect to the banking business[1053]. The Act gave powers to the Minister for Finance to change the exchange rate or exchange rate arrangements of the Irish Pound upon consultation with the Central Bank[1054]. The Board of the Central Bank Directors was expanded to nine and the requirement to have two representatives of the Associated Banks was removed[1055]. The Act also introduced the concept of a Code of Practice[1056]. At the beginning of the 1990s, following the *Trustee Saving Banks Act of 1989*, the *Unit Trusts Act of 1990*, and the *Companies Act of 1990* the Central Bank assumed responsibility for the supervision of trustee savings banks, unit trusts, and investment companies with variable capital[1057]. In December 1992

the Central Bank undertook responsibility for the prudential supervision of previously unregulated investment intermediaries.

The *Capital Liberalisation Directive* adopted in June 1988 liberalised all capital movements within the twelve member states. Ireland along with another seven states was to achieve it by the end of 1992[1058]. In September 1992 the turbulence in international foreign exchange markets led to pressure on the Irish pound in the EMS exchange rate mechanism and thus on domestic interest rates[1059]. In February 1993 the continuing instability contributed to the realignment of the Irish pound within the narrow ERM-I band[1060] and its central rate against other ERM-I currencies was reduced by 10 per cent[1061]. High interest rates and an appreciation of the currency in Germany caused by the need to finance re-unification led to the Brussels Compromise in August 1993, following which a new fluctuation band of 15 per cent was established. As a functional arrangement the EMS ceased to exist in May 1998. From 1989 on, the IBF started to participate in round table discussions with the EU Commission, with the Irish Members of the European Parliament (MEPs), and with the Brussels-based European Consumer Movement (BEUC)[1062].

6.9.5 Increasing Competition

The three categories of financial institutions operating in Ireland in the 1980s were the (a) licensed banks (four Associated or Clearing Banks and thirty-three Non-Associated Banks[1063]), (b) four state – owned and state-sponsored banks, and (c) building societies[1064]. In addition, there were also a number of hire-purchase companies and credit unions. The share of total non-government lending of the Associated Banks was about 38 per cent, and of the total non-government deposit market – about 43 per cent[1065].

Since the early 1980s the IBF and the IBSC had to deal not only with legislative changes, but also with rapidly increasing industry concentration and competitiveness caused by the integration of EU members. The Irish Financial Services sector began to develop with the establishment of IFSC in 1987 at the Custom House Quay in Dublin. A reduced corporate tax rate of 10 per cent and relief from local municipal taxes, taxes on capital expenditure and on property rents attracted new investors. As a result, many international financial companies established themselves in Ireland[1066]. By the early 1990s foreign banks in Ireland gained around 15 per cent of the domestic banking market[1067]. They became a strong competitive force to the Irish banks in non-retail and wholesaling banking, providing foreign currency loans to corporate clients at competitive international rates[1068].

In addition to foreign banks, the Irish banks had to compete with foreign institutions not present in the country[1069], and with the non-bank segment[1070] [1071]. For example, the market share of the building societies grew from 5 per cent of total savings with deposit-taking financial institutions in 1965 to 18 per cent in 1985, with their shares and deposits reaching almost half of the current and

deposit accounts of the Associated Banks[1072]. The competitiveness of the state-sponsored financial institutions and trustee savings banks also improved[1073] [1074]. The leasing companies, which raised funds by share issue and borrowing, and the life assurance companies became another institutional development to compete with the banks: the former as providers of leasing facilities and the latter as domestic savings institutions[1075]. The only indigenous institutions to experience difficulties were the non-bank deposit-taking institutions, whose aggregate share fell from 20 per cent to 10 per cent between 1965 and 1985[1076].

Competitiveness within the Irish banking industry increased even more in 1989 with the introduction of the *Building Societies Act*. Granting the building societies the power to engage in banking transactions dramatically changed their status by allowing them to extend credit for non-housing purposes and provide payment facilities and a wide range of financial services[1077]. ACC began competing with the main retail banks after the *ACC Bank Act of 1992*, which lifted some of the restrictions on its lending portfolio[1078]. By the end of the 20th century, however, both state-sponsored organisations had lost a considerable share of the market[1079]. The *Credit Union Act of 1997* expanded the role of the Credit Unions[1080], established in the 1960s, by permitting them to lend larger amounts for longer periods[1081]. Other changes in the industry included the merger of the Cork and the Dublin Savings Banks in 1992, the change in the Irish Permanent status from being a mutual institution to a bank, and the expansions of smaller Irish Banks, such as the Anglo Irish Bankcorp, National Irish Bank, Woodchester, and Irish Continental[1082]. In addition, in the 1980s and 1990s there was a rapid development of the bancassurance model[1083], which involved banks expanding their services to insurance operations and distributing insurance products for actual insurers, such as Axa or Hibernian

The growing number of credit institutions forced the IBF to re-evaluate its membership criteria. Up to then, the association was comprised of the banks licensed under the *Central Bank Act* of 1971. In 1988, however, the two Trustee Savings Banks were admitted as members, and in 1990 ACC (Agricultural Credit Corporation) and ICC (Industrial Credit Corporation), the two State-owned banks were invited to join[1084]. In 1985 the IBF launched its Irish Banks Information Service (IBIS) as a 'factual information service on the banking industry for all interested parties'[1085]. The Banks and Banking in Ireland became its first publication.

6.9.6 FSI: Focus on International Banking

In 1984 the FSI association was established as a constituent part of the Irish Business and Employer Confederation (IBEC). At the time most of the increasing number of international companies represented in Ireland had no trade union membership, and were looking for access to social partnership and HR advice. IBEC was focusing on that space and it decided to create a

segment association, the Financial Services Ireland (FSI), to solely deal with financial services. Thus, by joining FSI, financial institutions were not seeking representation or lobbying support in banking or financial services space: this service was offered by IBF[1086]. Similarly, funds organisations would be joining the Irish Funds Industry Association (IFIA) for the purpose of representing the interests of their segments, and FSI for labour relations purpose[1087]. Therefore, the IBF was the only organisation to represent the banks on banking issues. In addition, according to Kelly[1088], the IBF was not engaged with the international banks market until the foundation of FIBI in early 2000s, and therefore FSI was set up as a separate entity from IBF. According to Kelly[1089], generally the interests of the business community and banks were not the same, as banks controlled access to capital. But in the last twenty years the situation changed, as 'there has been a realisation that that the interests of the bank and business as a whole are best served by a successful economy'. Kelly suggests that the FSI was founded because there were a lot of foreign financial institutions at the time with no representation in the country. In addition, Irish banking faced changes, including the abolition of the jobbing system in London, the influence of globalisation, and the changing definition of a banker.

Historically, domestic banking was served by the IBF, which had 'enormous skills and expertise in that area'[1090]. So FSI would instead focus on the international and employer side, and on IFSC institutions in particular: 'if you are looking at the macroeconomic piece, than that's where FSI and IBEC have a key role to play. If it is something very specific to banking, it becomes much more IBF driven'[1091]. According to Arthur Forbes[1092], the two associations have different interests and the IBF wanted to remain independent. At the same time the IBF and the FSI constantly cooperate on various issues and often talk to the same people[1093]. The IBF, unlike the FSI, has been a member of a number of international organisations, thus providing members' access to the EU level. This, according to Farrell[1094], is extremely important, as 70-80 per cent of banking legislation originates from Europe.

In terms of lobbying, the FSI has participated in a multilevel system of committees. The upper level is the Department of the Taoiseach. Representatives from the regulator, finance, Industrial development Authority (IDA), and other groups sit down with international industry representatives about once every six weeks as a Clearing House Group chaired by the Secretary to the Government. Then, there are five permanent subgroups on banking, insurance, funds, pensions and asset management, which look at various specific pieces of legislation, broad areas and policy. And each of those will have a person in the Financial Regulator and a person in the IDA *etc.* So each of the subgroups is like a microcosm of the Clearing House group. There are dedicated groups, for example in insurance, which deal with a specific regulatory proposal. And they will do some work on that. There is a sub group, for example, on the funds side, which would look at

things like marketing and competitiveness. They would produce a piece of paper on that. At the fourth level all of the different representative associations have working groups as well, who'd be producing pieces of work that would feed up into the bottom of this structure. There is a logic of a principal of subsidiary, and the issues get resolved at the lowest possible level. Most of the interaction is done with civil servants, as opposed to politicians, and not much time is spent in Leinster House. There are no politicians in any of the committees[1095]. According to the FSI Director, nominating someone for the Seanad is 'the worst way to get what you want'[1096]. Despite the fact, that the IBF could register for up to six seats, as its' affiliated bodies could have been registered separately, and IBF let its nominating right go[1097]. According to Pat Farrell[1098], if someone is elected to the Seanad as a nominee of a particular industry, 'they are immediately perceived as being a lobbyist ... for this particular industry, which can be good, or can be bad'.

6.9.7 Dominance of IBF: Activities, Responsibilities, Initiatives

The IBF gradually became a single voice for all issues of common concern to banks, both nationally and internationally[1099]. By the late 1980s the IBF took over all of IBSC policy functions, leaving the Clearing Banks to deal with just operational and technical issues relating to payment systems, such as money transmission and clearing. It participated in the International Standards Organisation's (ISO) Technical Committee for Banking and Financial Services (ISO/TC68)[1100]. At the beginning of 1990s, however, Electronic Data Interchange (EDI) took over and ISO/TC68 activity was reduced to only two international meetings a year. In 1992 IBSC provided a national delegate to the Message Development Committee for Banking and Finance[1101]. In the early 1990s the IBF's Secretariat managed the Dublin Banks Clearing Committee (DBCC), the Cheque Card Scheme, Europay, the Society for Worldwide Interbank Financial Telecommunication (SWIFT), and the Direct Debit Scheme on behalf of the membership of these payment operational groupings[1102]. To reflect the increasing number of banks operating in IFSC, the IBF expanded its membership criteria in 1991. The IFSC Steering Committee was established with the help of the Central Bank to provide a forum for consideration of banking issues[1103].

In 1990 the IBF initiated the Credit Institutions Ombudsman Scheme, a voluntary system of arbitration on unsolved customer complaints against banks and building societies. It was formulated by IBF, vetted by the Department of Finance and the Environment, and approved by the Central Bank[1104]. According to the IBF and the Irish Mortgage and Savings Association (IMSA), it was set up for the 'reception and resolution of complaints from customers in a timely and cost effective manner'[1105]. The decision of the Ombudsman was binding on participating institutions, which also bore the full cost of its operations. In 1991 the Irish Clearing Banks agreed on a Code of Practice on the Transparency of bank charges, which covered the provision of information to

customers by posters and brochures, press notices regarding tariff changes, and breakdown of charges on request at branches[1106].

In 1991 the IBF relaunched the Irish Banks' Information Service (IBIS) with the objective of providing 'an efficient, factual, information service on the banking industry and related matters'[1107]. It developed an industry database, and issued the 'Irish Banking Fact File' on a series of banking matters and the 'Student Resource Pack' for second-level schools. IBIS also cooperated with the teaching profession through its support of the Business Studies Achievement Award. It held responsibility for the production of the annual IBF yearbooks (starting in 1990), and the bimonthly 'IBF Bulletin' for senior management of member banks.

According to IBF's Yearbook, the IBF played a significant role in 1992 when the competitiveness of the industry was threatened by the Bank Levy, Deposit Interest Retention Tax (DIRT), and Primary and Secondary Liquidity ratios issues, which 'were out of line with European norms'[1108]. The IBF claims that their on-going interaction with the Central Bank, the Revenue Commissioners, and the government departments led to measures, which enhanced competition within the industry. For example, under the arrangements introduced in the Finance Bill of 1992 a bank or a banking group liable to pay the Bank Levy may set off all or part of it against its corporation tax liability. Some other measures were related to DIRT[1109] and liquidity rations[1110 1111]. In addition, the new Stamp Duty regime was introduced, An Post products' attractiveness was diminished by the introduction of the new special 10 per cent savings accounts, and tax relief on life policies was abolished[1112].

6.10 INDUSTRY REPRESENTATION IN THE SINGLE EUROPEAN MARKET

The Single European Market and the harmonisation of regulatory regimes through EU directives led to the liberalisation of capital movements. These developments significantly influenced the competitiveness of the Irish banking industry. From the early 1990s the range of services increased, the differences between credit institutions blurred, and the net interest margin within the industry compressed, thus reducing the barriers to entry and increasing competition[1113]. In the corporate market, both international and domestic institutions began competing for lending, foreign exchange, and fund management. In the personal banking market, increasing number of institutions underwent significant cost cutting[1114] and increases in mortgage credits, and were also competing for mortgages. The degree of concentration in the industry over the same period was reduced as the share of the four largest banks in total deposits declined.

As a representative organisation, the Irish Banking Federation (IBF) was involved in the preparation of the Irish banking industry for macroeconomic and legislative changes. The association reported that it had commenced a series of studies on the implications of the new

environment for banks, among other issues addressing problems associated with a dual currency, the clearing systems, prudential supervision, the translation of all bank records, and the effect on capital requirements[1115]. Briefing sessions and workshops were also undertaken to prepare the industry for the new environment. To promote Irish interests at EU level, the IBF, the Department of Finance, and the Financial Regulator communicated the Irish national position to the European Banking Federation (EBF), European Mortgage Federation, and the European Covered Bond Council[1116]. Since there can be only one member from each country representing the banking industry in the EBF, the IBF became the organisation to represent Ireland[1117]. To influence the legislative and policy-making environment at a national level, the IBF participated in consultation processes and pre-budget submissions. The association also published its opinions on policy and other banking issues, organised seminars and forums, and got involved in educational programmes. In 2002 Brian Wilson of AIB was appointed to the position of the EBF's Vice-president for two years. The same year IBF participated in the Committees of the EBF, lobbied Irish MEPs and the Commission in Brussels[1118].

The *Second Banking Coordination Directive* came into force on January 1, 1993 giving the banks the right to establish branches and to trade in financial services throughout the EU on the basis of a single licence obtained from the home-country authorities. According to IBIS[1119], this greatly increased competition. A number of other directives aimed at meeting the harmonisation requirements for banking have been approved since 1993. The establishment of the European Monetary Institute (EMI)[1120], the forerunner of the ECB, marked the second stage of EMU (1994-1999). The Finance Act of 1993 introduced a new arrangement, under which the banks were allowed to manage their affairs 'so as to eliminate its Levy payment'[1121]. In April 1996 the Irish real-time Interbank Settlement Company Ltd (IRISCO) was incorporated to enable its members to purchase and establish a real-time gross settlement system for large – value interbank payments[1122]. The integration of the payment and settlement systems began when the Irish Real Time Gross Settlement System[1123] (RTGS), which replaced the Daily Interbank Settlement System in March 1997, was linked to similar systems of other EU members and to ECB payment mechanism. The systems were connected by the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) system, which facilitated cross-border payments in Euro[1124].

In 1994 the IBF organised seminars on user security development for SWIFT users (January) and on the Basle Committee proposals on Market Risk, Interest Rate Risk, and Netting. The IBF started to systematically express its opinions on political issues. For example, it welcomed a lowering of Capital Gains Tax, a reduction in the rates on Government Savings Products, and the retention of the existing DIRT rates in the 1994 Budget[1125]. In 1992 and 1993 the ECBs published two reports setting out ten principles for domestic payment systems, which were also welcomed by the IBF due

to their flexibility[1126]. IMF set up a Working Group to assess the implications of EMU for the Irish Banks. The Group also aimed to provide input into EBF Committee[1127]. In 1994 the IBF commented on the Investment Services Directive. According to the IBF's Annual Review[1128], the association's consultations in 1994 had an impact on the supervision requirements giving effect to the EU Directive on the Monitoring and Control of Large Credit Exposures. In addition, following the IBF presentations the Central Bank decided not to require branches of banks incorporated outside of the State to publish information in relation to intra State branch activities[1129]. The association also welcomed the publication of the *Money Laundering (Criminal Justice Bill No3, 1993)*, which implemented the terms of a EU Directive. According to the IBF's Annual Review[1130], the Department of Justice incorporated many of IBF proposed amendments. In 1996, however, IBF expressed a number of concerns in relation to the Third Anti-Money Laundering Directive 1995[1131].

The *Consumer Credit Act* of 1995 (signed into law in May 1996) implemented EU Consumer Credit Directives. The Act provided for the regulation and licensing of money lenders and credit and mortgage intermediaries, applied the same legal requirements to all mortgage providers, and transferred control of bank charges from the Central Bank to the Director of Consumer Affairs[1132]. The IBF generally approved the implementation of the Directive, but identified certain difficulties, such as the enhanced control of bank charges and restricted visits and phone calls to the banks' customers[1133]. The IBF achieved some success with the recommendations lined out in some of their pre-Budget submissions. For example, a reduction in Corporation Profits Tax (1996 pre-Budget submission), minor changes in the Capital Gains Tax, a reduction in employers' PRSI, increases in personal tax allowances, and additional resources for R&D[1134].

The IBSC ceased to exist in July 1999, when its only remaining function, the management of the Clearing Banks payment system, became redundant. Under the *Central Bank Act of 1997*, the old clearing System, the DBCC, was replaced by the three separate entities[1135], easing access to the Irish clearing system[1136]. The new arrangement was regulated by the Central Banks and Financial Services Regulation Authority of Ireland (CBFSAI) and endorsed direct (ordinary) and indirect (associate)[1137] membership in the system and members' responsibility of running costs[1138]. The same year the IPSO was founded as a representative body for the payments segment. In order to be eligible for membership of IPSO, an institution had to be a member of any one of the Clearing Companies (*e.g.* IPCCC, IREPCC).

6.11 NEW ARRANGEMENTS & NEW TROUBLES

The third stage of the European Monetary Union (EMU) was launched on January 1st 1999. Along with the other Eurozone members, Ireland abandoned its independent currency. By doing so it lost

the two 'endogenous in the national economy and subject to national policy influence'[1139] instruments, which could be used to offset shocks[1140]: the nominal interest rate and the nominal exchange rate. The monetary function instead was transferred to the Eurosystem comprised of the European Central Bank (ECB) and the National Central Banks (NCBs) of the Eurozone countries[1141]. Since 1999 the primarily objective of the ECB has been the maintenance of price stability in the Eurozone[1142]. It has also defined and implemented the single monetary policy, conducted foreign exchange operations, held and managed the official foreign reserves of the Member States and promoted the orderly operation of payment systems[1143] [1144].

The new role of the Central Bank of Ireland since 1999 has involved the formulation and implementation of Eurozone monetary policy through the provision of advice and analysis to the Governors regarding developments in the Euro area[1145]. It has prepared macroeconomic and inflation forecasts, undertaken monetary and financial sector analysis, and assessed the public finances, labour market issues and developments in banking[1146]. Representatives of the Central Bank participated in ECB committee and working group structures[1147]. The Bank has also printed Euro banknotes and minted Euro coins, which have been issued into circulation through the banking system[1148]. The Irish Banking Federation (IBF) actively promoted the single currency[1149] and participated in the preparation of the industry for its implementation. In cooperation with IMSA it 'established a structure to plan and oversee preparations for the changeover to the Euro... headed by a steering committee with expert groups on specific business areas'[1150]. According to the Minister for Finance, Charlie McCreevy[1151], officials from his Department attended these meetings.

Following the *Central Bank and Financial Services Authority of Ireland Bill of 2000*, in May 2003 the financial supervision of the banking industry was unified under the Irish Financial Services Regulatory Authority (IFSRA), the legal entity of Central Bank and Financial Services Authority (CBFSAI)[1152]. From its establishment the IFSRA defined regulatory responsibilities and had operational and budgetary autonomy. When announcing plans to set up a new supervisory authority to the IBF, the Department of Finance suggested it would act 'as the umbrella organisation for the banking industry, should evaluate industry practice and consider publishing a code of practice'[1153]. In their reply to the industry consultation document, the IBF welcomed the Government's decision to establish the IFSRA, but called for further discussion on its structure and funding[1154].

6.11.1 DIRT, Bogus Accounts, and Unethical Behaviour

Upon Irish entry into the third stage of the EMU, the situation in the banking industry was unstable. In the late 1990s the industry was shaken by a number of scandals, which on some occasions became the subject of government investigations. The first of these scandals was associated with the requirement of financial institutions to remit tax at the standard rate on deposit interest paid to

Irish residents in Ireland (DIRT)[1155]. In 1998 public reports revealed that AIB and other banks facilitated the creation of bogus non-resident addresses to evade DIRT. The situation was investigated by the Controller and Auditor General on the request of the Dáil Committee of Public Accounts (PAC). A report produced in 1999 revealed extensive evasion in this area[1156]. Following the enquiry by PAC[1157], the Revenue Commissioners conducted a full audit of financial institutions, which had to pay €220 million[1158] to the Exchequer and €537 million with respect to underlying tax liabilities[1159]. Another outrage in the Irish banking was related to the improper charging of fees and interest to accounts and the facilitation of tax evasion by the employees of the National Irish Bank (NIB). In March 1998, following an investigation, High Court appointees John Blaney and Tom Grace reported incidences of improper practices. These included the creation of bogus non-resident accounts, the use of offshore accounts for tax evasion, and the improper charging of fees and interests to customer accounts[1160].

In 1999 the Sub-committee on Certain Revenue Matters of the Committee of Public Accounts held a session with representatives of the industry associations on the issues of bogus accounts and the unethical behaviour of the banks. During the meeting Jim Mitchell, a session's chair, raised a concern about the absence of common ethical standards in banking. Representatives of the Institute of Bankers in Ireland, IBF, and the IMSA agreed that no industry codes were created in the industry by any of the three representative organisations. Nonetheless, at the time they didn't acknowledge any need for it[1161].

In 2001 the Central Bank issued *the Code of Practice for Credit Institutions*, *the Code of Conduct for the Investment Business Services of Credit Institutions*, and *the Advertising Requirements applicable to Credit Institutions,* which were implemented through the IBF and the IMSA in the same year. These legally binding codes were issued under the Section 117(1) of the *Central Bank Act of 1989* and applied to institutions which provided services covered by EU Directive 2004/39/EC. In October 2001 the Basel Committee on Banking Supervision also published its approach to Know You Credit (KYC) policies for banks, which, in addition to money laundering, included general management and wider prudential issues, which went beyond account opening and record keeping[1162].

In line with the increasing regulation of and attention to ethical issues, industry associations also developed and introduced industry-wide voluntary codes of conducts. In January 2001, the IBF introduced *the Code of Ethics*, which was followed by a few Codes of Practice. *The Standard of Good Practice for Bank Charges for Conversion to Euro and the Dual Display of Amounts*, which was approved by the Office of Director for Consumer Affairs, was developed and updated in 2001 in conjunction with the IMSA[1163].

6.11.2 AIB & CA Report

In 2002 John Rusnak, a foreign exchange trader with Allfirst Financial, AIB's US subsidiary, made unauthorised trades, which resulted in a loss of $691 million. The incident raised doubts about the adequacy of the AIB's systems to control and oversight activities leading to further investigations of the industry. In the US the situation was examined by the authorities and by AIB-appointed Eugene Ludwig, the former Controller of the US Currency[1164]. In Ireland, the Competition Authority (CA) undertook a major investigation of the banking industry. In 2002 it produced a report on the consultation about terms of reference[1165]. In 2003 CA published a summary of submissions on the banking study terms, including the structure of the industry and a review of the literature[1166]. Finally, in 2004 it published the Draft Report and Recommendations by LEGG consultants[1167].

In its final report, published in September 2005[1168], the Competition Authority concluded that 'the banking sector is not working well for small business or personal customers' and that the banks do not aggressively compete for customers[1169]. The industry's major anti-competitive problems were related to lending to small business, personal current accounts, and the role of the payments clearing system. The CA delivered 25 recommendations on increasing competition addressed to industry institutions. The IBF was advised to update IBF's Switching Code to reduce time scales by the end of 2005, to develop procedures for identifying customers to meet money-laundering requirements[1170], and to modify the Switching Code to include the transfer of copies of the identification information necessary for money laundering. Regarding SME lending, the IBF was expected to expand the Switching Code to include SME customers[1171] and to develop the use of a standard form of mortgage and ancillary security documents by the end of 2005[1172]. Some of CA's recommendations, however, were anticipated by the industry before the code was published. For example, the double –taxation stamp duty on customers who switch banks was removed and entry barriers to the Payments Clearing System had been reduced[1173].

6.11.3 Financial Services Ombudsman

On 29 July 2002, the Minister for Finance issued a public consultation document on the CBFSAI (No. 2) Bill inviting comments on the establishment of a statutory Financial Services Ombudsman[1174]. In their reply, the IBF and the IMSA strongly opposed the establishment of the Financial Services Ombudsman arguing that the industry itself was successful in dealing with consumer complaints through their existing Credit institutions Ombudsman Scheme and by producing:

> ...various Codes of Practice for its members... on behalf of the Bank or the Director of Consumer Affairs ... as a response to the PAC recommendations ... at the behest of the Changeover Board.... In addition, Compliance Guidance Notes to our [IBF, IMSA] members have been

produced in a range of areas, such as Money Laundering, Data Protection, the Equal Status Act etc ....[1175]

The IBF's and IMSA's suggestion was to retain the existing schemes within the new framework. Despite this, a Financial Services Ombudsman's Bureau was set up in 2004.

6.11.4 Examination by the Joint Committee of Finance & the Public Service

Numerous criticisms of the Irish banking industry were voiced in the media in May 2003. Despite the fact that IBF Director General Jim Barton rejected these claims[1176], they were substantiated six months later. In the meantime, in July 2003 the Joint Committee of Finance and the Public Service, set up to oversee the operation of the IFSRA, commenced examination of the industry in relation to a number of 'disquieting incidents... over charging, tax evasion and fraud'[1177]. The examination involved discussions and analysis of the written submissions of specific banking institutions. The Committee's conclusions and recommendations were published in 2005 and were concerned with two main areas. The first was the 'degree of compliance of the banks with proper standards of performance in respect of prudential, fiscal and consumer legislation', and the second – with the provision of efficient, high quality service to the banking public'[1178]. The Committee concluded that the industry was 'highly concentrated into a small number of powerful institutions'[1179].

6.11.5 Overcharging & Unethical Behaviour Allegations

In 2003 and in 2004, only a couple of years after the DIRT evasion and overcharge-related investigations of the industry, AIB and the Bank of Ireland were held responsible for unethical behaviour. In September 2003 AIB notified the Financial Regulator that it uncovered inappropriate allocations with respect to Faldor, an offshore fund under its management whose investors were a number of acting and former executives[1180]. At the time these allocations were still legal, as the *Code of Practice* under the *Investment Intermediaries Act of 1995* was not yet introduced, but such actions were still deemed to be wrong. In April 2004 the Financial Regulator received anonymous information that the AIB systematically overcharged its customers in certain foreign exchange transactions. AIB and the Financial Regulator separately investigated the matter. In 2004 the details of both incidents were communicated in the report of IFSRA[1181]. In April 2005, following the Financial Regulator's inquiry into to the banks' practices relating to the sale of payment protection insurance, the Bank of Ireland also reported instances of overcharging.

6.12 LATEST DEVELOPMENTS IN IRISH BANKING

Around sixty-seventy working groups are generally formed to work with objectives within a limited time-horizon. These cover a range of areas, including money-laundering, high-tech crime, mortgage market, mortgage regulation. The experts from different members participate in the commissions. The Irish Banking Federation (IBF) acts as the secretariat and it can get someone to

do some research. There is no official procedure in place for IBF's contacts with the Government or politicians. Depending on the situation the association writes a request or holds face-to-face meetings with politicians. The association has rarely hired external consultants to work on submissions or develop strategies: '99 per cent of the work is undertaken by the Secretariat'[1182]. IBF has external public relations advisors, whose occasional cooperation with the IBF is limited to advising on strategic matters. According to Pat Farrell[1183], it is important to demonstrate to the members that the organisation can deal with issues itself, instead of having a heavily outsourced model, which involves relying on third parties.

In 2005 the IBF focused its attention on the surcharges on credit or debit (Laser) cards payments. It also initiated a 'Stamp Duty Out' campaign[1184]. Along with the Customers' Association of Ireland (CAI), who was recruited as a partner in the campaign, it jointly started to lobby the Minster for Finance to review and remove the surcharges[1185]. The argument behind it was that surcharging reduced consumers' choice, as they are discouraged to use cards, and imposed unfair cost on the consumers[1186]. In addition, the IBF felt it was a barrier for promoting the move from paper-based transaction to electronic transactions[1187]. CAI, on the other hand, was interested in removing the cost imposed on the consumer[1188]. According to Pat Farrell, the cooperation of the two normally opposing association produced a strong lobby for the Government to deal with. Following the campaign, the tax was reduced from €40 to €30[1189]. In addition, according to Pat Farrell, if the subject of a credit card tax comes up in the media or elsewhere, the two associations are associated in their position on the issue, and it is 'always good to be associated with a consumer group'[1190]. Similar arrangements have been successfully in place between IBF and partner organisations in other areas[1191].

The *Code of Practice* on account switching (in relation to personal current, deposit, and savings accounts), was developed by IBF and IFSRA, and became operational in 2005. According to Jim Power[1192], Chief Economist at Friends First, the Code was aimed at dealing with increasing competition and inherent in the industry customer inertia problem caused by traditional customer loyalty, relationship banking, and the inconvenience and cost of switching. Following a study undertaken by IBF a year later, the Federation reported that, despite certain difficulties, the Code successfully contributed to the development of competition in the industry[1193]. A similar Code for business accounts, developed by the IBF and IPSO[1194], was launched by IBF in March 2006. The code became operational in June 2006 and all financial institutions, including non-IBF members were invited to subscribe to it[1195]. According to Farrell[1196], the Irish EU Commissioner, Charlie McCreevy, who had first hand knowledge about the Irish switching accounts initiative, 'challenged the European banking industry to develop a code of switching… and he held up as a model the Irish code, to some degree the Dutch code, and the UK code'. Consequently, the IBF was

nominated to be a member of the expert group set up by the European Commission on the introduction of a voluntary current account switching code across Europe. The IBF was also invited to some European countries to talk about their experience.

ENDNOTES TO CHAPTER 6

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[710] Ibid.

[711] Ibid.

[712] Ibid.

[713] Personal interview. Jul 22nd, 2009. ***Michael Quigley***.

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[715] Difference between the average lending interest rate and the average interest rate on deposits

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[717] Bank of Ireland, AIB Bank, National Irish Bank, Ulster Bank, Permanent TSB Bank Ibid.

[718] Ibid.

[719] Ibid.

[720] Hurley, J. 2007. The role of Banking Sector: A Central Bank view. ***About Banking***, 5.

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[722] Personal interview. Jul 28th, 2009. ***Brendan Kelly***.

[723] Personal interview. Winter 2008. ***Michael Cogney***.

[724] Personal interview. Aug 11th, 2009. ***Pat Farrell***.

[725] Personal interview. Jul 28th, 2009. ***Brendan Kelly***.

[726] Personal interview. Aug 9th, 2009. ***Peter Brennan***.

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[739] Ibid.

[740] Ibid.

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[748] Barrow, G. L. 1975. ***The emergence of the Irish banking system, 1820-1845***. Dublin: Gill & Macmillan.

[749] Ibid.

[750] Ibid.

[751] Ibid.

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[769] Which began operating from the head office in Belfast and through agencies

[770] Which was established in 1927 as the result of the amalgamation of the two private banks remaining in the north after the emergence of the Northern Banking Company Barrow, G. L. 1975. ***The emergence of the Irish banking system, 1820-1845***. Dublin: Gill & Macmillan.

[771] Which was established in 1836 Eason, R. V. 1995. ***An assessment of competition in Irish banking***. Trinity College, Dublin.

[772] Which opened as a Dublin bank in 1825 with catholic support and which later expanded to provincial territories Ibid.

[773] Which was established in 1836 with backing of the Quaker community Ibid.

[774] Ibid.

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[775] Focused at the south and west of the country adopted many innovations from the progressive Scottish banking sector; it became a pioneer of the branch banking and the payment of interests on deposits Ibid.

[776] Which was established in 1834 to serve the needs of the rural communities Ibid..

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[780] Ibid.

[781] The National Bank, the Ulster Bank, the Northern Bank, the Provincial Bank, the Belfast Banking Company

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[849] Ibid.

[850] Hibernian Bank Ltd, The Royal Bank of Ireland Ltd, and the Munster and Leinster Bank Ltd were admitted as Shareholding banks later than Bank of Ireland, National Bank Ltd, Northern Bank Ltd, Provincial Bank of Ireland Ltd, and Ulster Bank Ltd

[851] The term Associated Banks has become the equivalent of the term 'Clearing Banks' and in some literature to the term 'Commercial Banks'

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[853] Ibid.

[854] Kinsella, R. P. 1980. ***Market concentration in Irish banking, 1960 to 1977: Extent, determinants and effects***. University of Dublin, Trinity College, Dublin.

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[862] *e.g.*, the right to accept certain interest free deposits, rediscount the bills, fix and publish a minimum official rediscount rate, collect data and credit problems and publish related material, request the banks to make interest free deposits (when their assets fell below a specified portion so that the banks would be penalised for not expanding quickly enough) and to settle all clearances through the Central Banks Davy Kelleher McCarthy Economic Consultants. 1984. ***The control of banking in the Republic of Ireland. A study prepared on behalf of the Irish Banks Standing Committee***. Dublin.

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[871] Ibid.

[872] Ibid.

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[901] Ibid.

[902] Ibid.

[903] Ibid.

[904] Ibid.

[905] Ibid.

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[915] Ibid.

[916] Ibid.

[917] Ibid.

[918] Ibid.

[919] Ibid.

[920] The lending rate and the deposit rate on the amounts equal or more than £25,000 was increased by ¾ per cent Ibid..

[921] Ibid.

[922] The rate on deposits on amounts equal or more than £25,000 was reduced to match the British Bank Rate Ibid..

[923] All interest changes came into effect about one week after the British Bank Rate change Ibid..

[924] Ibid.

[925] Ibid.

[926] In November 1961 and March 1962 the deposit rate on the amounts equal or more than £25,000 was reduced by full ½ per cent Ibid.

[927] Ibid.

[928] Ibid.

[929] Ibid.

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[931] Ibid.

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[935] Ibid.

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[945] Ibid.

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[963] Parliamentary Debates: Seanad Éireann. 1971. Central Bank Bill, 1969: Committee stage (Resumed) and final stages. 70 - 22 July.

[964] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[965] Lemass, N. 1971. Parliamentary Debates: Seanad Éireann. Central Bank Bill, 1969: Second stage. 70 - 08 July.

[966] Central Bank of Ireland. 1971. ***Survey of economic effects of bank dispute 1970***. Dublin: The Three Candles Ltd.

[967] McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[968] Central Bank of Ireland. 1971. ***Survey of economic effects of bank dispute 1970***. Dublin: The Three Candles Ltd.

[969] 10 am -12.30 pm, 1.30 pm-3 pm Monday to Friday, and until 5 pm on one day a week Monday to Thursday inclusive Commission of the European Communities. 1986. ***Commission decision of 30 September 1986 relating to a proceeding under Article 85 of the EEC Treaty***.

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[970] Ibid.

[971] Central Bank of Ireland. 1971. ***Survey of economic effects of bank dispute 1970***. Dublin: The Three Candles Ltd.

[972] Eason, R. V. 1995. ***An assessment of competition in Irish banking***. Trinity College, Dublin, McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[973] Central Bank of Ireland. 1971. ***Survey of economic effects of bank dispute 1970***. Dublin: The Three Candles Ltd.

[974] Davy Kelleher McCarthy Economic Consultants. 1984. ***The control of banking in the Republic of Ireland. A study prepared on behalf of the Irish Banks Standing Committee***. Dublin.

[975] In comparison, in 1959 the holders of licences under Section 47 of the Central Bank Act, 1942 were: 23 licensed institutions: 8 Associated Banks, 4 Commercial Banks, 6 hire-purchase companies, and 5 other institutions Traynor, O. 1959. Parliamentary Debates: Dáil Éireann. Committee on Finance. Bankers' Books Evidence (Amendment) Bill. Second and Subsequent Stages. 176 - 14 July.

[976] Davy Kelleher McCarthy Economic Consultants. 1984. ***The control of banking in the Republic of Ireland. A study prepared on behalf of the Irish Banks Standing Committee***. Dublin.

[977] O'Donovan, J. 1970. Parliamentary Debates: Dáil Éireann. Adjournment Debate. Closure of Commercial Banks. 248 - 08 July.

[978] Central Bank of Ireland. 1971. ***Survey of economic effects of bank dispute 1970***. Dublin: The Three Candles Ltd.

[979] Ibid.

[980] Ibid.

[981] Ibid.

[982] Ibid.

[983] Ibid.

[984] Committee on the Functions, O. a. D. o. a. M. M. i. I. 1969. Dublin.

[985] Davy Kelleher McCarthy Economic Consultants. 1984. ***The control of banking in the Republic of Ireland. A study prepared on behalf of the Irish Banks Standing Committee***. Dublin.

[986] Ibid.

[987] Department of Finance. 2000. Report on strategic issues facing the Irish banking sector. Dublin: Department of Finance/ Central Bank Working Group.

[988] Ibid.

[989] Fanning, R. 1976. ***The Irish Department of Finance 1922-58***. Dublin: Institute of Public Administration.

[990] Personal interview. Sept 10th, 2009. ***Patrick Honohan***.

[991] Fanning, R. 1976. ***The Irish Department of Finance 1922-58***. Dublin: Institute of Public Administration.

[992] Kinsella, R. P. 1980. ***Market concentration in Irish banking, 1960 to 1977: Extent, determinants and effects***. University of Dublin, Trinity College, Dublin.

[993] Ibid.

[994] Ibid.

[995] McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[996] Ibid.

[997] *Retail banking* involves taking deposits and advancing overdrafts and other loans, dealing with the personal, small business, farming, non-profit, corporate and government sectors. It also involves the provision of money transmission services, with extensive branch and ATM networks and a clearing system for the settlement of non-cash retail payments Department of Finance. 2000. Report on strategic issues facing the Irish banking sector. Dublin: Department of Finance/ Central Bank Working Group.

[998] Eason, R. V. 1995. ***An assessment of competition in Irish banking***. Trinity College, Dublin.

[999] *Wholesale banking* tends to involve dealing with large corporate and government entities and includes the provision of financial consultancy including advice on dealings with capital markets. In Ireland, there is also a tradition of so-called industrial banks, which focus on instalment credit, leasing facilities and mortgage lending Department of Finance. 2000. Report on strategic issues facing the Irish banking sector. Dublin: Department of Finance/ Central Bank Working Group.

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[1000] McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[1001] Ibid.

[1002] Ibid.

[1003] Personal interview. Sept 3rd, 2009. ***Alan Dukes***.

[1004] Commission of the European Communities. 1986. ***Commission decision of 30 September 1986 relating to a proceeding under Article 85 of the EEC Treaty***.

[1005] Ibid.

[1006] Irish Bankers' Federation. 1993-1994. ***Annual Review***. Dublin: Irish Bankers' Federation.

[1007] Ibid.

[1008] Personal interview. Aug 9th, 2009. ***Peter Brennan***.

[1009] Ibid.

[1010] Irish Bankers' Federation. 1993-1994. ***Annual Review***. Dublin: Irish Bankers' Federation.

[1011] Committee of Public Accounts. 1999. ***Sub-committee on certain revenue matters***, Dublin, September 1st.

[1012] Personal interview. Sept 3rd, 2009. ***Alan Dukes***.

[1013] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1014] McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[1015] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1016] Ibid.

[1017] Ibid.

[1018] Ibid.

[1019] Ibid.

[1020] Ibid.

[1021] Ibid.

[1022] Ibid.

[1023] McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[1024] The sectoral guidelines retained for another year after which they were succeeded by 'indicative' guideline Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank..

[1025] Ibid.

[1026] A part of the European Monterey System aimed at reducing exchange rate variability and achieving monetary stability

[1027] McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[1028] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1029] Howells, P., & Bain, K. 2005. ***The economics of money, banking and finance: A European text*** (Third ed.). Harlow: Financial Times Prentice Hall.

[1030] Ibid.

[1031] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1032] Ibid.

[1033] Ibid.

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[1034] Ibid.

[1035] Ibid.

[1036] Ibid.

[1037] Ó Gráda, C. 1997. ***A rocky road: The Irish economy since the 1920s***. Manchester: Manchester University Press.

[1038] Davy Kelleher McCarthy Economic Consultants. 1984. ***The control of banking in the Republic of Ireland. A study prepared on behalf of the Irish Banks Standing Committee***. Dublin.

[1039] IBOA. 1988. ***70 years a-growing: 1918-1988***. Dublin: Irish Banks' Officials Association.

[1040] Commission of the European Communities. 1986. ***Commission decision of 30 September 1986 relating to a proceeding under Article 85 of the EEC Treaty***.

[1041] The procedure by which the European Commission determines that an agreement notified to it under the competition rules of the Treaty of Rome does not infringe the rules

[1042] Members of DBCC operated a clearing exchange supplementary to the Central Bank one. The agreement set out the rules in accordance to which debits or credits drawn or for the credit of member banks are settled between one another

[1043] The rules were laid down in the 'Originator's Guide' publication published jointly by the parties

[1044] A European party may actively seek ex- emption from Article 85(1) by notifying a certain practice to the Commission. The Commission, following its review, may grant a negative clearance only upon a finding that there is no infringement of Art 85(1). The effect of the negative clearance is to permit the desired practice. The original application for negative clearance also included agreement on interest rates on loans and deposits, which was terminated in 1985, before the Commission's decision on negative clearance was published

[1045] Commission of the European Communities. 1986. ***Commission decision of 30 September 1986 relating to a proceeding under Article 85 of the EEC Treaty***.

[1046] Required by Article 19(3) of Regulation 17

[1047] Commission of the European Communities. 1986. ***Commission decision of 30 September 1986 relating to a proceeding under Article 85 of the EEC Treaty***.

[1048] Under Article 85(1) of EEC Treaty

[1049] Commission of the European Communities. 1986. ***Commission decision of 30 September 1986 relating to a proceeding under Article 85 of the EEC Treaty***.

[1050] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1051] Committee of Public Accounts. 1999. ***Sub-committee on certain revenue matters***, Dublin, September 1st.

[1052] Ibid.

[1053] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1054] Ibid.

[1055] Ibid.

[1056] Central Bank Act. 1989.

[1057] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1058] Howells, P., & Bain, K. 2005. ***The economics of money, banking and finance: A European text*** (Third ed.). Harlow: Financial Times Prentice Hall.

[1059] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1060] From the year of its establishment until 1992 a grid (known as the Parity Grid) of bilateral rates was calculated on the basis of these central rates expressed in ECUs. The currency fluctuations had to be contained within a margin of 2.25% on either side of the bilateral rates (with the exception of the Italian lira, which was allowed a margin of 6%)

[1061] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1062] Irish Bankers' Federation. 1993-1994. ***Annual Review***. Dublin: Irish Bankers' Federation.

[1063] Merchant, Commercial, and Industrial

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[1064] Commission of the European Communities. 1986. ***Commission decision of 30 September 1986 relating to a proceeding under Article 85 of the EEC Treaty***.

[1065] Ibid.

[1066] For example, in 1991 Commerzbank joined with AIB to set up a fund management venture, Barring Brothers set up a fund management unit in 1992, and in 1994 Fidelity Fund Managers transferred part of its business to Dublin Ó Gráda, C. 1997. ***A rocky road: The Irish economy since the 1920s***. Manchester: Manchester University Press.. In 1994 the Finex Europe, the branch of the Financial Instrument Exchange and a division of the New York Cotto Exchange (NYCE) commenced trading in the IFSC Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank..

[1067] McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[1068] Ibid.

[1069] *e.g.*, Japanese banks provided credit facilities to both private and corporate centres

[1070] Which included public sector financial institutions, such as the Post Office Savings Bank, the Trustee Savings Bank, ACC, ICC, the building societies, and the life assurance companies

[1071] McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[1072] Ibid.

[1073] With the exception of the Post Office Savings Bank, whose deposit market share decreased from 15 per cent to 3 per cent

[1074] McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[1075] Ibid.

[1076] Ibid.

[1077] Ibid.

[1078] Eason, R. V. 1995. ***An assessment of competition in Irish banking***. Trinity College, Dublin.

[1079] Hogan, J. J. 1989. ***The Irish Banks***. Dublin: Riada & Co.

[1080] Credit Unions accounted only for 3-4 per cent of total savings with deposit-taking institutions in 1989 McGowan, P. 1990. ***Money and banking in Ireland: Origins, development and future***. Dublin: Institute of Public Administration on behalf of the Statistical and Social Inquiry Society of Ireland.

[1081] Department of Finance. 2000. Report on strategic issues facing the Irish banking sector. Dublin: Department of Finance/ Central Bank Working Group.

[1082] Eason, R. V. 1995. ***An assessment of competition in Irish banking***. Trinity College, Dublin.

[1083] Personal interview. Jul 28th, 2009. ***Brendan Kelly***.

[1084] Irish Bankers' Federation. 1993-1994. ***Annual Review***. Dublin: Irish Bankers' Federation.

[1085] Ibid.

[1086] Personal interview. Aug 11th, 2009. ***Pat Farrell***.

[1087] Ibid.

[1088] Personal interview. Jul 28th, 2009. ***Brendan Kelly***.

[1089] Ibid.

[1090] Ibid.

[1091] Ibid.

[1092] Personal interview. Jul 10th, 2009. ***Arthur Forbes***.

[1093] Personal interview. Jul 28th, 2009. ***Brendan Kelly***.

[1094] Personal interview. Aug 11th, 2009. ***Pat Farrell***.

[1095] Personal interview. Jul 28th, 2009. ***Brendan Kelly***.

[1096] Ibid.

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[1097] Personal interview. Aug 11th, 2009. ***Pat Farrell.***

[1098] Ibid.

[1099] Irish Bankers' Federation. 1993-1994. ***Annual Review***. Dublin: Irish Bankers' Federation.

[1100] Irish Bankers' Federation. 1992. ***Yearbook***. Dublin: Irish Bankers' Federation.

[1101] Ibid.

[1102] Irish Bankers' Federation. 1993. ***Yearbook***. Dublin: Irish Bankers' Federation.

[1103] Irish Bankers' Federation. 1993-1994. ***Annual Review***. Dublin: Irish Bankers' Federation.

[1104] Ibid.

[1105] Irish Banking Federation. 2002. ***Comments of the IBF and IMSA on the Consultation Document and the Heads of Bill of the Central Bank and Financial Services Authority of Ireland (No2) Bill.***

[1106] Irish Bankers' Federation. 1993. ***Yearbook***. Dublin: Irish Bankers' Federation.

[1107] Irish Bankers' Federation. 1992. ***Yearbook***. Dublin: Irish Bankers' Federation.

[1108] Ibid.

[1109]Payment of interest without the deduction of tax to Companies and Pension Funds; DIRT deducted at the standard rate from interest on accounts of individuals was regarded as satisfying the individual's full liability to tax in respect of the interest; reduced DIRT rate of 10 per cent was to be applied to special savings accounts, which comply with certain conditions; the financial institutions who assist or act for Irish residents in opening accounts abroad had to report the matter to the Revenue Commissioners

[1110] The Secondary Liquidity Ratio has been frozen at the 1991 level, the Central Bank introduced a new formula for calculating the rate payable on Primary Deposits

[1111] Irish Bankers' Federation. 1992. ***Yearbook***. Dublin: Irish Bankers' Federation.

[1112] Ibid.

[1113] About Banking. 2006. Newsdesk. 3, Power, J. 2005. The competitiveness of the Irish financial market. ***About Banking***, 1.

[1114] Power Power, J. 2005. The competitiveness of the Irish financial market. ***About Banking***, 1. believes that growing economy, good staff management, and technology advances helped Irish banks to control cost.

[1115] Irish Bankers' Federation. 1992. ***Yearbook***. Dublin: Irish Bankers' Federation.

[1116] O'Connor, P. 2005. Securing the future of covered bonds. ***About Banking***, 2.

[1117] Personal interview. Aug 11th, 2009. ***Pat Farrell.***

[1118] Irish Bankers' Federation. 1992. ***Yearbook***. Dublin: Irish Bankers' Federation.

[1119] Irish Banks' Information Service. 1994. ***Banking in Ireland***. Dublin: Irish Banking Federation.

[1120] EMI was primarily concerned with strengthening the monetary cooperation between the member states and their national banks and with supervision of the ECU banknotes.

[1121] Irish Bankers' Federation. 1993-1994. ***Annual Review***. Dublin: Irish Bankers' Federation.

[1122] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1123] RTGS facilitated the settlement of individual payments between participating credit institutions across their settlement accounts at the Central Bank in real-time throughout the working day (Central Bank, 2003).

[1124] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1125] Irish Bankers' Federation. 1993-1994. ***Annual Review***. Dublin: Irish Bankers' Federation.

[1126] Ibid.

[1127] Ibid.

[1128] Ibid.

[1129] Ibid.

[1130] Ibid.

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[1131] O'Rourke, E. 2006. A new regime to counter money laundering. ***About Banking***, 3.

[1132] Irish Bankers' Federation. 1995-1996. ***Annual Review***. Dublin: Irish Bankers' Federation.

[1133] Ibid.

[1134] Ibid.

[1135] The Irish Retail Electronic Clearing Company (IRECC) for domestic electronic payments, the Irish Paper Credit Clearing Company (IPCCC) for domestic paper credits, and the Irish Paper Debit Clearing Company for domestic paper debits (IPDCC)

[1136] Central Bank. 2003. History of the Central Bank: A chronology of main developments 1943-1964. Dublin: Central Bank.

[1137] It could be obtained through the agency arrangements with direct members

[1138] Estimated at €500 million in 1995 Power, J. 2005. The competitiveness of the Irish financial market. ***About Banking***, 1.

[1139] Honohan, P., & Leddin, A. J. 2006. Ireland in EMU: More shocks, less insulation? ***The Economic and Social Review***, 37, (2): 263-294.

[1140] *E.g.*, fall in interest rates, the two-way swing in the external value of the Euro, and the international slow-down following the bursting of the technology bubble Ibid.

[1141] Central Bank and Financial Services Authority of Ireland. 2008. The role of the Central Bank in EMU. 2008. October 1st.

[1142] Ibid.

[1143] Ibid.

[1144] ECB Legal Acts and monetary policy instruments have been concerned with sanctions, consolidated balance sheet of the monetary financial institutions sector, statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations, application of minimum reserves, statistical reporting requirements in respect of post office giro institutions that receive deposits from non-monetary financial institution Euro area residents, and statistics on the assets and liabilities of investment funds. ECB has also produced guidelines, decisions and recommendations to NCBs European Central Bank. 2008. Legal framework of the Eurosystem and the European system of Central Banks.

[1145] Central Bank and Financial Services Authority of Ireland. 2008. The role of the Central Bank in EMU. 2008. October 1st.

[1146] Ibid.

[1147] Ibid.

[1148] Ibid.

[1149] Personal interview. Sept 3rd, 2009. ***Alan Dukes***.

[1150] McCreevy, C. 1998b. Parliamentary Debates: Dáil Éireann. Written answers. Banking system. 488 - 03 March.

[1151] Ibid.

[1152] To support information flow, facilitate coordination, and increase customer protection

[1153] McCreevy, C. 2001. Parliamentary Debates: Dáil Éireann. Written answers. Banking sector regulation. 542 - 24 October.

[1154] Irish Banking Federation. 2002. ***Comments of the IBF and IMSA on the Consultation Document and the Heads of Bill of the Central Bank and Financial Services Authority of Ireland (No2) Bill.***

[1155] Section 32 of the Finance Act of 1986

[1156] Comptroller and Auditor General. 2000. ***Special report of the Controller and Auditor General: Deposit Interest Retention Tax***: Government Publication Office.

[1157] Dáil Éireann Committee on Public Accounts. 1999. ***Parliamentary Enquiry into DIRT. First Report***: Stationary Office.

[1158] Ibid.

[1159] Controller and Auditor General. 2004. ***2003 Annual Report of the Controller and Auditor General. Volume I*** Stationary Office.

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[1160] High Court Inspectors. 2004. ***Report on investigation into the affairs of National Irish Bank Ltd and National Irish Banks Financial Services Ltd by High Court Inspectors Mr John Blaney and Mr Tom Grace***: Government Publication Office.

[1161] Committee of Public Accounts. 1999. ***Sub-committee on certain revenue matters***, Dublin, September 1st.

[1162] Basel Committee on Banking Supervision. 2001. ***Customer due diligence for banks***: Bank for International Settlements.

[1163] Irish Mortgage & Savings Association. ***Annual Review 2001/2002***.

[1164] Joint Committee on Finance and the Public Service. 2005. ***Sixth report: Interim report on the policy of commercial banks concerning customer charges and interest rates***.

[1165] Competition Authority. 2002. ***Preliminary consultation on terms of reference of Competition Authority banking study***: Competition Authority.

[1166] Competition Authority. 2003. ***Study of competition in the provision of non investment banking services in Ireland***: Competition Authority.

[1167] Kahwaty, H. J., & Baziliauskas, A. 2004. ***Study of competition in the provision of non investment banking services in Ireland: Report and recommendations***: LECG Ltd.

[1168] Competition Authority. 2005a. ***Competition in the (non-investment) banking sector in Ireland***: Competition Authority.

[1169] Competition Authority. 2005b. ***Press Release***.

[1170] With the oversight of the Money Laundering Steering Committee

[1171] Within six month from the publication of the report

[1172] In conjunction with the Law Society

[1173] Competition Authority. 2005b. ***Press Release***.

[1174] Other proposals were concerned with the establishment of Consumer and Industry Consultative Panels to advise IFSRA, the regulation of non-consumer money lending, the licensing of certain mortgage lenders, corporate governance and auditing of financial institutions, authorisation of bank mergers and acquisitions, provision of information to enforcement agencies; amendments to Insurance Legislation

[1175] Irish Banking Federation. 2002. ***Comments of the IBF and IMSA on the Consultation Document and the Heads of Bill of the Central Bank and Financial Services Authority of Ireland (No2) Bill***.

[1176] McCárthaigh, S. 2003. Irish banks among EU wealthiest, ***Irish Examiner***.

[1177] Joint Committee on Finance and the Public Service. 2005. ***Sixth report: Interim report on the policy of commercial banks concerning customer charges and interest rates***.

[1178] Ibid.

[1179] Ibid.

[1180] Ibid.

[1181] Irish Financial Services Regulation Authority. 2004. ***Investigations in AIB group on foreign exchange and other charging issues and deal allocation and associated issues***: IFSRA.

[1182] Personal interview. Aug 11th, 2009. ***Pat Farrell***.

[1183] Ibid.

[1184] O'Sullivan, M. 2006. Stamp Duty Out. ***About Banking***, 4.

[1185] Personal interview. Aug 11th, 2009. ***Pat Farrell***.

[1186] About Banking. 2005. Newsdesk. 2.

[1187] Personal interview. Aug 11th, 2009. ***Pat Farrell***.

[1188] Ibid.

[1189] Ibid.

[1190] Ibid.

[1191] Ibid.

[1192] Power, J. 2005. The competitiveness of the Irish financial market. ***About Banking***, 1.

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[1193] Doyle, E. 2006. The IBF Personal Account Switching Code: 12 month on. Ibid., 3, IBF Press Release. 2006. February 6th.

[1194] Following consultations with the Small Firms Association (SFA), Chambers Ireland, Irish Small and Medium Enterprises Association (ISME), and the Irish Farmers' Association (IFA)

[1195] About Banking. 2006. Newsdesk. 3.

[1196] Personal interview. Aug 11th, 2009. ***Pat Farrell***.

CHAPTER 7 CROSS-CASE ANALYSIS

7.1 INTRODUCTION

This chapter presents a multilevel cross-case analysis, guided by the study's conceptual framework presented in presented in Figure 2-3 and reproduced in Figure 7-1 below.

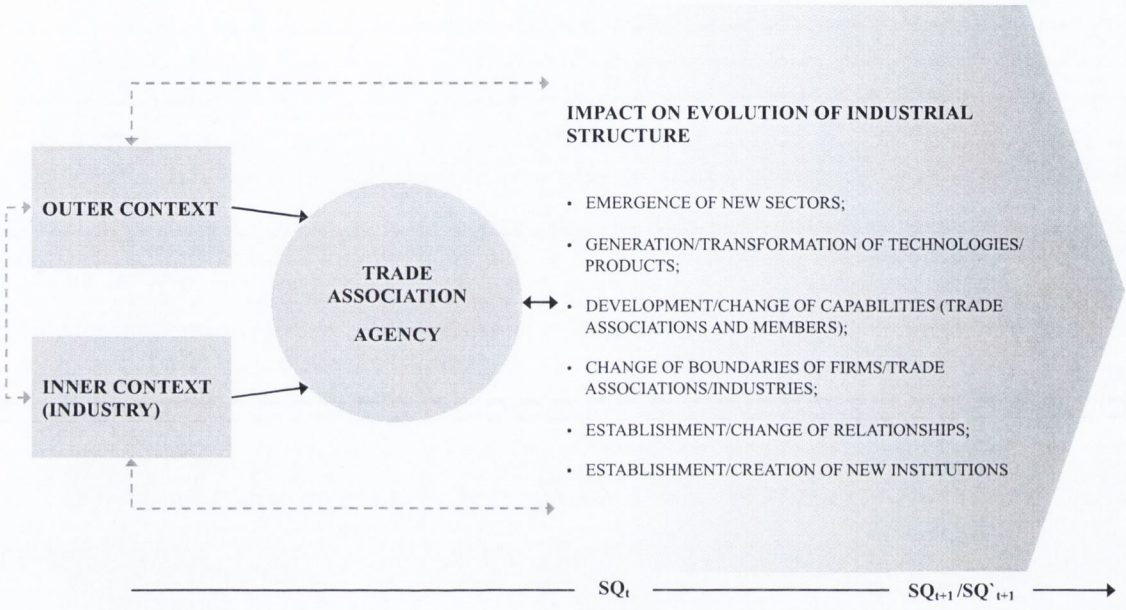


Figure 7-1: Conceptual Framework

The thematic analysis of cases is built on the within-case analysis, which is presented in a tabulated form in the next section. As described in more detail in the Methodology chapter, each case was first considered in its entirety, and its within-case configurations were explored. This allowed for the identification of observable patterns in both cases, which formed the basis for the cross-case analysis. The within-case analysis identified similar strategic patterns in the motor and banking industries, with the variation centred on the drivers and impacts on industry structures. These common sets of trade associations' strategies are:

- Establishment and restructuring;
- Market activities;
- Non-market activities.

Consequently, using the conceptual framework of this study, the cross-case analysis was built around these three sets of trade associations' strategies/actions that emerged as patterns in

strategies common to both cases. The discussion of links between the empirical findings and conceptual explanations, and their implications for the literature are drawn in the final chapter. The structure of this chapter closely follows the logic behind the study's conceptual framework. The first section presents the discussion of the within-case analysis. Subsequent sections look at the cross-case analysis and offer findings on the industries' outer and inner contexts, and on the each of the three sets of strategies that emerged as common patterns in both cases. The thematic analysis of the impacts of trade associations on their industries is followed by a discussion of the industry evolution patterns observed from the data.

7.2 WITHIN-CASE ANALYSIS

To allow for a cross-case analysis, within-case analysis for each of the two cases was undertaken. Based on the case data all trade association activities/strategies for each case were contextualised in terms of their causes and impacts on each industry. In addition, all activities/strategies and their causes and impacts were linked to the evolutionary processes and theoretical explanations discussed in the conceptual framework chapter.

There are four within-case data tables presented below: two for each case. The first set (Table 7-1, Table 7-2) presents compressed data on the contextual drivers of the trade associations' activities/strategies in motor and banking industries. The second set (Table 7-3, Table 7-4) provides the compressed data on the impact of trade associations on the evolution of industrial structures. Thus, the tabulated within-case analysis is structured in a way to facilitate answering two research subquestions:

(1) Why did trade associations take action and what did they aim to achieve (why?);

(2) What impact did these actions have on industries (what?).

(1) For example, in the early 1970s Ireland was preparing to join the EEC. For the motor industry, which was heavily protected for decades prior to this, increasing competition from foreign companies presented a risk to incumbents. To avoid these developments the Irish motor industry, trade association as an industry-wide representative body, actively promoted the extension of industry's protection and sought preferential treatment for its Irish member companies within EEC. In Table 7-1 the EEC accession in the 1970s and the resultant threat of increased competition have been treated as the contextual factors (External & Internal Environment column), which initiated trade associations' submissions and representations at the national and EU levels (Trade association: Actions/strategies column). These actions are labelled as 'lobbying', and were developed and implemented when Leo Keogh was the trade association's Chief Executive (Other Contextual Factors column). Therefore from an evolutionary perspective, trade associations took

action when the EEC accession resulted in a threat of external variation (Evolutionary Processes column), which was viewed as institutional pressure (NIT), and could increase transaction cost (TCD) and redistribute wealth from the Irish companies to foreign competitors (IGT) (Theoretical Explanations column).

(2) Table 7-3 presents compressed data on the impact of trade associations on the evolution of industrial structures. Referring to the example above it describes the impact of the trade association's strategy, aimed at extending industrial protection, over the motor industry. The table shows that in the 1970s the preferential treatment was granted to the indigenous industry firms and therefore the capabilities of trade association's members were retained (Impact on the Evolution of Industrial Structures. Empirical Data column). Thus, the trade association contributed to the prevention of variation as an evolutionary process and preserved selection criteria (Impact on the Evolution of Industrial Structures. Evolutionary Processes column). This helped retain the power of association's members (RDT) and prevented wealth transfers from its members (IGT) (Impact on the Evolution of Industrial Structures. Theoretical Explanation column). One important aspect of the compressed data presented in this table is that while it is impossible to construct a causal link between the lobbying actions of the motor industry, trade association and the extension of industry protection within the EEC, the evidence suggests that without trade association's lobbying the extension of protection may not have been achieved.

Empirically, the chronological (or vertical) analysis of the data in each column gives an insight into the patterns of associations' strategies. This also allows some generalisations about the contextual drivers of such strategies and their outcomes. Similarly, from an evolutionary perspective the analysis identifies evolutionary processes that would potentially drive trade associations' actions. It shows the impact the industry trade associations had on variation, selection and retention processes. Analysis of data in the Theoretical Explanations column helps understand the explanatory power of each of the four theories. The analysis of each row in the data tables (horizontal analysis) helps uncover what trade associations' strategies were developed under certain contextual environments and what impact such strategies had on structural evolution of their industries.

Table 7-1. Within-Case Analysis. Motor Industry. Contextual Drivers of Trade Associations' Strategies

Other Contextual Factors			Year	Trade Association: Actions / Strategies		Why do Trade Associations Act External & Internal Environment / Outer & Inner Context	Why do Trade Associations Act Evolutionary Processes	Why do Trade Associations Act Theoretical Explanations
Regulation inherited from the Union with Great Britain		Union with Great Britain	Early 1900s	Establishment	Establishment of SMMT in Ireland and Britain through private initiative of Simms	• Formation of RAC & IAC, who could control profitable motor shows and exhibitions • SMMT Initiated by activists: Federick Simms in Britain, and Mecready in Ireland • Threat that patent monopoly holders could obtain control over British industry through controlling patents	• External variation caused by other actors	• TCE. Threat of increasing transaction costs for members[1] following the formation of RAC and IAC • Threat of increasing transaction costs for members if patent monopoly holders obtain control over industry • IGT. Threat of redistribution of wealth from members to RAC and IAC • Threat of redistribution of wealth from members to monopoly patent holders • Ω: Leadership factor
		Free Trade Policy	1920s	Establishment	Establishment IMTA in Ireland by former SMMT members	• Partition of Ireland led to disadvantaged position of Irish members in British associations, limited membership status, lack of support	• External variation caused by political developments	• NIT: Threatened legitimacy of Irish members following the departure from norms • TCE: The need to reorganise TA activities to minimise transaction costs
			1926	Restructuring	Split of IMAA into SIMT and IMTA	• IMAA lacked experience • Division of industries for and against of protection	• External variation caused by political developments	• NIT: The need for legitimisation of TA
Motor Assembly Industry Protocol 7 Protection Scheme Free Trade All Protection Removed	Chief Executive: Leo Keogh	EEC Membership	1968	Restructuring	Merger of SIMT and IMTA to form SIMI	• Liberalisation trends • 25-year protection plan embedded in AIFTA • Leo Keogh famous for his hard core lobbying activities recruited as a new chief executive	• External variation caused by other players	• TCE: Minimisation of TA transaction costs and increase in TA efficiency • NIT: Legitimisation of motor sector in new more competitive environment
			Early 1970s	Non-market: Lobbying	Lobbying (with Ford, Toyota) for protection and special treatment of Irish motor industry within EEC (Protocol 7) at Irish and EU levels	• Heavily protected for decades Irish motor industry feared competition from stronger and more efficient EEC companies • Accession treaty is signed	• Threat of external variation caused by EEC accession	• TCE: Threat of increased transaction costs and decreased power following the entry of more efficient EEC competitors • IGT: Threat of redistribution of wealth from TA to new actors • NIT: Institutional pressures
			1972	Non-market: Lobbying	Establishment of a committee to investigate recommended retail prices of cars and engage in negotiations with NPC	• NPC published a report on taxation levels in Ireland and Northern Ireland, which claimed that dealer margins in Ireland were higher • Tax differences between Ireland and Northern Ireland	• External variation caused by other actors and threat of external variation created by accession	• IGT: Possibility to gain from cooperation and negotiations with NPC
			1970s	Market	Introduction of pension scheme for retail sector employees, workshops for members, publication of guides, publication of trade journal	• Reports on increasing number of people driving Northern Ireland registered vehicles • Rising level of inflation and unemployment • Oil crises	• Threat of variation, variation already created	• RDT: Increasing power over members through increase in services offered • IGT: Legitimisation
			1974	Non-market: Lobbying	Representations to Revenue commissioners on illegal use of imported vehicles		• External variation caused by other actors	• IGT: Possibility to gain from cooperation and negotiations with NPC
			1975	Restructuring	Expansion of membership to include new industry sectors and other structural changes of TA	• Inflation achieved unprecedented level • High level of unemployment • Establishment of Customer complain service in the UK • Drop in number of assembly plants	• External variation caused by other players • Threat of external variation caused by EEC accession • Opportunity for TA to create new external variation • Opportunity for TA to create internal to TA variation	• NIT: New institutional pressures following EEC entry and the need for legitimisation • RDT: Opportunity to increase power of TA over more industry segments • Opportunity to increase the dependence of members on TA
			1975	Non-market: Self-regulation	Establishment of Retail customer complaint service		• Opportunity for TA to create new variation	• IGT: Threat of redistribution of wealth from TA members following conflicts • TCE: Threat of increased transaction costs for members caused by conflict resolutions • RDT: Threat of decrease in TA power
			1976	Non-market: Lobbying	Official threats of industrial action expressed to government	• Minister authorised increases in insurance premiums • Government ignored proposed by TA changes to the Finance Bill	• External variation and threat of external variation created by government	• IGT: Threat of redistribution from members
			1978	Non-market: Lobbying	Lobbying to amend EC proposal on VAT application on used cars exchanged for new ones	• EC announced its proposal on VAT for VAT application on used cars exchanged for new ones	• External variation created at EU level	• IGT: Threat of redistribution of wealth from TA members
			1979	Non-market: Self-regulation	Introduction of Code of conduct/practice	• Low level of unemployment • Codes of conduct set up in other countries	• Opportunity for TA to create new variation	• NIT: Legitimisation and reaction to new sources of selective pressures, such as expectations of transparency and high standards, gain importance • RDT: Threat of decreasing power if government imposes its rules and regulations
			1982	Restructuring	Establishment of new vehicle body repairers section	• Assembly of vehicles diminished; repair sector gained importance • Body repairer members requested to establish new section for their representation within TA • High level of inflation and low GDP per capita • Sale of goods and supply of services act was introduced, imposing risks of increasing amount of claims to TA members • Favourable position of new conservative government towards trade unions, corporatism, and state regulation	• External variation caused by industry-level changes	• NIT: Opportunity to legitimise members and TA • RDT: Opportunity to increase power of associations across the industry
			1982	Market	Establishment of insurance scheme for TA members		• Threat of external variation, external variation caused	• TCE: Threat of increase in members' transaction costs if the number of claims increases • IGT: Threat of redistribution of wealth from TA members to insurance companies • RDT: Opportunity to increase members' dependence on TA

1983	*Non-market: Lobbying*	*Launch of 'Enough is enough' marketing and public relations campaign*	*• Unsatisfactory for TA taxation levels and numerous unsuccessful attempts to get government to amend existing legislation*	*• External variation already caused by polity level actors*	*• NIT: The need to legitimisation in the eyes of members and government • IGT: Threat of redistribution of wealth and possibility of gaining from redistribution if legislation is amended • TCE: The need to reduce transaction costs and increase efficiency of TA and its members*
1986	Non-market: Lobbying	Launch of 'Axe the Tax' campaign at EU and national levels	• The reflection of tax situation, second worst in Western Europe • Employment in sales, maintenance, and repairs sectors was decreasing achieving lowers level in 5 years • High level of unemployment • Government's attitude towards trade unions is rapidly diminishing	• External variation already caused by legislative environment	• NIT: The need to legitimise in the eyes of the members and state • IGT: Threat of redistribution of wealth and possibility of gaining from redistribution if legislation is amended • TCE: The need to reduce transaction costs and increase efficiency of TA and its members
1988	Non-market: Lobbying	Launch of 'Be SIMI sure' campaign to raise awareness of customers through branding	• Trade unions are favoured by the government again, but corporatism is not deemed important any longer • High level of taxation remains • Increasing number of second-hand car	• Variation created by second-hand car importers • Selective pressures arising from new customer expectations	• NIT: The need to legitimise in the eyes of members and state • Transparency and high standards as a new source of variation • Institutional pressures for better practices • RDT: The need to increase power over industry players
End of 1980s	Non-market: Lobbying	Strong opposition of imports of Japanese cars at national level	• A lot of imported second-hand cars and loss of market to these affordable imports	• External variation already caused by new players	• TCE: The need to reduce transaction costs and increase efficiency of TA and its members • IGT: Threat of redistribution of wealth from members to new entrants
1990s	Market	Commencement of seminars on new EU legislation and training programmes, specialisation among TA staff	• New EU legislation • Liberal government in the 1990s, non-interference policies • Increasing number of vehicles per 1km/road and per 1000 people • High unemployment, record number in trade union density, 1993	• External variation created by new legislation • New selective pressures	• NIT: Legitimisation of TA • RDT: Opportunity to increase power of TA over its members • Anticipation of new selective pressures
1993	Non-market: Lobbying	Lobbying campaign; Hiring of professional consultants to assess TA structure efficiency	• Initiated by Cyril McHugh • High level of unemployment • High level of taxation	• Threat of external variation and external variation already caused by other players	• NIT: The need for legitimisation • IGT: Possibility for TA to gain from redistribution if lobbying is successful • TCE: The need to reduce transaction costs and increase efficiency of TA and its members • Ω: Leadership factor
1995	Non-market: Lobbying	Lobbying for and launch of Scrappage scheme in conjunction with government departments	• Successful scrappage scheme in France • President of TA at the time had strong connection with Renault and had connection and access	• Opportunity to create external variation	• IGT: Possibility to gain for TA and members from redistribution from other actors • TCE: Decrease in transaction cost of TA's members •Ω: Leadership factor
End 1990s	Non-market: Lbbying	Lobbying through submissions for compulsory car testing scheme, servicing and repair	• Increasing numbers of second-hand cars • EC Council Directive on passenger car testing introduced in 1991 • 1998, Ireland is the only EU country with no passenger car testing	• Threat of external variation	• IGT: Possibility for TA members to gain from redistribution from other actors • RDT: Increasing power of TA members, who will get to service vehicles
1996	Market	Launching of 'Environment initiative campaign' and battery disposal scheme; Establishment of environment committee	• Increasing numbers of second-hand cars • EC Council Directive on passenger car testing introduced in 1991 • In 1998 Ireland remains the only country without passenger car testing in place	• New selective pressures	• NIT: Institutional pressures for members to be more environmentally aware • Departure from norms, as social responsibility of members and TA become new norm • New sources of selective pressures as social responsibility of members and awareness of environment issues become new selection criteria
1997	Non-market: Lobbying	Lobbying campaign against supermarkets (submissions and court cases re planning permissions)	• Hypermarkets started entering Ireland and successfully established their presence, taking market away from TA members • Trade unions stop being favoured by the government	• External variation caused by new industry players	• IGT: Threat of redistribution of wealth from TA members to new players • TCE: The need to reduce transaction costs and increase efficiency of TA and its members
1998	Non-market: Self-Regulation	Introduction of Code of practice for changeover from pound to Euro	• Ireland is a member of Eurozone, Euro to be introduced in two years • Increasing competition from hypermarkets	• Threat of variation caused by new Eurozone environment	• TCE: Threat of increasing costs for members
1999	Non-market: Self-Regulation	Introduction of Code of conduct for petrol stations	• Ireland is a member of Eurozone, Euro to be introduced in 2 years • Increasing competition from hypermarkets • Lowest employment levels for 5 years in motor sales, maintenance, and repairs sectors • Rapid increase in imports of cars into Ireland	• Threat of variation caused by other players	• IGT: Threat of redistribution of wealth from TA members to hypermarkets
2000	Restructuring	Restructuring of association, hiring of new professionals		• New selective pressures	• NIT: *Institutional pressures for better and more efficient TA as organisation, Legitimisation of TA for members and end customers*New sources of selective pressures, such as expectations of professional pre-budget submissions • TCE: Decreasing transaction costs and increasing efficiency of TA
2000s	Market	Publication of ethical guidelines to members	• A number of competition authority investigations of TA members' practices	• External variation	• NIT: Direct threat to legitimacy of TA and its members, institutional pressures for improved practices
2003	Non-market: Lobbying	Establishment of practice of hiring professional economists for economic analysis for submissions	• Decrease of car imports to the 1998 level	• New selective pressures	• NIT: Institutional pressures for better and more efficient TA as organisation • Legitimisation of TA • New sources of selective pressures, such as expectations of professional pre-budget submissions
End 2000s	Market	2007, modernisation of TA identity; launching of consumer information campaign with web-based facility; Setting up of a committee to review member standards	• Economic growth • Very few industrial disputes • Until 2007 registration and stock of new and second-hand vehicles in Ireland was steadily increasing	• New selective pressures • Variation caused by other actors	• NIT: Customer and member expectations of quality PR as a new source of selective pressures • Web developments and members' and customer expectations of web-based service as a new source of selective pressures • New institutional pressers • Legitimisation in the eyes of current and potential members and customers • Importance of reputation as a new source of selective pressures • Institutional pressures for better standards within the industry • RDT: Increasing power over members
1970s-2000s: Regular active representation of industry interests at polity level; attempts to participate in policy-making; publication of the Irish motor industry; pre-budget submissions on tax levels; dealer margins, petrol margins, VAT; submissions relating to other acts; reviews on policy and industry 1990s-2000s: Diversification of SIMIs income-bearing activities to reduce reliance on membership fees and avoid potential horizontal conflict				• Threat of external variation • Variation already caused by new polity environment • Selective pressures created by new environment	• NIT: Threat to legitimacy • Institutional pressures • New sources of selective pressures all imposed by new EEC environment • TCE: Threat of decreases in efficiency and increases in transaction costs • IGT: Threat of redistribution of wealth from TA to other members • The opportunity for redistribution of wealth from other member to TA

Free Trade
All Protection Removed
1970s-2000s
1970s-2000s
1990s-2000s

Chief Executive: Cyril McHugh

EU Membership

EU Membership: Stage II

EU Membership: Stage III

Table 7-2. Within-Case Analysis. Banking Industry. Contextual Drivers of Trade Associations' Strategies

Other Contextual Factors	Year	Trade Association: Actions / Strategies		Why do Trade Associations Act External & Internal Environment / Outer & Inner Context	Why do Trade Associations Act Evolutionary Processes	Why do Trade Associations Act Theoretical Explanations
Union with Great Britain	Early 1913	Establishment	Signing of formal agreement between eight Clearing banks on interest rates	• Issue of memorandum by Bank of Ireland proposing an agreement on deposit rates • Eight Clearing Banks exist in Ireland	• External variation caused by other actors	• TCE. Threat of increasing transaction costs for members • RDT: Threat of decrease in power of the six banks
	1918	Establishment	Formal establishment of IBSC	• Establishment of banking trade union (IBOA)	• External variation caused by other members	• RDT: Threat of decreasing power of Clearing banks
	1919	Non-Market: Lobbying	Signing of agreement between TA and IBOA regarding recognition of the latter, and arbitration of the salary dispute	• Pressure in commercial circles to recognise IBOA • IBOA threat of a strike	• Threat of external variation caused by other members	• TCE: Threat of increasing costs if unions go ahead with strike • NIT: Pressure by other institutions to deal with situation
Free Trade policy Division of Industries in favour and against of protection	1920s	Non-Market: Self-Regulation	Self-regulation of banking sector regarding rate and clearing. TA participated in Banking and Currency commissions and refused to provide a loan to government	• Government policy of non-interference into banking issues • Very powerful TA members • Partition of Ireland • Belfast bank fell under Northern Ireland jurisdiction	• Threat of external variation	• RDT: TA members retain independence, other banks depend on their decisions, TA members' power is intact
	Early 1930	Non-Market: Self-Regulation	IBSC acts against the establishment of the Commission of Enquiry into Banking, which was announced by the government	• Fianna Fáil government came into power • Government policy is loyal to IBSC • World-wide tendency towards stronger regulation of banking • Government announced establishment of the Commission of Enquiry into Banking	• Threat of external variation created by government	• TCE: Threat of increased costs for TA members • NIT: Threat to TA legitimacy • IGT: Threat of redistribution of wealth from IBOA members to other actors
Protectionism	1939	Non-Market: Self-Regulation	TA approved establishment of Central Bank, but continued to negotiate its terms	• In 1932 Currency Commission recommended establishment of Central Bank • Pressure from publicity of the matter	• Threat of external variation	• IGT: Threat of redistribution of wealth from IBOA members to other actors
	1939	Non-Market: Self-Regulation	Refusal to underwrite a loan to Dublin Corporation (shortly provided one under certain conditions)		• Threat of variation and variation created by corporation, government and publicity	• RDT: Threat of decrease in TA power
	Early 1940	Non-Market: Self-Regulation	Rejected IBOA attempts to abolish old salary scale and living bonus limits, threatened to terminate employment of those who disagreed	• IBOA asked to revaluate salary scale and living bonus level	• Threat of variation created by trade union	• RDT: Threat of decreased power over trade unions
	1955	Non-Market: Self-Regulation	Ignored requests of the government not to increase interest rates, resorted to threats not to renew bills	• Fianna Fáil government, who came into power in 1951, favoured state regulation heavily criticised TA for absence of competition and their rate setting • Coalition government took the criticism on the different level and began the policy of interference • TA and the Minister disagree on interest rates	• Threat of variation caused by government	• RDT: Threat of decrease in TA power
Transition to Free Trade	1960s	Non-Market: Self-Regulation	On numerous occasions failed to follow credit guidelines set out by Central Bank	• Expanding power of Central Bank: since mid 1960s Central Bank laid out guidelines on domestic credit policies of associated banks and took responsibility for credit control • Government preference of state regulation	• Threat of external variations caused by Central Bank credit policy requirements	• RDT: Threat of decrease in TA power
Membership in EEC	1973	Establishment	IBF was established on the basis of IBSC and soon took over most of its functions. New TA membership expanded to more banking industry sectors and focused on industry-level issues, avoiding engagement with government. IBSC continued to deal with rate setting issues	• New economic environment • Government emphasis on state regulation • Increasing power of the Central Bank and government A series of prolonged trade union strikes • Rise of Non-associated banks and building societies • Non-clearing voice their concerns about TA power • In the 1970s Central Bank implemented tight credit policy and changes to monthly statistical reporting of the Licensed banks • In the 1970s EU erected new regulation on supervising and licensing banking and credit institutions • Major banks underwent mergers and acquisitions	• Variation caused by other players and opportunity to create variation	• RDT: Decreased power of IBSC and threat of further decrease in power of TA • Opportunity to increase TA power over more industry segments • NIT: The need to legitimise in new EEC environment
Membership in EEC EMS with ERM	1980s	Diminishing role	IBSC lost its coordination and policy functions and had to deal only with operational and technical issues related to the payment system	• In 1981 investigation of the EC Commission into commissions charges by credit institutions, which concluded that Irish institutions might violate competition rules. IBSC successfully submitted an application for negative clearance • In 1982 a very conservative government emphasised on state regulation • In 1985 Central Bank announced decentralisation of lending and deposit rates	• External variation created by national and EU level environment and other actors	• NIT: Changes in institutional pressures • RDT: Decreased power of Clearing banks and increased power of other banking sectors, Central Bank, and European Bank
	1984	Establishment	FSI established as part of IBEC to deal with labour issues of foreign banks	• A lot of new international banks entered Ireland, who had no unions or labour representation, and no access to social partnership and HR advice	• Variation created by new entrants to Irish banking	NIT: Legitimisation of foreign banks in Ireland
Membership in EEC EMS with ERM	1985	Market	IBF launched the IBIS	• Increasing competition from domestic institutions becomes evident • Investigation into violation of competition practices by Irish banks • Establishment of FSI as part of IBEC	• External variation caused by increasing competition and EU investigation • New sources of selective pressures	• NIT: Need to legitimise following investigations • Institutional pressures from increasing competition • Need for transparency and high standards a new sources of selective pressures • RDT: The need to increase power over industry players
	1988-1990	Restructuring	IBF expanded its membership to include TSBs, ACC, and ICC	• Increasing competition in banking, as old competitors become stronger and expand to offer new services, and new competitors enter banking	• External variation created by foreign competitors and following government acts	• NIT: Institutional pressures and the need to legitimise across new sectors • RDT: The need to expand TA power over new banking sectors

	1990	*Non-Market: Self-Regulation*	*IBF set up Credit Institutions Ombudsman Scheme*	*• In 1989 the Building societies act was introduced granting building societies the power to engage in banking transactions • IFSC was established in 1987*	• Threat of external variation	• RDT: Threat of decrease in IBF members power if the function is undertaken by Central Bank or independent institution • Increase of power of TA over its members and their dependency • IGT: Threat of redistribution of wealth if the service is established by a third party or government
Membership in EU EMU: First Stage	1991	Non-Market: Self-Regulation	Code of Practice on Transparency of bank charges is erected		• Threat of external variation and external variation and new selective pressures caused by other actors	• RDT: Threat of decrease in IBF members power if the function is undertaken by Central Bank or independent institution • NIT: Institutional pressures and departure from norms caused by more competitive and demanding environment • New sources of selective pressures caused by the increasing demand for transparency and high bank standards • Legitimisation
	1991	Market	IBF relaunched IBIS, began publishing 'Irish banking fact file', 'Student resource pack', IBF bulletin, and started to support Business studies achievement award	• Increased number of foreign banks • Increasing competition between banks • Expanding range of banking services	• External variation and new selective pressures caused by other actors	• NIT: The need to legitimise TA banks and challenge their bad reputation • New sources of selective pressures caused by the increasing demand for transparency and high bank standards • Institutional pressures for improved reputation and transparency of banking system • RDT: The need to increase power over industry players
	1991	Restructuring	Membership criteria is expanded to include foreign banks		• Variation created by the entry of foreign banks	• RDT: The need to increase TA power over new sector of Irish banking, and its dependence on TA • NIT: The need to legitimise TA in the eyes of foreign banks
	1992	Non-Market: Lobbying	Regular interactions between TA and Central Bank, Revenue Commissioners and government departments on new legislation and regulation	• New legislations was being introduced, which would impose certain costs on banks • Preparation for single market environment • Government favours liberalisation and policy of non-interference	• Threat of variation created by other actors	• IGT: Threat of redistribution of wealth form TA members to other actors • TCE: Threat of increase in TA members' transaction costs
	Early 1990s	Market	IBF commenced studies on the implications of single market for its members, held a range of briefing sessions & seminars, and set up a working group to assess implications of EMU for its members.	• Anticipation of single market • Second stage of EMU commenced in 1994 • European Monetary Institute Established in 1994 • Range of legislation which resulted in increase in competition	• Variation created by other players, opportunity for new variation • New sources of variation	• RDT: Opportunity to increase TA power over its members and their dependence of TA • TCE: Threat of increase in transaction costs for TA members • NIT: Legitimisation in the eyes of TA members
	1990s	Non-Market: Lobbying	TA began to systematically comment on political issues and developments, regularly submit pre-budget submissions, participate in legislation discussions, and develop submissions regarding legislation and regulation	• Development of new national and EU level banking and finance regulation • High level of unemployment in 1993 and record numbers in trade union density	• Threat of external variation and variation caused by other members	• IGT: Threat of redistribution of wealth from TA members to other actors • NIT: Opportunity for legitimisation
Membership in EU EMU: Third Stage	1999	Market	Preparation of the industry for a Euro changeover	• ECB established in 1997 • Preparations for changeover to Euro	• Variation caused by external environment	• RDT: Threat of decreasing efficiency of TA members • Opportunity to increase members' dependence on TA • NIT: Opportunity for legitimisation of TA
	2001	Non-Market: Self-Regulation	IBF introduced a few voluntary codes of conduct	• A number of scandals involving TA members and bank officials • Central bank issued legally binding codes of practice and code of conduct	•Variation created by Central Bank, threat of external variation, and new sources of selective pressures	• NIT: Institutional pressures from Central Bank to implement the codes • Legitimisation • Transparency and high standards as new sources of variation • RDT: Threat of dependence on other actors if self-regulation is not implemented
	2005	Non-Market: Self-Regulation	IBF members voluntarily agree to remove double taxation on stamp duty and entry barriers to payments clearing system. IBF introduced voluntary Code of practice on account switching	• On-going investigation of CA into competition practices. CA found a number of violations in banking industry and developed a set of recommendations • CA investigation in to banking industry competition practices • Economic growth • Very few industrial disputes • Until 2007 registration and stock of new and second-hand vehicles in Ireland was steadily increasing	• Threat of external variation and new selective pressures	• NIT: Institutional pressures arising from CA investigation New selective pressures • RDT: Threat of dependency and decreased power of TA members from other actors if self-regulation is not implemented
	2005	Non-Market: Lobbying	IBF developed a lobbying 'Stamp Duty Out' campaign in conjunction with CAI against surcharges on payment cards through submissions and negotiations		• Variation caused by other members • new sources of selective pressures	• NIT: Opportunity to legitimise •Increasing customer expectations as new sources of selective pressures • TCE: Decreasing transaction costs and increasing efficiency for both members and customers
1970s -2000s		Regular representation of industry interests at polity level; attempts to participate in policy-making; pre-budget submissions; submissions relating to other acts; consultation papers			• Threat of external variation • Variation already caused by new polity environment • Selective pressures created by new environment	• NIT: Threat to legitimacy • Institutional pressures • New sources of selective pressures all imposed by new EEC environment • TCE: Threat of decreases in efficiency and increases in transaction costs • IGT: Threat of redistribution of wealth from TA to other members • The opportunity for redistribution of wealth from other member to TA

Table 7-3. Within-Case Analysis. Motor Industry. Impact of Trade Associations on Evolution of Industrial Structures

Other Contextual Factors	Year	Trade Association: Actions / Strategies		Impact on the Evolution of Industrial Structures Empirical Data	Impact on the Evolution of Industrial Structures Evolutionary Processes	Impact on the Evolution of Industrial Structures Theoretical Explanations
Regulation inherited from the Union with Great Britain	Early 1900s	Establishment	Establishment of SMMT in Ireland and Britain through private initiative of Simms	• Emergence of trade association as new institution • Development of formal network through trade association	• Members adopted to variation by creating new variation	• NIT: TA members formed new institution and legitimised new association • RDT: TA members retained their power • IGT: TA members prevented wealth transfers to others
Union with Great Britain / Free Trade Policy	1920s	Establishment	Establishment IMTA in Ireland by former SMMT members	• Emergence of trade association as new institution • Development of formal network through trade association	• Members adopted to variation by creating new variation	• NIT: TA members formed new institution and legitimised new association • RDT: TA members retained their power • IGT: TA members prevented wealth transfers to others
Free Trade Policy	1926	Restructuring	Split of IMAA into SIMT and IMTA	• Changed capabilities of TA to increase power and attract more member segments	• TA adopted to variation	• TCE: TA increased its efficiency and minimised transaction costs
Motor Assembly Industry AIFTA: Protection Scheme / Transition to Free Trade	1968	Restructuring	Merger of SIMT and IMTA to form SIMI	• Emergence of new institution • Developed new capabilities for more members • Expanded the network to include more member segments	• TA adopted to variation	• NIT: TA legitimised • TCE: Minimised transaction costs and increased efficiency
Motor Assembly Industry Protocol 7 Protection Scheme / Transition to Free Trade	Early 1970s	Non-market: Lobbying	Lobbying (with Ford, Toyota) for protection and special treatment of Irish motor industry within EEC (Protocol 7) at Irish and EU levels	• Extended protection of existed capabilities of members and industry structure	• TA prevented variation and preserved selection criteria	• RDT: TA retained power of its members and their independence from others • IGT: TA prevented wealth transfer from its members
Motor Assembly Industry Protocol 7 Protection Scheme / Transition to Free Trade	1972	Non-market: Lobbying	Establishment of a committee to investigate recommended retail prices of cars and engage in negotiations with NPC	• (-) Attempted to increase capabilities of members through reductions in taxation	• (-) Attempted to reverse variation	• IGT: TA attempted to gain from redistribution from other actors
Motor Assembly Industry Protocol 7 Protection Scheme / Chief Executive: Leo Keogh / EEC membership	1970s	Market	Introduction of pension scheme for retail sector employees, workshops for members, publication of guides, publication of trade journal	• Increased dependence of members on TA through vertical integration • Increased members capabilities through information dissimilation	• TA adopted to variation by changing selection criteria and influencing selection process, so that organisation began to seek its membership	• RDT: TA increased dependence of members and power of TA over them • NIT: TA increased similarity across its members
Motor Assembly Industry Protocol 7 Protection Scheme / Chief Executive: Leo Keogh / EEC membership	1974	Non-market: Lobbying	Representations to Revenue commissioners on illegal use of imported vehicles	• (-) Attempted to increase member's capabilities through erecting barriers to entry for competitors	• (-) Attempted to reverse variation	
Motor Assembly Industry Protocol 7 Protection Scheme / Chief Executive: Leo Keogh / EEC membership	1975	Restructuring	Expansion of membership to include new industry sectors and other structural changes of TA	• Increased capability of TA through streamlining its operations • Expanded network to include more member segments	• TA adopted to variation by creating new variations	• RDT: TA increased its power over more members and their dependence on it
Motor Assembly Industry Protocol 7 Protection Scheme / Chief Executive: Leo Keogh / EEC membership	1975	Non-market: Self-regulation	Establishment of Retail customer complaint service	• Created new institution • Increased capability of members	• TA created variation and became a source of new selection criteria	• NIT: TA established new institution and similarities across members • RDT: TA increased its power over members • IGT: TA prevented wealth transfers from its members
Motor Assembly Industry Protocol 7 Protection Scheme / Chief Executive: Leo Keogh / EEC membership	1976	Non-market: Lobbying	Official threats of industrial action expressed to government	• (-) Attempted to increase capabilities of members by reducing taxation level	• (-) TA attempted to reverse variation	
Motor Assembly Industry Protocol 7 Protection Scheme / Chief Executive: Leo Keogh / EEC membership	1978	Non-market: Lobbying	Lobbying to amend EC proposal on VAT application on used cars exchanged for new ones	• (-) Attempted to retain capabilities of members by opposing change	• (-) TA attempted to reverse variation	
Motor Assembly Industry Protocol 7 Protection Scheme / Chief Executive: Leo Keogh / EEC membership	1979	Non-market: Self-regulation	Introduction of Code of conduct/practice	• Increased capabilities of members • Erected barriers to entry	• TA created variation and became a source of new selection criteria	• NIT: TA increased similarity across members, and diminished selective pressures • RDT: TA increased dependence of members and its power
Motor Assembly Industry Protocol 7 Protection Scheme / Chief Executive: Leo Keogh / EEC membership	1982	Restructuring	Establishment of new vehicle body repairers section	• Increased network of members	• TA adopted to variation by creating new variations	• RDT: TA increased its power over more members and their dependence on it
Motor Assembly Industry Protocol 7 Protection Scheme / Chief Executive: Leo Keogh / EEC membership	1982	Market	Establishment of insurance scheme for TA members	• Increased dependence of members on TA through vertical integration	• TA adopted to variation by changing selection criteria and influencing selection process, so that organisations began to seek its membership	• NIT: TA increased similarity across members, formed a new institution, and diminished selective pressures • RDT: TA increased dependence of members and its power
Motor Assembly Industry Protocol 7 Protection Scheme / Chief Executive: Leo Keogh / EEC membership	1983	Non-market: Lobbying	Launch of 'Enough is enough' marketing and public relations campaign	• (-) Attempted to increase members' capabilities through reduction in taxation	• (-) TA attempted to create variation in response to variation already caused	

Free Trade All Protection Removed	Chief Executive: Cyril McHugh	EU Membership	*1986*	*Non-market: Lobbying*	*Launch of 'Axe the Tax' campaign at EU and national levels*	• Increased members' capabilities through reduction in taxation	• TA created new variation as a response to variation already created	• NIT: Legitimisation of TA • IGT: TA achieved redistribution of wealth to members • TCE: TA reduced member's transaction costs
			1988	Non-market: Lobbying	Launch of 'Be SIMI sure' campaign to raise awareness of customers through branding	• Increased members' capabilities through improving their image • Erected barriers to entry	• TA influenced selection criteria to force organisations seek its membership	• NIT: Legitimisation of TA, TA increases similarity across members, and diminished selective pressures • RDT: TA increased its power over members and their dependence on it
			End of 1980s	Non-market: Lobbying	Strong opposition of imports of Japanese cars at national level	• (-) Attempted to erect barriers to entry for second-hand car importers	• (-) Attempted to created variation as a response to variation already caused	
		Membership EMU: I	1990s	Market	Commencement of seminars on new EU legislation and training programmes, specialisation among TA staff	• Increased capabilities of members through information dissimilation • Increased capability of TA through streamlining of internal operations • Increased dependence of members on TA	• TA adopted to variation by changing selection criteria and influencing selection process, so that organisations began to seek its membership	• RDT: TA increased dependence of members • NIT: TA increased similarity across its members
			1993	Non-market: Lobbying	Lobbying campaign; Hiring of professional consultants to assess TA structure efficiency	• Increased members' capabilities through improving their image • Increased capability of TA through streamlining of internal operations	• TA responded to variation by creating new variation	• NIT: TA legitimisation
		EU Membership EMU: II Stage	1995	Non-market: Lobbying	Lobbying for and launch of Scrappage scheme in conjunction with government departments	• Increased capabilities of members • Generated upgrade of product by facilitating exchange of old cars for new cars	• TA used the opportunity and created variation	• TCE: TA reduced transaction costs of its members • RDT: TA increased dependence of members • NIT: TA increased similarity across its members, legitimisation of TA • IGT: TA increased wealth transfers to members
			End 1990s	Non-market: Lobbying	Lobbying through submissions for compulsory car testing scheme, servicing and repair	• (-) Attempted to transform industry structure by erecting barriers for competitors to enter and securing market for members	• (-) TA attempted to create variation and change selection criteria	
			1996	Market	Launching of 'Environment initiative campaign' and battery disposal scheme; Establishment of environment committee	• Increased members' capabilities through improving their image	• TA responded to new selective pressures thus increasing dependency of members and influencing selection process	• NIT: Legitimisation of TA, TA increases similarity across members, and diminished selective pressures • RDT: TA increased its power over members and their dependence on it
			1997	Non-market: Lobbying	Lobbying campaign against supermarkets (submissions and court cases re planning permissions)	• (-) Attempted to transform industry structure by erecting barriers for competitors to enter	• (-) TA responded to variation by attempting to change selection criteria	
			1998	Non-market: Self-Regulation	Introduction of Code of practice for changeover from pound to Euro	• Increased capabilities of members • Erected barriers to entry	• TA created variation and became a source of new selection criteria	• NIT: Legitimisation of TA, TA increased similarity across members, and diminished selective pressures • RDT: TA increased its power over members and their dependence on it
		EU Membership EMU: III Stage	1999	Non-market: Self-Regulation	Introduction of Code of conduct for petrol stations	• Increased capabilities of members • Erected barriers to entry	• TA created variation and became a source of new selection criteria	• NIT: Legitimisation of TA, TA increased similarity across members, and diminished selective pressures • RDT: TA increased its power over members and their dependence on it
			2000	Restructuring	Restructuring of association, hiring of new professionals	• Increased capability of TA through streamlining of internal operations • Increased dependence of members on TA	• TA responded to selection pressures by self-improvement	• TCE: TA increased its efficiency • NIT: Legitimisation of TA
			2000s	Market	Publication of ethical guidelines to members	• Retained members' capabilities by information dissimilation	• TA adopted to variation by changing selection criteria, thus it influenced selection process	• NIT: Legitimisation of TA, TA increased similarity across members, and diminished selective pressures • RDT: TA increased its power over members and their dependence on it
			2003	Non-market: Lobbying	Establishment of practice of hiring professional economists for economic analysis for submissions	• Increased capability of trade association	• TA responded to new selective pressures by influencing selection criteria	• TCE: TA increased its efficiency • NIT: Legitimisation of TA
			End 2000s	Market	2007, modernisation of TA identity; launching of consumer information campaign with web-based facility; Setting up of a committee to review member standards	• Increased TA and members' capabilities through image improvement • Increased dependence of members on TA	• TA adopted to new selective pressures and influenced selection process, so that organisations began to seek its membership	• NIT: Legitimisation of TA, TA increased similarity across members, and diminished selective pressures • RDT: TA increased its power over members and their dependence on it
1970s-2000s			Regular active representation of industry interests at polity level; attempts to participate in policy-making; publication of the Irish motor industry; pre-budget submissions on tax levels; dealer margins, petrol margins, VAT; submissions relating to other acts; reviews on policy and industry			• (-) Attempted to increase members' capabilities by reducing taxation levels and amending legislation	• (-) TA responded to variation by attempting to prevent it, or to become a source of new variation	
1990s-2000s			Diversification of SIMIs income-bearing activities to reduce reliance on membership fees and avoid potential horizontal conflict			• Increased dependence of members on TA	• TA responded to variation by diminishing its selection pressures	• RDT: TA increased its independence from members

Table 7-4. Within-Case Analysis. Banking Industry. Impact of Trade Associations on Evolution of Industrial Structures

Other Contextual Factors	Year	Trade Association: Actions / Strategies		Impact on the Evolution of Industrial Structures Empirical Data	Impact on the Evolution of Industrial Structures Evolutionary Processes	Impact on the Evolution of Industrial Structures Theoretical Explanations
Union with Great Britain	Early 1913	Establishment	Signing of formal agreement between eight Clearing banks on interest rates	• Emergence of new informal network between the most powerful industry players	• Members adopted to variation by creating new variation	• RDT: Members retained their power
	1918	Establishment	Formal establishment of IBSC	• Emergence of trade association as new institution • Development of formal network through trade association	• Members adopted to variation by creating new variation	• NIT: TA members formed new institution and legitimised new association • RDT: TA members retained their power • IGT: TA members prevented wealth transfers to others
	1919	Non-market: Lobbying	Signing of agreement between TA and IBOA regarding recognition of the latter, and arbitration of the salary dispute	• (-) Attempted to retain trade union capabilities at minimal level	• (-) TA adopted to variation	
Free Trade policy Division of Industries in favour and against of protection	1920s	Non-market: Self-Regulation	Self-regulation of banking sector regarding rate and clearing. TA participated in Banking and Currency commissions and refused to provide a loan to government	• Retained industry structure, barriers to entry, and capabilities of members	• TA responded to variation by retaining selection criteria	• RDT: TA retained members' power
	Early 1930	Non-market: Self-Regulation	IBSC acts against the establishment of the Commission of Enquiry into Banking, which was announced by the government	• Retained industry structure, barriers to entry, and capabilities of members	• TA responded to variation by retaining selection criteria	• RDT: TA retained members' power
Protectionism	1939	Non-market: Self-Regulation	TA approved establishment of Central Bank, but continued to negotiate its terms	• (-) Attempted to keep institutional structures unchanged	• (-) TA responded to variation by attempting to retain selection criteria	
	1939	Non-market: Self-Regulation	Refusal to underwrite a loan to Dublin Corporation (shortly provided one under certain conditions)	• Retained industry structure, barriers to entry, and capabilities of members	• TA responded to variation by retaining selection criteria	• RDT: TA retained members' power
	Early 1940	Non-market: Self-Regulation	Rejected IBOA attempts to abolish old salary scale and living bonus limits, threatened to terminate employment of those who disagreed	• Retained industry structure, barriers to entry, and capabilities of members	• TA responded to variation by retaining selection criteria	• RDT: TA retained members' power
	1955	Non-market: Self-Regulation	Ignored requests of the government not to increase interest rates, resorted to threats not to renew bills	• Retained industry structure, barriers to entry, and capabilities of members	• TA responded to variation by retaining selection criteria	• RDT: TA retained members' power
Transition to Free Trade	1960s	Non-market: Self-Regulation	On numerous occasions failed to follow credit guidelines set out by Central Bank	• Retained industry structure, barriers to entry, and capabilities of members	• TA responded to variation by retaining selection criteria	• RDT: TA retained members' power
Membership in EEC	1973	Establishment	IBF was established on the basis of IBSC and soon took over most of its functions. New TA membership expanded to more banking industry sectors and focused on industry-level issues, avoiding engagement with government. IBSC continued to deal with rate setting issues	• Emergence of trade association as new institution • Development of formal network through trade association • Development of new capabilities for members	• Members adopted to variation and selection pressures by improvement of their representative association. Thus, they created a new variation	• NIT: TA legitimisation, establishment of new institution • RDT: TA increased power over more members
Membership in EEC EMS with ERM	1980s	Diminishing role	IBSC lost its coordination and policy functions and had to deal only with operational and technical issues related to the payment system			
	1984	Establishment	FSI established as part of IBEC to deal with labour issues of foreign banks	• Emergence of trade association as new institution • Development of formal network through trade association • Development of new capabilities for members	• IBEC adopted to variation by creating new variation	• NIT: TA legitimisation, IBEC established new institution • RDT: IBEC increased its power over more members
Membership in EEC EMS with ERM	1985	Market	IBF launched the IBIS	• Increased TA and members' capabilities through image improvement • Increased members capabilities through information dissimilation	• TA adopted to variation by changing selection criteria and influencing selection process, so that organisations began to seek its membership	• NIT: TA legitimisation • RDT: TA increased its power over members, TA increased similarities across members
	1988-1990	Restructuring	IBF expanded its membership to include TSBs, ACC, and ICC	• Expanded network to include more member segments	• TA adopted to variation by creating new variations	• NIT: TA legitimisation • RDT: TA increased its power over members
	1990	Non-market: Self-Regulation	IBF set up Credit Institutions Ombudsman Scheme	• Created new institution	• TA responded to variation by becoming a source of new selection criteria	• NIT: TA legitimisation, TA created new institution, TA increased similarities across members • RDT: TA increased its power over members
Membership in EU EMU: First Stage	1991	Non-market: Self-Regulation	Code of Practice on Transparency of bank charges is erected	• Retained capabilities of members by preventing new regulation	• TA responded to variation and selection pressures by becoming a source of new selection criteria	• RDT: Retained power of TA • NIT: Diminished selective pressures
	1991	Market	IBF relaunched IBIS, began publishing 'Irish banking fact file', 'Student resource pack', IBF bulletin, and started to support Business studies achievement award	• Increased TA and members' capabilities through image improvement • Increased members capabilities through information dissimilation	• TA adopted to variation and changing selection criteria by influencing selection process, so that organisations began to seek its membership	• NIT: TA legitimisation, TA increased similarity across members • RDT: TA increased its power over members

	1991	Restructuring	Membership criteria is expanded to include foreign banks	• Expanded network to include more member segments	• TA adopted to variation by creating new variations	• NIT: TA legitimisation • RDT: TA increase its power over more members
	1992	Non-market: Lobbying	Regular interactions between TA and Central Bank, Revenue Commissioners and government departments on new legislation and regulation	• (-) Attempted to amend legislation to increase members' capabilities	• (-) TA responded to variation by attempting to amend it	
	Early 1990s	Market	IBF commenced studies on the implications of single market for its members, held a range of briefing sessions & seminars, and set up a working group to assess implications of EMU for its members.	• Increased capabilities of members • Increased dependence of member on TA through information dissimilation	• TA adopted to variation and changing selection criteria by influencing selection process, so that organisations began to seek its membership	• NIT: TA legitimisation, TA increased similarity across members • RDT: TA increased its power over members
	1990s	Non-market: Lobbying	TA began to systematically comment on political issues and developments, regularly submit pre-budget submissions, participate in legislation discussions, and develop submissions regarding legislation and regulation	• (-) Attempted to amend legislation to increase members' capabilities	• (-) TA responded to variation by attempting to amend it	
Membership in EU EMU: Third Stage	1999	Market	Preparation of the industry for a Euro changeover	• Increased capabilities of members • Increased dependence of member on TA through information dissimilation	• TA adopted to variation by changing selection criteria and influencing selection process, so that organisations began to seek its membership	• NIT: TA legitimisation, TA increased similarity across members • RDT: TA increased its power over members
	2001	Non-market: Self-Regulation	IBF introduced a few voluntary codes of conduct	• Retained capabilities of members by preventing new regulation	• TA responded to variation and selection pressures by becoming a source of new selection criteria	• RDT: Retained power of TA • NIT: Diminished selective pressures
	2005	Non-market: Self-Regulation	IBF members voluntarily agree to remove double taxation on stamp duty and entry barriers to payments clearing system. IBF introduced voluntary Code of practice on account switching	• Increased capabilities of members • Erected barriers to entry	• TA responded to variation and selection pressures by becoming a source of new selection criteria	• NIT: TA legitimisation, TA increased similarity across members • RDT: TA increased its power over members
	2005	Non-market: Lobbying	IBF developed a lobbying 'Stamp Duty Out' campaign in conjunction with CAI against surcharges on payment cards through submissions and negotiations	• Increased TA and members' capabilities through image improvement • Increased members capabilities through information dissimilation	• TA responded to new selective pressures by influencing selection criteria	• NIT: TA legitimisation, TA increased similarity across members • RDT: TA increased its power over members
1970s -2000s			Regular representation of industry interests at polity level; attempts to participate in policy-making; pre-budget submissions; submissions relating to other acts; consultation papers	• (-) Attempted to amend legislation to increase members' capabilities	• (-) TA responded to variation and selection pressures by becoming a source of new selection criteria	

7.3 THE OUTER CONTEXT: ECONOMY, POLITY, & HISTORY

The economic and political situation in Ireland, within which the industries and their associations evolved, greatly varied throughout the 20th century. The level of participation of business interests in policy-making, its rent-seeking behaviour, lobbying strategies, and self-regulation activities also greatly varied during this time period, with the increase in these activities largely coinciding with changes in the political environment and/or the economic environment. For example, both industries exhibited increasing levels of activities during the transition from free trade to protectionism in the 1930s, throughout the liberalisation of the 1950s, or at times of dramatic economic changes caused by the Anglo-Irish Free Trade Area Agreement (AIFTA), European Economic Community (EEC), oil crises, European Monetary System (EMS), Single Market, and Eurozone.

During this period Irish industries differed significantly in their preferences over relevant government policy. For example, in the 1920s weaker and less competitive industries sought protection from British imports, while the stronger and more successful ones preferred deepening of free trade. Similarly, in the early 1930s the interests of those in support of import substitution and those hoping to benefit from a free trade regime became polarised. In the 1950s, when the Irish government began developing its expansionary policies, national industries that lacked competitiveness and enjoyed state protection for a long time lobbied against liberalisation.

Political attitude towards trade associations and industry-level collective action in Ireland also varied over time. It was heavily dependent on the views of the Cabinet, official government policies, preferences of political parties, and the strength of trade unions. Throughout most of the post-WWII period Irish governments were generally predisposed towards trade unions, with a peak of popularity of trade union topic in party rhetoric in the early 1980s. The subsequent decline in trade union salience in party rhetoric corresponds to the decline in trade union density. Similarly, according to the qualitative and quantitative data collected and analysed for the purpose of this research, the government extended significant political goodwill towards industry interests in the early 1920s, 1930s and 1950s, and in the mid 1960s, with the same trend discernable from 1973 to mid-1980s, and the early 1990s.

7.4 THE INNER CONTEXT: INDUSTRY & ASSOCIATION- LEVEL

Analysis of the context and content of the Irish motor and banking industries and trade associations suggests that these industries exhibited the features of polar type cases and show structural differences across a range of parameters. First, Irish banking was established long before the motor

industry. Second, there is a considerable difference between the industries' demographic characteristics, and roles, experiences, capabilities, and the power properties of their players. For example, during the protectionist era, larger banks enjoyed high profitability and relative independence from the government, while their competitors remained small and politically and economically insignificant. Motor industry demographics, on the other hand, were characterised by a large number of small players, who did not exhibit any dominant characteristics. Since the 1960s, however, considerable changes were observed across both industries. The balance of power in banking began to shift. The Central Bank, government, and new international players started to gain power. Banking and credit institutions began to diversify into a range of other financial services. Similarly, building societies, insurance companies, and other financial institutions expanded into what were traditional banking services. The motor industry also experienced demographic alterations. Unlike the banking industry, changes in the motor industry were not centred on power arrangements, but on segment composition changes where the motor assembly segment began to decrease in size while the repairs and retail segments increased.

The trade associations that emerged and evolved within the Irish banking and motor industries, also exhibited dramatically different characteristics in terms of their organisational and membership structure. These differences were consistent with contextual differences at industry-level. For example, the first banking industry association, the Irish Banks' Standing Committee (IBSC), was established to represent a small number of strong industry players. Until it officially ceased to exist in the 1990s, IBSC retained its original structure. The more diversified Irish Banking Federation (IBF) represented a larger number of industry players, but remained focused only on banking issues leaving the representation of labour, insurance, and other financial sector issues to specialised independent representative bodies. As a result, each of the IBF members was also represented by a range of other trade associations depending on the business interests of the financial institution. In the motor industry, until 1968 only retailers enjoyed representation through the Society of Irish Motor Traders (SIMT) and Irish Motor Traders Association (IMTA). The Society of Irish Motor Industry (SIMI), however, took a different approach and began expanding its membership criteria such that by the end of the 1990s it became the largest association of its kind in Europe in terms of scope, representing all industry segments and dealing with all issues arising at both national and EU levels. Consequently, SIMI is structurally more complex than IBF, which reflects the complexity of its membership composition and objectives.

7.5 STRATEGIES/ACTIONS

As earlier discussed in the literature review chapter, actions and strategies exhibited by the motor and banking trade associations can be classified as market and non-market, according to a standard

classification in the field of strategy. Since the study explores the process of industry evolution, the establishment and restructuring of trade associations is also an important issue and is considered as the third set of the trade associations' actions.

Market strategies and actions of trade associations are taken in the context of the market environment, and are aimed at maintaining relationships with members, industry customers, and at protecting the industry from increased competition. Along with trade promotion they also conduct technical research, provide statistical and advisory services, standard setting, data collection and dissemination, R&D, educational services, and PR activities. Some examples are the introduction of special insurance or pension schemes for members, PR campaigns to increase customer loyalty, or development of seminars and training programmes to increase members' capabilities with regard to the introduction of new legislation. Non-market strategies, on the other hand, are concerned with non-market social, political, and legal arrangements and often take the form of corporate political activity. Non-market activities include lobbying to foster, amend, or resist the creation of regulative structures and institutions, and these activities are aimed at influencing government policy. Within the framework of this thesis, self-regulation is also viewed as a non-market activity, since within the Irish context it has mostly been introduced in response to, or in anticipation of government intervention, and therefore employed to provide an alternative to government legislation and policies.

7.5.1 Establishment & Restructuring

The foundations for the formal establishment of modern trade associations in the banking and motor industries were laid before the independence of Ireland. An informal cartel of Clearing banks and the framework of agreements and arrangements between them already existed in the industry. In the motor industry Irish companies had experienced the benefits of membership in British trade association before the 1920s. Since the establishment of trade associations in both industries in the 1920s, and until the 1960s, they [associations] structurally remained unchanged. Thereafter, however, the trade associations underwent significant transformations that reflected changing external and internal environments. For example, members of the banking association decided to make it more representative by extending membership to all banking institutions beyond the initial members of the Irish Banks' Standing Committee (IBSC). Furthermore, in 1984 under the umbrella of Irish Business And Employer Confederation (IBEC), a distinct trade association, the Financial Services Ireland (FSI), was formed with an exclusive focus on labour relations in the banking industry. Another example is the creation of a single motor industry association, the Society of Irish Motor Industry (SIMI), through the merger of two previously existing associations, SIMT and IMTA. From the end of the 1960s the representative bodies in both industries underwent further

restructuring and modifications in their configurations. These included the expansion of membership, an improvement of organisational structures, and the establishment of new membership sections. For example, the initial banking representative body, IBSC, became obsolete and was dissolved in the 1990s, with the remaining functions transferred to IBF.

The establishment of trade associations in the British motor and the Irish banking industries at the beginning of the 20th century followed the establishment of trade unions and a professional motor industry association. For example, following the formation of the Royal Automobile Club (RAC) and the Irish Automobile Club (IAC) in the motor industry (established in the early 1900s) and the Irish Banks Officials' Association (IBOA) in banking (established in late 1910s), firms anticipated unfavourable changes in their industries that could be ameliorated by forming a trade association. Moreover, the IAC showed considerable interest in profitable motor tours and shows, which were also of interest to manufacturers and importers. Another important factor, which contributed to the establishment of trade associations in the motor industry, was personal leadership. The establishment of the British based trade association could have been delayed considerably had it not been for strong leadership of Frederick Simms in 1902. Following independence, the Irish members of British trade associations were left without any representation, leading to the establishment of the Irish-based Irish Motor Traders Association (IMTA) in 1922.

A wave of associational restructuring was evident at the end of the 1960s and beginning of the 1970s. The changes reflected the anticipation within both industries of EEC entry and the risk of subsequent increases in competition and new legislation. These new developments within the external context forced associations to review their membership criteria and structural properties. The establishment of the Irish Bankers' Federation (IBF) in the 1960s does not fit into the criteria of a 'new' association and can be instead viewed as a restructuring/rebranding of the Irish Banks' Standing Committee (IBSC) in light of coming changes. Leadership was another contextual factor that emerged as an important driver of restructuring activities in motor industry in the 1960s. Leo Keogh, renowned for his strong lobbying activities, was recruited in 1968 as the association's new Chief Executive.

New legislation and the strengthening of new segments were among the main causes of the changing and expanding the banking and motor industries' structures throughout the 1980s and 1990s. In turn, this initiated another wave of restructuring across trade associations. For example, following the Building Societies Act of 1989 and the substantial increase in the presence of foreign banks in Ireland, the IBF expanded its representation to include building societies, credit unions, and foreign banks. The latter were invited despite the fact that they were viewed as competitors of the Irish banks. The motor industry's structure experienced a power reshuffle in its segments. The

number of motor assembly companies was decreasing, while the retail and repair segments were gaining importance. This industry-level structural change was reflected by the establishment of a new vehicle body repairs member section within the Society of Irish Motor Industry (SIMI).

The most recent restructuring efforts took place in the 2000s. The demand for professionalism and transparency on the part of business organisations forced associations to turn to professionals for an assessment of organisational structures and cost efficiency. Overall, following changes in the external environment, both trade associations underwent restructuring in order to retain their power within their industries. Moreover, the associations expanded into new industry segments in order to propagate their norms and values, thus increasing their legitimate power.

7.5.2 Market Activities

Evidence from the case data suggests that neither banking, nor motor industry trade associations engaged in noticeable market activities until the 1970s. Only with the Irish accession to the EEC, the motor industry association developed and implemented a range of specifically designed member-oriented activities. These included the organisation and delivery of workshops and the publication of guides on new legislation and policy. The trade association also introduced a pension scheme for its members' employees, and in conjunction with an independent insurer arranged an insurance scheme for its members. Large-scale engagement in market activities of the banking associations did not commence until the 1990s. Targeting their customers, the association produced several infrequent publications and information leaflets, and supported student achievement awards. It also engaged in member training through seminars and workshops, and in preparing its members for new developments occurring at both the national and EU levels.

PR and company image gained increasing importance for trade associations in both industries during the last decade of the 20th century. Significant efforts were made to build industry reputation for reliability, transparency, and high quality. This campaign was targeted at customers, the Irish government, and EU level associations and authorities. For example, the motor industry trade association developed large-scale marketing campaigns, while the banking association pursued an information dissemination strategy. A comparison of both cases allows for the identification of other differences in the arrangements of market activities. For example, services of the motor industry association to their members have varied widely and included insurance, training, and statistical data. These services have often been developed by the association in conjunction with third parties and have not been covered by the membership fees. This allowed motor industry association not only earn extra cash, but also to diversify its sources of funding. Members, on the other hand, benefited from premium discounts and relevant statistical

information, and third parties gained from an increase in customer numbers. In contrast, a lot of the market activities of the banking industry association were offered as services included in its membership subscriptions.

The case data suggests that trade promotion and PR activities, whose share in trade associations' activities increased over time, usually coincided with or preceded change, industry boundary shifts, and/or restructuring in both motor and banking industries. Similar contextual factors driving the market activities of both associations resulted in different strategies across the two industries. For example, SIMI started publishing a trade journal, introduced seminars and workshops, and established a pension scheme for its members' employees during the 1970s, when the country underwent considerable changes arising from its new EEC membership. In addition, the association established an insurance scheme for its members just before the preferential treatment of the motor industry was terminated. In light of a new European environment and the increasing number of vehicles imported and registered in Ireland, SIMI explored issues of competency development using management-training programmes. Following the Competition authority investigations the association also published member guidelines covering relevant topics. In the banking industry, market activities mostly took the form of publications and information campaigns. In the 1980s this market strategy came in response to the investigations into members' practices and increasing competition from domestic institutions. In the 1990s the strategy was developed in response to increasing competition from foreign banks, the expanding range of banking services, and anticipation of the third stage of EMU. From the 1990s, both trade associations started to engage in regular training and knowledge dissemination activities. Over the 1990s and 2000s the increasing demand for business transparency, full information, and ethical practices forced both associations to develop PR and information campaigns aimed specifically at their end customers. For example, SIMI modernised its corporate identity and launched a customer information campaign, while both associations developed web sites explaining their activities.

7.5.3 Non-market Activities

The non-market strategies of trade associations in the motor and banking industries include self-regulation and lobbying. Self-regulation mostly involved the introduction of codes of conduct and codes of practice as alternatives to government regulation. In the motor industry the first industry-level code was introduced in 1979, in banking – only in 2001. At different points in time both associations established institutions to oversee customer-member relations. Thus, the motor association initiated the establishment of a Retail Customer Complaint service in 1975, and the banking association established the Credit Institutions Ombudsman scheme in 1990. Despite the fact that the motor industry association was a step ahead in formalising self-regulation strategies,

the banks implemented effective self-regulation in the first half of the 20th century, when the banking trade association and individual banks were sufficiently powerful. Indeed they were in a position to ignore, disagree, or resist attempts at regulation by the government and Central Bank.

Active lobbying activities in both industries commenced in the 1970s, but the pattern of these activities differed. Specifically, differences were observed in relation to the

(1) the object of lobbying activities;

(2) the targeted audience;

(3) the way strategies have been developed and executed.

(1) Lobbying in both industries ranged from one-off strategies targeted at achieving a particular outcome, to repeat actions aimed at generally improving the position of the trade associations and their members. An example of the latter is the development of pre-budget submissions seeking to reduce taxation levels, and engagement in the consultation processes by responding to consultation papers. The motor industry association has often targeted particular regulations and issues through large-scale focused campaigns. At the same time, it also repeatedly lobbied through pre-budget and consultation paper submissions hoping to generally improve the position of its members across a range of issues. There is little evidence, however, of such targeted and focused large-scale lobbying campaigns in banking. Banking associations' strategies have mostly involved regular interactions with officials, and pre-budget and consultation paper submissions on general issues. (2) Many of the motor association lobbying activities were targeted not only at the government and authorities, but also at the general public and industry players. This approach has been used to raise general awareness of the issues relevant to the motor industry. The banking association, on the other hand, generally kept its lobbying activities between the banks and the government, with the only exception being the 'Stamp Duty Out' campaign. (3) While the banking industry association generally kept to an established practice of presentations and submissions, the motor associations developed a range of techniques to get their point across and gain publicity. The observable pattern of such strategies suggests that personal leadership was an important factor for such differences in the motor industry. For example, Leo Keogh, as a Chief Executive of the trade association, opted for threats, strikes, and street action techniques, while his successor Cyril McHugh favoured more diplomatic negotiations and common sense arguments. Some lobbying strategies were developed in cooperation with strong independent players. This was done when it was thought to add value to the campaign, or when other players sought the same outcomes as the trade associations. For example, in the motor industry Toyota and Ford participated in the efforts to prolong the protection of the industry following accession to the EEC. Similarly, in banking the IBF developed a 'Stamp Duty Out' campaign together with the CAI.

Time also became a determinant of which lobbying strategy was perceived as being more effective. For example, in the 1970s and 1980s submissions and consultations (especially in the motor industry) included all issues of concern to the associations. This was done in the hope that some of these issues would be addressed in a new budget or piece of legislation. Towards the end of the century, however, lobbying became more focused and professional. Both the motor and banking industry associations outsourced to experts the analysis of the economic factors to be included in their submissions or presentations to members. Professional approach to lobbying became the norm and expectation.

Both associations regularly used self-regulation as a non-market activity. The contextual factors that triggered the activities, however, varied across industries and over time. For example, defined by a lack of major developments within the inner and outer contexts, self-regulation was a dominant strategy used by the IBSC until the end of the 1960s. Very few constraints and regulations, no serious threats from government and Central bank, and the lack of competition from other industry players created an environment where the IBSC could control the processes. In the 1980s self-regulation was again a heavily used strategy in the banking industry. This time, however, it was driven by increasing competition, expanding boundaries, and threatened the reputation of the banking industry in general and a few IBF members in particular. For example, the IBF introduced the Credit institutions ombudsman scheme and the Code of practice on the transparency of bank charges in the 1990s and early 2000s, when competition was increasing, industry boundaries were expanding, the Competition authority investigation into IBF members' practices was underway, and a number of bank scandals became public. In the motor industry the evidence of self-regulation was observed since the end of the 1970s. The motor industry exhibited less self-regulation activity than the banking industry. SIMI was constantly monitoring motor developments in other countries, and the establishment of its first industry-level codes and customer complaint service was driven by their examples. More industry codes were introduced at the end of the 1990s anticipating a new Eurozone environment, and following increased competition from hypermarkets in the petrol station segment.

The lobbying activities of the Irish motor and banking industry associations were mostly driven by changes in context, which posed a threat or had already threatened associations' power and/or resources. For example, in the 1970s in light of EEC accession and the threat of increasing competition, the uncompetitive motor industry participated in lobbying for the extension of the industry's protective scheme. Driven by the NPC report on taxation differences between the Republic of Ireland and Northern Ireland and by the increase in NI registered cars on Irish roads, SIMI lobbied for tax reductions. Unsatisfactory taxation levels at the beginning of the 1980s led to

the famous 'Enough is enough' and 'Axe the tax' campaigns. Another example is the 'Be SIMI sure' campaign aimed at both legislators and customers. Following the increase in competition, SIMI aimed to portray its members as trustworthy in comparison to Japanese second-hand importers. Throughout the 1990s and 2000s, the lobbying activities of the motor industry association were largely formulated in response to the increasing competition from hypermarkets in the petrol market. In addition, the association attempted to oppose second-hand imports by lobbying for compulsory testing schemes and developing a successful scrappage scheme. In banking, lobbying was mainly caused by the threat of, or by the introduction of new national or EU level legislation, and by the preparation for a single market environment in the early 1990s.

7.6 THE IMPACT OF TRADE ASSOCIATIONS ON THEIR INDUSTRIES

The approach taken in this study to define industry structural change suggests that industry evolution is not limited to just changes in industry demographics. It requires a broader approach and should consider other developments at the industry level, e.g. the emergence of new institutions, transformation of technologies and products, or development of capabilities. Hence, the role of trade associations in these broader developments constitutes their impact on the evolution of industrial structures. Cross-case analysis identifies that at different points in time the motor and banking trade associations in Ireland through their actions played a vital role in industry evolution. This was exemplified in creating new institutions, changing industry-level relationships, generating and disseminating information and knowledge, increasing industry capabilities, protecting industry boundaries, and preventing state regulation. The impact and outcomes of the trade associations' formation and restructuring, and market and non-market strategies on their industries is summarised in Table 7-5.

Trade Associations' Strategies			Impact on Evolution of Industrial Structure
○		■	Creation of new institutions
○	◆		Change in industry-level relationships through increase in capabilities of trade associations, power of trade associations, and dependence of members on trade associations
○	◆	■	Change in industry-level relationships through increase in capabilities of associations members (including increasing legitimisation & improving image)
	◆		Generation/transformation of knowledge & information
	◆	■	Increase in industry capabilities through improvement of industry's image
		■	Protection of industry boundaries through erection of barriers to entry & extension of industry protection
		■	Prevention of new state regulation through self-regulation

○ Establishment & Restructuring
◆ Market Strategies
■ Non-Market Strategies

Table 7-5: Impact of Trade Associations on Industry Evolution

Seven categories of the impacts of trade associations on their industries were identified. In practice, however, some of them exhibit high degree of mutual interconnectedness. For example, the

category 'Generation/transformation of knowledge and information' is treated as an independent impact, but ultimately it contributes to the increases in the capabilities of trade associations' members or whole industries, which are also considered as separate categories.

7.6.1 Creation of New Institutions

The cross-case analysis suggests that there were three ways in which trade associations influenced industry demographics through the creation of new institutions. (1) First, once established, associations' themselves became the new institutions. (2) Second, the banking industry associations successfully established another trade association to retain control over the industry. (3) Finally, both trade associations set up new independent institutions to undertake a mediating role between their members and customers, and to ensure minimal government inference into industry affairs.

(1) Following external pressures in the 1920s, companies in the motor industry and major banks formed new associations. This was a novel formalisation of networks designed to facilitate cooperation on trade matters, and the protection and representation of members' interests. The establishment of the first banking association, the IBSC, was preceded by an informal arrangement between major Irish banks, which was a strong force in the industry even before the official legitimisation of representation. The IBSC, however, strengthened and officially formalised the power of the Irish banks, thus creating a powerful new institution. In the motor industry the trade association was built on the back of membership in the British trade association. Following independence, Irish companies, used to the protection, coordination, and representation, faced an institutional void. However, a new Irish trade association was quickly established continuing their previous experiences. The power of the new institution was relatively weak, but the first steps towards legitimisation were taken. (2). Anticipating the EEC accession and increasing foreign competition members of the IBSC set up a new association, the IBF, to represent new industry players, along with the Irish banks not represented earlier. Thus, the banking industry trade association expanded industry boundaries through the establishment of a new institution. (3) The banking industry trade association set up the Credit Institutions Ombudsman scheme to deal with customer complaints, and the motor industry association followed the UK steps and established the Retail Customer Complaint service.

7.6.2 Change in Industry-Level Relationships through Increasing Capabilities and Power of Trade Associations, and Dependence of Members on Their Trade Associations

Capabilities are generally defined as the 'firm's capacity to deploy resources for a desired end result' (Helfat & Lieberman, 2002: 725). Inner capabilities, as suggested by Leonard-Barton (1992), are a knowledge set that distinguishes and provides a competitive advantage.

Improvements and/or changes in trade associations' capabilities and power over their members, and increases in dependence of members on their trade associations generates changes in industry-level relationships. This, in turn, changes industry structures. The case analysis shows that power-related changes in industrial structures were often caused by the increase in capabilities, resulting from the restructuring of trade associations, some of their market strategies, and from general stakeholder management activities. Once established, the first Irish motor industry trade association underwent a series of restructurings, expansions, partitions and mergers, thus reflecting contextual demands for increased capabilities. In banking, on the other hand, contextual pressures permitted IBSC to remain structurally and functionally unchanged until the early 1970s – when a more conventional banking trade association, IBF, was established – and no attempts were made to increase associations' capabilities and power through restructuring. The fact that important structural changes across the two industries took place at separate times suggests that due to differing contextual pressures in the 1920s the establishment of the motor industry association made more structural and power impacts on its industry, than the formalisation of the IBSC.

The restructuring of the motor industry association, which split into SIMT and IMTA, took place in the 1920s. Despite their shared resources (e.g. office & staff), the separation of functions led to an increase in the trade associations' capabilities through specialisation. It also allowed for an increase in membership numbers. The next round of structural changes that made an impact on industry structures, took place in the 1980s and 1990s, when SIMI began expanding to include more industry segments and restructuring to increase its own efficiency. Driven by external pressures this strategy resulted in increases in the association's legitimisation, and allowed it to extend its power over new industry segments. Finally, restructuring and the optimisation of internal operations in the 1980s and 1990s led to increases in the association's capabilities by improving efficiency and productivity. Hiring professional consultants to carry out restructuring projects reflected a need for the association to respond to increasing member requirements and to a new competitive environment. The restructuring resulted in more professional lobbying; more efficient operations; and increased dependence by association members who started to derive more value from membership. In the banking industry no restructuring activities were undertaken until the 1970s. From the 1970s until the 1990s, the newly founded IBF was expanding its membership and considerably improving its operations. This resulted in the development of new capabilities and expanded the power/level of control of the trade association over its members. Consequently, the industry-level power arrangements and banking industry structure underwent some power-related transformations over the last three decades of the 20th century.

Market activities in both industries aimed at keeping and expanding member numbers, which often resulted in industry-level structural changes. Since the trade associations were largely dependent on membership fees, one of the priorities of the associations was to increase membership numbers and subsequent dependence of members on their representative associations. SIMI successfully secured its survival by diversifying its market activities and charging members for additional services provided to them (often in cooperation with third parties). Structural changes resulting from market activities of trade associations are observable from the 1970s in the motor industry, and only from the 1980s in banking. Once introduced, however, they were routinely used and became an important factor in maintaining membership numbers.

Changes to industry level relationships, and correspondingly to industrial structures, also resulted from lobbying, regardless of whether this strategy achieved its objectives. Failures of trade associations in both industries to achieve the intended objectives were quite common, and no immediately observable impact was made on industry structures. For example, this is applicable to the motor industry association's submissions and meetings on the reduction of taxation, opposition to second-hand Japanese cars and hypermarkets, and the introduction of a compulsory car testing scheme. Similarly, in banking very few of the IBF's attempts to influence legislative outcomes achieved official and desirable outcomes. It would, however, be wrong to conclude that no structural changes initiated by these actions. Fiascos of lobbying efforts may simply reflect the failure of associations to achieve their primary objectives, while at the same time resulting in the increased legitimisation and acting as a tool of stakeholder management. This point was emphasised by Ruairí Quinn during an interview and in his review of interest group influence on budgetary policy via pre-budget submissions. He suggested that much of the lobbying efforts of interests groups are 'optics' that were 'as much an exercise in communication with their own members, as they were an exercise in convincing the Minister for Finance' (Quinn, 2002b). This allows a conclusion that trade associations changed industry structures through increasing dependence of their members even without achieving primary objectives of their lobbying strategies.

7.6.3 Change in Industry-Level Relationships through Increase in Capabilities of Trade Associations' Members

By increasing capabilities of their members trade associations changed industry-level relationships, and thus had an impact on the structure of their industries. As previously discussed, capability refers to the knowledge set of a company that distinguishes it and provides a competitive advantage. Leonard-Barton (1992) suggested that there are four dimensions, within which firm's core capabilities were embedded: the knowledge and skills of people, technical systems,

managerial systems, and organisational values and norms. Thus, market activities of trade associations (such as knowledge dissemination and training workshops) helped to advance the technological base of their members and contributed to the improvement of managerial systems and the knowledge and skills of employees. Organisational values and norms were also influenced by self-regulation via codes of conduct and practice and by several PR campaigns.

Apart from the motor shows in the 1920s and 1930s, the market activities of trade associations, which increased the capabilities of their members in both industries, were only observed after the 1970s. The motor industry association was more creative in its PR, member services, trade promotion and training activities. For example, the association's members could benefit from the discounted insurance and pension schemes, from the industry-wide PR campaigns, and from statistical, trade, and legislative updates. In banking the range and impact of market activities was less diverse. The IBF established the IBIS campaign alongside other publications. The association focused on information dissemination and training activities, thus advancing its members' knowledge of national and international legislative changes, IT developments, and domestic market indicators.

When successful, lobbying and self-regulation resulted in increases in capabilities of trade associations' members, or helped them retain capabilities for example, in motor industry the 'Axe the tax' campaign was launched in the 1980s to reduce taxation levels, it changed industry structure not only by amending the regulatory regime, by also by successfully reducing taxation levels for trade association's members. 'Be SIMI sure' campaign, launched specifically to improve industry's unfavourable reputation, also increased capabilities of members and made an impact on industry structures. In banking industry, self-regulation strategies of the IBF until the 1970s were aimed at retaining the trade association members' power. As a result, IBSC's members enjoyed control, influence, and no changes to industry-level power arrangements were evident until the 1960s. In the motor industry the increase in members' capabilities was achieved by the development, lobbying, and successful implementation of the car scrappage scheme. The scheme led to increase in sales and work volumes for trade association's members and caused major industry-level structural change: it dealt with the importation of second-hand cars and increased sales and repairs volumes for associations' members. Voluntary codes of conduct and practice in both industries which were developed and implemented in the last few decades of the last century also altered structures of the motor and banking industries. Responding to external pressures they not only prevented government regulation, but also increased capabilities of trade associations' member companies.

7.6.4 Generation/Transformation of Knowledge & Information

Amongst other factors, market activities of trade associations were driven by the need to retain membership numbers, by the increasing the demand of government and general public for the transparency of business practices, and by the increasing threats of competition caused by changes in external environment. These developments forced trade associations to introduce training activities, circulate publications amongst the general public, and to make sure members were aware about the latest developments within the industry. As previously discussed, market activities in banking industry commenced later than in the motor industry and were less diversified. Therefore, the impact of the motor industry trade association on the industry structure through generation and transformation of knowledge and information is easier to observe. For example, SIMI set up statistics information service for its members, allowing it to claim it was the only reliable source of relevant statistical data in the country. The association also regularly produced publications, covering legislative changes or amendments at national and EU levels, and for politicians it published reports and industry statistics. In banking the evidence of knowledge generation and transformation by the trade association amongst its members is mostly evident during the times of major contextual changes, such as the introduction of the EMS or Euro, or changes in the clearing system. Over the last two decades the association also occasionally disseminated information about the industry amongst the general public. These actions of the banking trade association were irregular, but focused, thus making the explicit, but discrete impact on the structure of the banking industry.

7.6.5 Increase in Industry Capabilities

Among other things capabilities of an industry generally incorporated issues like reputation, general level of industry knowledge, and the ability of industry players to adapt to a changing environment. For decades both industries were infamous for their poor reputations and the lack of trust by the general public. Changes in the inner and outer contexts, however, required both industries to work on improving the way they are perceived by the general public. Since the 1980s, following a number of scandals in industries, image and transparency of industry players became particularly relevant. As discussed in the previous section, market strategies of trade associations in both industries led to the slight improvement in industry image. Most importantly, however, they increased the general level of public knowledge about companies, practices, and services.

The increases in industry capabilities resulting from non-market strategies are more observable in the motor industry. In the last decades of the 20th century SIMI developed and implemented a number of campaigns aimed not only at reducing taxation levels and improving the position of

members in the industry, but also at increasing the perceived trustworthiness of the industry. In the 1980s the above mentioned 'Be SIMI sure' campaign was specifically launched to raise the industry's image, which, according to the case data, became a successful exercise. A similar effect was achieved by the 'Stamp duty out' campaign developed by the IBF and CAI. One of the biggest achievements of the motor industry became the car scrappage scheme. It not only showed that trade association was able to put forward an efficient proposal and successfully lobby it, but it also transformed the industry through increasing its capabilities. The banking industry association however was less active with its lobbying to promote the industry. The one example of its non-market strategy that managed to increase industry capabilities was 'Stamp duty out' campaign for the removal of surcharges on cards.

7.6.6 Protection of Industry Boundaries: Erection of Barriers to Entry

At different points in time the protection of industry boundaries became an important objective for trade associations. At different stages of industry development by attempting to erect barriers the associations in both industries pursued two main objectives: one was to eliminate competition for members by targeting non-members, the other was to protect national companies from foreign competitors.

On a very few occasions the motor industry association managed to successfully erect barriers to entry for foreign firms. For example, it's lobbying activity, supported by large companies based in Ireland was interested in retaining preferential treatment, such as to Ford and Toyota, which led to the extension of motor industry protection upon joining the EEC. At the same time, most of the association's attempts to protect industry boundaries and raise barriers to entry failed. These included its prolonged lobbying for the introduction of legislation to eliminate second hand Japanese imports and still on-going struggle against supermarket petrol stations. Motor industry trade association also successfully erected barriers for non-members in order to protect members and increase membership numbers. Thus, the above mentioned 'Be SIMI sure' campaign launched by the motor industry trade association in the 1980s was aimed at improving industry and associations' members' reputation and rebranding the industry. At the same time, it was developed and implemented in a way to communicate to public that non-member retailers and motor repair companies were not to be trusted. Similarly, self-regulation through voluntary codes of conduct and practice resulted in increased capabilities for members and increased barriers to entry for non-members.

In banking, the non-market self-regulation strategy of the IBF in the first half of the 20th century successfully retained trade association members' power and prevented non-member banks from

accessing some privileges (e.g. direct access to the clearing system). Since the 1970s the new developments in the external environment took place. In response the banking industry association exhibited unconventional thinking to retain its control over changing banking industry boundaries. First, anticipating the EEU accession and the increasing presence of the foreign banks Ireland, members of the IBSC set up a new association to represent these new industry players, along with the Irish banks not represented previously. Second, following new legislation, which allowed building societies and credit unions to engage in banking activities, it expanded its membership to include these new sectors. Thus, instead of erecting barriers to entry for non-members or foreign banks (or following an unsuccessful attempt to do so), the banking industry trade association expanded industry boundaries through the establishment of a new institution and through the restructuring to control new industry players.

7.6.7 Prevention of State Regulation through Industry Self-Regulation

At the industry level, self-regulation is defined as 'a regulatory process whereby an industry-level organisation (such as trade association [...]) sets and enforces rules and standards relating to conduct of firms in the industry' (Gupta & Lad, 1983:417). Trade associations in both industries exhibited features of self-regulation through the development of codes of conduct and creation new institutions as an alternative to government regulation.

In banking in the first half of the 20th century self-regulation was used by a few dominant players in the industry to safeguard their interests. Towards the end of the century, however, the nature of self-regulation in banking transformed. It has taken a more conventional form of industry level codes of practice and conduct. Following the examples from other countries, the Irish motor industry developed several codes of conduct to increase members' capabilities and erect barriers to entry for non-members. Codes, developed by the banking industry trade association, however, were implemented following government investigations of business practices of some of the banks. The violations in the industry had strong evidential basis, became public, and imposed a potential risk of government intervention, thus forcing the banks to take action. Thus, the Code of practice on the transparency of bank charges and the Code of conduct introduced by the IBF became a substitute for state regulation. Both trade associations also created new institutions. As mentioned earlier, banking industry association established the Credit institutions ombudsman scheme, which undertook the mediating role and dealt with conflict resolution between the banks and their customers. Motor industry association set up the Retail customer complaint service after similar organisation was established in the UK.

7.6.8 Linking Contextual Drivers, Strategies, and Impacts on Industry Structures

The contextualist nature of this research allows for some generalisations about the causal nature of the phenomena under study. Without the establishment of such causal relationships the role of trade associations in industry evolution cannot be adequately assessed. Each action and strategy of a trade association is caused by some contextual factors – internal or external – and represents a response to such factors. The nature of such strategies and actions is defined by a range of factors, varying from the resources and competences of trade associations to norms and expectations of members and other players. The impacts of trade associations' strategies on their industries are driven and shaped by these contextual developments and other factors. Drivers and the impact of trade associations' strategies identified for each set of strategies are presented in Figure 7-2.

The empirical analysis suggests that several key events contributed to the establishment and restructuring activities of trade associations in both industries: independence in 1922, EEC accession in 1973, and the introduction of new legislation at the national and EU levels. Within the inner context, the driving forces identified were the establishment of trade unions, increasing competition, changing industrial structure, the establishment of new segments, and leadership. Trade associations' market activities were largely driven by the increasing demand for transparency of business practices in the world business environment. The inner contextual drivers observed included the anticipation of increasing competition, threats to reputation, scandals in the banking industry, and expanding industry boundaries. The non-market activities of trade associations proved to be the most complicated in terms of data collection and analysis. The lobbying activities of associations were often conducted outside the media spotlight, largely relying on the prevalence of personal relationships in such matters, with available evidence often being scant and circumstantial. Based on the best available information, a general insight of this study is that most of the outer contextual factors, which directly influenced the development of lobbying and self-regulation strategies, were similar to those driving the restructuring and market activities of trade associations. These include EEC accession, Eurozone membership (for banking industry), and new EU level regulations. In addition, the motor industry was largely driven by the practices of motor trade associations in other countries (e.g. the Dutch insurance scheme). A more unusual picture was observed at the inner context level. For a long time self-regulation in banking was the outcome of a lack of regulation, competition, or new legislation. Since the 1970s, however, both industries resorted to self-regulation when they were threatened by government interference and potential damage to industry reputations. In other words, the strategy was a response to a threat, not an opportunity. Lobbying, on the other hand, was the outcome of an on-going unfavourable legislative environment for the industries.

Since their establishment trade associations have become an important industry institution that has influenced the structural evolution of their industries in a number of ways. First, trade associations became new institutions in their own right and created other trade associations and important industry-level mediating institutions. Second, since their establishment trade associations persistently changed industry-level relationships through increasing their own capabilities and the capabilities of their members. The former manifested itself largely through restructuring and increasing the dependence of members, the latter was achieved by facilitating knowledge, developing skills of members' employees, distributing technical systems, creating organisational values and norms, and exercising self-regulation. Third, trade associations influenced the structures of their industries by generating and transforming knowledge to industry players through their market activities. Fourth, non-market actions increased general industry capabilities. Fifth, through lobbying and the establishment of new institutions associations they erected barriers to entry, retained industry boundaries, or successfully adapted to the expansion. Finally, self-regulation and codes of conducts were successfully used to substitute for government regulation in both industries.

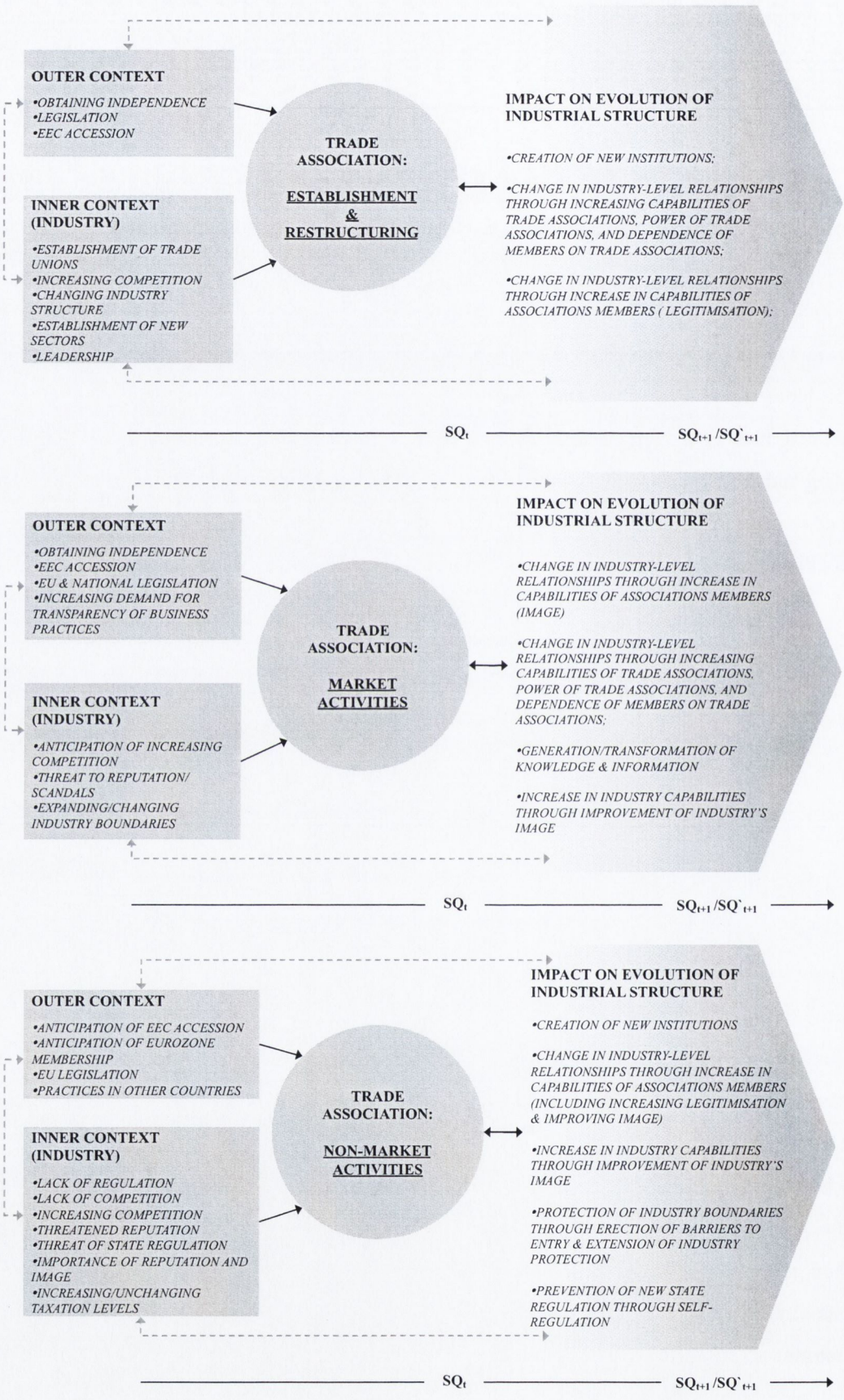


Figure 7-2: Causes and Impact of Trade Associations' Strategies on Industry Evolution

7.7 INDUSTRY EVOLUTION

7.7.1 Multi-Level Patterns of Industry Representation

As discussed earlier, the contextual changes in both industries often facilitated trade associations' formation, restructuring, and strategies. Various combinations of these economic and political factors defined associations' strategies at different stages of industry evolution. These stages, contextual patterns, and corresponding associations' strategies are summarised in Table 7-6.

Evolutionary Stages	Contextual Patterns		Associations' Strategies	
	Motor	**Banking**	**Motor**	**Banking**
Establishment/Legitimisation Caused by Threat to Power				
1900s-1930s	Establishment of trade unions Leadership Independence	Establishment of trade unions Lack of regulation/threats Leadership Independence	Establishment Restructuring	Establishment Self-regulation
Stability/Control				
1930s-1960s	Lack of threats Protection	Lack of regulation/threats	No noticeable actions	Self-regulation
Challenges/Changes				
1960s-1990s	EU/national legislation Increasing competition Leadership General level of taxation Example of UK association	EU/national legislation Increasing competition CA investigations	Establ/Restr Self-regulation Lobbying (threats) Market actions	Restructuring Self-regulation Lobbying Market Actions
Balanced Position / Stability				
1990s-2000s	EU legislation General level of taxation Leadership Customer expectations	EU legislation CA investigations Scandals Customer expectations	Self-regulation Lobbying (negotiat) Market actions	Self-Regulation Lobbying Market actions

Table 7-6: Processual Patterns of Industry Evolution and Corresponding Associations' Strategies

Institutional arrangements for the establishment of representative associations in an independent Ireland predate their establishment at the beginning of the 20th century. The establishment of industry representative institutions in Britain came in a response to the formation of trade unions in both industries (and of professional associations in the motor industry). These groups threatened the powers of industry players, who in turn responded by coordinating their efforts to form a countervailing force. Leadership became an important factor for associations' establishment in both industries. The foundation of a new state in 1922 formally left Irish-based companies without representation, thus creating an institutional void, which was quickly filled by collective action associations representing Irish members. The next stage of industry evolution lasted from 1930 until the beginning of the 1960s. It was marked by the large-scale protectionist measures of Irish cabinets. The years of inward-oriented policies, war, and a lack of competition became a stable period for trade associations. The Irish Banks' Standing Committee (IBSC) remained a powerful institution and resorted to self-regulation as a substitute for government regulation. Its actions during these years became a power statement for major banks, reflecting a weak Central bank and a

lack of competition. There is no evidence of high-profile representation activities in the motor industry until the 1960s. Actions used by both associations remained low-cost (did not require large investments) and were dominated by personal communication, self-regulation, and participation in commissions and committees (this is especially relevant to the IBSC).

A period of 'challenges and changes' commenced in the 1960s. It was marked by major developments within the outer context. These included a change of government policies from protectionism to liberalisation, and the anticipation of the EEC membership. The established practices in both industries' associations were also challenged by the inner context transformations, such as the increasing competition and diversification of Irish companies. The implications of these new developments for trade associations at the beginning of the 1960s were twofold. First, associations underwent restructuring and expanded their membership to include new industry segments. Second, associations reassessed the nature, scale, and cost of their strategies. In the 1980s banking association members, who had already lost their once powerful position, faced a series of Competition Authority (CA) investigations. The Irish Banking federation (IBF) was forced to develop 'defensive' strategies that were unusual for the banks. The motor industry association, driven by the contextual developments and new leadership, began developing and implementing a range of market and non-market strategies. It commenced active lobbying aimed at reducing general levels of taxation, developed effective self-regulation techniques, and engaged in market activities. Some of these strategies were new to SIMI, and were facilitated by the successful examples of the UK and other countries' associations. During this stage trade associations in both industries used both low-cost (e.g. personal communication) and high-cost (e.g. consulting reports on economic developments of industries) strategies. During the 1990s, however, the share of the latter began to increase. For example, professional consultants were hired on a regular basis to prepare pre-Budget submissions and advise on some issues.

The final stage was that of relatively stabilised activities and mostly routine association strategies. EU and national level legislation, scandals in banking, and taxation levels in the motor industry remained important contextual strategy driving forces. Like for the economy in general, the turbulent times for trade associations were over, and their industries enjoyed a relatively stable relationship with the government and other groups. A threat from increasing government regulation at both the national and EU-levels persisted, thus giving industries plenty of causes to pursue in their lobbying strategies. At the same time, however, the relations between business and government transformed from confrontational to cooperative. These general tendencies towards increasing regulation and industry-government cooperation (instead of confrontation) reflected European and international trends. A strategic novelty during this stage lay in the development of

strategies targeted not only at associations' members, but also at customers. Customer expectations and industry reputation became as important for associations as the issues of taxation and legislation. This lead to the development of strategic objectives aimed at improving their industries' reputation among general public.

Another interesting observation emerges from the data: trade associations often developed different responses to similar contextual developments. This can be explained by the fact that organisational properties and leadership were as important to strategy development of trade associations, as the contextual factors. The initial proposition that trade associations exhibited 'polar type' features, which guided the choice of industries for this study, was supported by the cross-case analysis. The principal differences across organisational properties of trade associations in both industries were observed in the following areas: representation of industry segments, membership structure and the scope of representation; and leadership. During the first two evolutionary stages (Table 7-6) representation in the banking association was limited to a few powerful associational members. In the 1970s the IBSC members reassessed their membership criteria and established IBF as a representative association for all banking institutions with the narrow focus on banking functions of members. Motor industry, on the other hand, exhibited different organisational properties. Shortly after its establishment it expanded to include almost all motor-related industry segments and became one of the largest European motor associations in terms of membership structure. The implications of these types of structural arrangements are as follows. On the one hand, complex membership structures create complications for association-member relations, making it harder to manage and satisfy all its member segments. Moreover, there is a high risk of horizontal and vertical conflicts, which are time-consuming and costly to resolve. On the other hand, IBF's membership structure imposes certain motivational complications for its members. Similar to the organisation of representation in banking, each financial segment has its own representative association. For a single institution operating across different segments (e.g. a medium-size bank offering mortgages, loans, insurance and basic banking services), paying membership fees to a range of representative associations is costly and hard to manage. Especially, if the boundaries between these individually represented segments are blurred. The implication of such arrangements for trade associations lies in the need to coordinate their actions to avoid duplication. According to Pat Farrell (Personal interview, Aug 11th, 2009), acknowledging these drawbacks, IBF is considering restructuring options for financial representation in Ireland. Finally, too complex or too simplistic membership structures impose a problem of reporting back to members. Extensive membership numbers seeking representation across a range of segments need to be accommodated with an appropriate and cost effective structural arrangement. Therefore, SIMI has a number of

corresponding committees and produces regular publications, email reports, and other materials to keep members and the general public informed. The banking association, on the other hand, does not provide a regular publication and reporting service to its members. The data also suggests that leadership in trade associations played an important role in motor industry. In Irish banking it took a form of group control at the early stages of industry evolution, when, until the 1960s, the largest and more powerful members drove the development and implementation of the association's strategies. In contrast, motor industry exhibited a strong leadership factor, and the association's Chief Executives played an important role in strategy development and implementation.

7.7.2 Patterns of Industry-Level Structural Changes

Associations' impact on the evolution of their industries varied through the years, and four stages defined by the impact of trade associations were identified. These are summarised in Table 7-7.

Evolutionary Stage	Impact of Associations' Strategies	
	Motor Industry	**Banking Industry**
Establishment of new institutions/ Early restructuring		
1920s-1960s	• Creation of new institutions	• Legitimisation
Increase in capabilities of members & associations		
1960s-1980s	• Protection of industry boundaries through erection of barriers to entry • Vertical integration • Change in industry-level relationships through increase in capabilities of members (image) • Change in industry-level relationships through increase in capabilities of trade association (increased dependence of members)	• Creation of new institutions • Change in industry-level relationships through increase in capabilities of members (image) • Generation/transformation of knowledge & information
Substitution for government regulation/Increase in capabilities		
End 1980s-1990s	• Change in industry-level relationships through increase in capabilities of members (reduction in taxation, scrappage scheme) • Change in industry-level relationships through increase in capabilities of members (image) • Prevention of new state regulation through self-regulation • Change in industry-level relationships through increase in capabilities of trade association (increased dependence of members)	• Prevention of new state regulation through self-regulation • Change in industry-level relationships through increase in capabilities of trade association (increased dependence of members)
Increase in capabilities		
1990s -2000s	• Increase in industry capabilities through the improvement of industry image • Change in industry-level relationships through increase in capabilities of trade association (increased dependence of members)	• Increase in industry capabilities through the improvement of industry image • Change in industry-level relationships through increase in capabilities of trade association (increased dependence of members)

Table 7-7: Patterns of Industry Structural Changes Following Trade Associations' Actions

During the first stage the associations were established as new institutions, thus altering their industries' structures and shifting power arrangements. This was especially evident in the motor industry. During this stage the effects of the power changes were twofold. First, the association members established the foundation on which to lobby for the return of the wealth lost during times of civil unrest and to coordinate their collective action efforts. Second, the new institution became a countervailing power to a professional association, which became a threat due to its ambitions in relation to motor shows and exhibitions. Unlike the motor industry, the new banking institution,

IBSC, only formalised the pre-existing institutional arrangement. It did not cause noticeable changes to the banking industry structure. Following a protectionist era driven by contextual changes, trade associations in both industries started to actively pursue their objectives. Correspondingly, their impact on their industries' structures became more noticeable. In the motor industry SIMI actively erected barriers to entry, thus protecting its existing members. In addition, it successfully expanded into the insurance and pension markets. SIMI's actions led to the strengthening of the position of the motor industry, legitimisation of the association, and increased dependence by its members.

In banking a fundamentally new institution, the IBF, was established at the end of the 1960s, thus changing the industry power arrangements and the capabilities of its players. The case data suggested that between the 1960s and 1980s, IBF's self-regulation and other actions also resulted in the increased dependence of its members and increased the power of the association over them. Another common feature of this period observable in both industries was efforts by both associations to improve their members' image (this was more explicit in the motor industry). This was a successful attempt to increase the barriers to entry for non-members. Associations also attempted to alter their industries' regulatory environment. Although driven by different factors, both trade associations successfully developed and established new institutions and codes of conduct and practice, thus avoiding and preventing government regulation. During the last stage, the two associations' actions led to the improvement of the overall image of the banking and motor industries. Associations also managed to further extend their power over their members by developing a range of market activities. They facilitated information dissemination and training, thus building the competency and increasing the capabilities of their members.

The case analysis suggests that the focus of trade associations over time shifted across levels, thus creating a time/level dimension. In the 1920s associations primarily focused on industry-level power arrangements and their relationship with the Cabinet. The motor industry association became a counterbalance to other organised interests, thus changing the disposition of power at the industry level, and established its position towards government by demanding the payment of debts. The banking association also focused on the retention of existing power arrangements between the banks and the government. Since the 1970s the power issues still remained important, but they were transformed from the level of 'associations vs. government' to the 'association vs. members' level. Finally, in the 2000s the SIMI and the IBF influenced the industry and member levels by improving the reputation and the image of the industry by targeting customers.

There is also a strategy type /level dimension to the impact of trade associations on their industries. For example, the lobbying strategies of trade associations resulted in fewer observable outcomes

than self-regulation strategies. At the same time, although lobbying was essentially aimed at achieving polity level changes, it had more influence on the member level. The associations' establishment, restructuring, and expansion of membership caused structural changes at the industry level through the reduction of competition. Market activities, which became a popular strategy towards the end of the 20th century, influenced both the member and polity levels. Thus, by increasing members' capabilities, trade associations justified members' fees, and increased their dependence. In addition, the SIMI and the IBF increased their bargaining power at the national and EU levels.

CHAPTER 8 DISCUSSION & CONCLUSIONS

Science is facts, just as houses are made of stone...
But a pile of stones is not a house, and a collection
of facts is not necessarily science.
Jules Henri Poincare

8.1 INTRODUCTION

This study set out to explore the impact of trade associations on the structural evolution of industries. As discussed earlier, only a few studies from the economics and sociology perspectives have examined the evolution of whole industries and the need for further exploration of the processes at this level of analysis has been identified. The review of trade association literature highlighted the fragmented nature of previous research. A few studies that were undertaken identified self-regulation and institutions as empirical drivers of industry-level changes, but the role of trade associations as drivers of industry-level change has not been previously explored.

The chapter links empirical findings on industry evolution and trade associations to the broader literature. It then moves on to the discussion of conceptual and methodological explanations of the four theories, and looks into how the overarching evolutionary framework explains industry-level evolutionary processes. The chapter then proceeds to the discussion of this study's contribution to knowledge, and the theoretical and conceptual, policy and practice, and methodological implications of this research. Finally, it concludes with the overview of directions and implications for future research.

8.2 LINKING EMPIRICAL FINDINGS TO THE LITERATURE

8.2.1 Industry Evolution

This study focuses on industry evolution from the strategy perspective and undertakes a 'broader view of industrial structure and its evolution over time' (Malerba & Orsenigo, 1996: 54), which differs from the traditional market structure view (Malerba & Cantner, 2007). It incorporates the emergence of new industries, generation/transformation of technologies and products, development and change of capabilities, relationships between actors, and industry boundaries. The study adds to the scarce literature on the structural evolution of industries. It makes empirical contribution by providing evidence on how the Irish motor and banking industries evolved over time in terms of structure – the area that still suffers from the 'lack of empirical evidence' (Malerba & Orsenigo, 1996: 54). The question of what drives change is a key element in the study of change (Quinn, 1999). By exploring trade associations as drivers of industry evolution, and by employing a multi-

modal framework, the study also enhances the literature, which is characterised by a considerable diversity in perspectives.

8.2.1.1 Empirical & Descriptive Literature

The empirical and descriptive literature explores a wide range of factors, including technology, government, and institutions. Many modern accounts of industry change and its drivers are based on the five forces model proposed by Michael Porter (1980), suggesting that technology, demographics, trade barriers, political conditions, and regulations influence industries. Another view on what drives industrial change is concerned with industry self-regulation as a driver. Self-regulation at the industry level is defined as 'a regulatory process whereby an industry-level organisation (such as trade association) sets and enforces rules and standards relating to conduct of firms in the industry' (Gupta & Lad, 1983). In their recent work Quinn & McHugh (2006) and Quinn & Leavy (2005) advocate the role of trade association as important drivers of industry evolution. Current study fills the gap in the literature on industry evolution by exploring how trade associations drive structural changes at industry level. The thematic analysis presented in the previous chapter identified the ways trade associations make an impact on their industries. The chapter also offers the description of strategies that made an observable impact, and the contextual industry level factors that define and initiate these strategies. In addition, the cross case analysis suggested that there is an evolutionary pattern of the impact of trade associations on the structure of their industries, which is defined by the contextual developments at the industry, national, and international levels. The over time developments explored in the previous chapter, show that until the 1960s trade associations altered industry structures mainly by establishing new institutions. Between the 1960s and 1980s, in light of increasing competition from the EEC countries, they protected their industries by erecting barriers to entry and strengthening their position by increasing their capabilities. Self-regulation by trade associations became an important diver of industry evolution for two decades before the 1990s, during which the risk of government intervention was high. Finally, since the 1990s until the 2000s trade associations mostly influenced their industries by securing and strengthening the existing industry-level power relationships through the increasing capabilities of members and associations themselves.

8.2.1.2 Theoretical Propositions

This multiplicity of theoretical propositions on what drives industry-level change – seen by many as problematic – was addressed in this study by using multiple theoretical approaches. One example is the efficiency-power debate. The economics 'efficiency' explanation of drivers of change (Williamson, 1996), – popular in organisational theory – has been criticised by supporters

of 'power' explanations (Pfeffer & Salancik, 1978). There are also those who suggest that social norms, culture and traditions should also be considered (Granovetter, 1985; Roberts & Greenwood, 1997). Another example is the discussion of the single/uni-dimensional (transaction cost economics, resource dependency theory) vs. multiple/multi-dimensional change drivers (population ecology, institutional theory). Finally, some theorists view drivers as being external to organisations, while others propose that an organisation itself can act as a driver of change. The last two points are related to the level of analysis (individual organisation vs. population). The findings of this study generally support the conceptual and theoretical propositions found in the literature. Thus, according to TCE, efficiency is achieved by creating economising governance structures and acts as a driver of industry change at the level of organisation and as a substitute when markets fail. TCE explains much of restructuring activities of banking and motor industry trade associations. It shows that efficiency considerations were often behind lobbying strategies of trade associations, which often led to members' transaction cost reduction. TCE also suggests that interorganisational relations can help overcome problems like market failure, difficulties with regulation, high transaction, opportunism and legitimisation costs, and can reduce competitive pressures (Schneiberg & Hollingsworth, 1996). Through their non-market and some market actions the Irish motor and banking industry trade associations managed to reduce competitive pressures following the EEC accession. Self-regulation used by both trade associations helped to overcome difficulties with government regulation. Finally, members' transaction costs were reduced through non-market strategies, for example by establishing the insurance scheme for members. Another economics based theory, IGT, suggests that industry structures can be changed when the patterns of government policies are influenced by competition between different organised groups, who are the potential recipients of wealth transfers. In terms of trade associations' objectives, this proposition is valid and applicable to banking and motor industry. At the same time, very few non-market strategies of the Irish motor and banking trade associations achieved changes in government policies. Possibly explainable by the fact that both trade associations (and the motor industry association in particular) were weak interest groups. IGT also suggests that influence over government policy choice can be increased through resource demanding or rent-seeking (Drazen, 2000), such as lobbying, direct engagement in politics, and shifting in and out of the affected activity (Buchanan *et al.*, 1980). This proposition explains a lot of the lobbying and self-regulation activities of trade associations, which were developed to influence the wealth transfer processes and the redistribution of wealth from other groups. Similarly to the previous argument, however, the cross-case analysis showed that, although present, motor and banking industry rent-seeking activities often failed to achieve wealth redistribution. This interest group weakness is particularly

evident in the case of the Irish motor industry association, where industry nomination to the Seanad Éireann failed to influence any government policies and lobbying mostly failed to achieve its primarily objectives. Resource dependency theory (Pfeffer, 2005; Pfeffer & Salancik, 1978), just as the exchange theory in sociology, deals with power/control issues and the strategic actions taken by organisations to manage interdependences with other organisations (Aldrich & Ruef, 2006). The theory considers concepts like power, trust , and dependency of resources (Trienekens & Beulens, 2001), and suggests that change is driven by power. Unlike economics-based theories, RDT offers comprehensive explanations of the associations' market activities, such as trade promotion, PR, information dissemination, and training. These market activities were often developed to retain membership numbers and to increase members' dependence on trade associations, thus increasing the power of the latter. New-institutional theory in sociology emphasises the importance of norms and the institutional expectations that determine organisational behaviour (Getz, 1997). Professional groups are viewed as the main collective actors that generate institutional rules (Scott, 2003). They act as regulatory agents (Greenwood *et al.*, 2002) and as sources of normative institutions (DiMaggio & Powell, 1983). Along with RDT, NIT has a potential to explain the behavioural, power, and institutional considerations of trade associations' activities and their outcomes across the two industries. Legitimisation became an important consideration for training and trade promotion, and for the non-market strategies of motor and banking associations. In addition to legitimisation of members and trade associations, the latter generated institutional rules and increased similarities across members. As suggested by the NIT, trade associations altered industry structures through the formation of new institutions and institutional norms. The latter is especially evident in the associations' self-regulation strategies. In addition, the growing importance of reputation and image, as new sources of selective pressures, initiated self-regulation, which often diminished such pressures.

8.2.2 Trade Associations

The review of the literature on trade associations supported earlier propositions of organisational scholars about the fragmentation and inconsistency of knowledge in the field. Many studies on trade associations' functions, political role, and the ability to impose standards and efficiency within industries were descriptive. The examination of works on trade associations also highlighted the issue associated with the level of analysis used. This study adds to the body of knowledge on trade associations by offering rich empirical data on their formation, strategies, and impacts at different levels. It also investigates the explanatory power of different theoretical perspectives. This complementary use of the four theories in explaining the trade associations' formations and actions has been particularly useful. Transaction cost economics explains the establishment and

restructuring of trade associations, and the motivation behind some of their lobbying and self-regulation strategies. This theory offers cost minimisation/efficiency increase accounts of the impact of the associations' establishment and the outcome of some of their lobbying strategies. Similarly to TCE, the Interest Group Theory is able to explain the establishment of trade associations, and the reason they engaged in some lobbying, self-regulation, and negotiation activities. IGT explains the impact of lobbying activities that often led to the prevention of wealth transfer from trade associations and to wealth transfers to members from other parties.

8.2.2.1 Organisational Properties of Trade Associations

The cross-case analysis showed that throughout different stages of industry evolution the levels of trade associations' activities varied. These findings provide empirical support to previous studies in the field. Thus, some researchers suggested that cooperation often became a response to changing environmental forces (Irish Banking Review, 1961a; Ryan, 1961), and to economic and political pressures (Berk & Schneiberg, 2005; Gupta & Lad, 1983; Kennelly & Murrell, 1991; Oliver, 1990). The current study found that similar processes were also observable in the Irish motor and banking industries. Trade associations established and took actions following varied contextual developments. At the same time, the anticipation of contextual changes was also important in driving the associations' strategies: many actions of the motor and banking industry were aimed at keeping the existing contexts and preventing these environmental changes. Some studies suggest that the increasing competition towards the end of the 20th century made trade associations (in particular focusing on British and German associations) find new ways to support business (PICKUP Europe Unit, 1991). The pattern of strategies of the Irish motor and banking trade associations explored in this study also changed over time. In addition to increasing competition, however, the data showed that the environments became more demanding in terms of the transparency of business practices, and reputation emerged as an important determinant of industry success. Therefore, both associations started to pay less attention to the protection of industry boundaries through erection of barriers, and instead focused on the improvement of the reputation of members and industry.

The review of existing research at the 'association as organisation' level suggested that several studies have looked at the organisational characteristics of trade associations. Some researchers proposed that the establishment, failures, and effectiveness of trade associations were defined by their structural properties (Halliday *et al.*, 1987) and other organisational characteristics (Barnett *et al.*, 2000; Schneiberg, 1999; Washington, 2004; Whitley, 2002). The findings of this study support these propositions. The Irish motor and banking industries exhibited similar evolutionary patterns and their strategies were generally driven by similar contextual developments. At the same time,

they responded differently to these developments. There is enough evidence to suggest that differences in trade associations' responses were determined by the differences in associations' organisational properties. Initially, the associations' 'polar type' features guided the choice of industries for this study. These were also supported by the data. Thus, the principal differences across organisational properties of trade associations in both industries were observed in the following areas: (1) representation of industry segments, membership structure and the scope of representation; and (2) leadership. (1) During the first two evolutionary stages (Table 7-6) representation in the banking association was limited to a few powerful associational members. This reflected the outer context, which showed very little evidence of any threat from the government, or from a limited number of other less powerful industry players. In the 1970s, however, contextual changes forced the IBSC members to reassess the membership criteria of their industry association. As a result, IBSC was retained for clearance and other operational banking issues, and IBF was established as a representative association for all (not just six as in IBSC) banking institutions with the narrow focus on banking functions of members. From its establishment the Irish motor association structurally differed from the banking trade association. It quickly expanded to include almost all motor-related segments, thus becoming one of the largest European motor associations in terms of membership structure. The implications of these differences in trade associations' structures were discussed in the previous chapter. (2) The literature offers a mixed account of the leadership factor in trade associations. Thus, Clarke (2004) found that the leadership in the UK trade association was weak. Quinn & Leavy (2005: 53), on the other hand, suggested that leadership, or 'thymos', played a crucial role in the evolution of the Irish Wholesale Grocers Association. The findings in the current study on the role of leadership in trade associations suggest that leadership played an important role in motor industry. In the Irish banking industry the leadership took a form of group control at the early stages of industry evolution, when the largest and more powerful members drove the development and implementation of the association's strategies. Since the 1960s, however, no evidence of strong leadership in banking has emerged. In contrast, in the motor industry many of the SIMI's actions and strategies were caused by a strong leadership factor. The data suggest that while the objectives and aims of associations remained relatively unchanged when their leaders changed, the way these objectives were achieved and what strategies were in place to achieve them differed considerably. For example, Leo Keogh, SIMI Chief Executive between 1968 and 1982, was a believer in confrontational approach to lobbying strategies and initiated a series of street actions to pressure government to changing legislation. Cyril McHugh, his successor, advocated a more cooperative stance and preferred talks, discussion, and professional submissions, rather than confrontation.

8.2.2.1 Self-Regulation and Other Strategies of Trade Associations

The review of trade association literature showed that industry self-regulation has often been viewed as a substitute of or a supplement to government regulation (Gupta & Lad, 1983). A few studies found that self-regulation was driven by regulatory pressures from the government, and could be achieved through best practice development and enforcement (Andrews, 1998; Gupta & Lad, 1983; Lenox & Nash, 2003). Self-regulatory patterns of trade associations explored in the current study generally support these earlier findings. Until the 1960s (Table 7-6) the banking association, and since the 1960s also the motor associations, used self-regulation to prevent government regulation. Self-regulation in the motor industry also increased barriers to entry for non-members (for example a Retail Customer Complaint service, which was not available for non-members). Since the 1990s both industries used self-regulation to complemented government regulation through the best practice development and reinforcement.

The findings of this study reveal another set of interesting patterns regarding trade associations, which have yet to become the subject of a full-blown study. The evolution of strategies developed and implemented by both associations exhibited similar cost and focus patterns. Thus, over time strategies generally evolved from low-cost personal communications and committee consultations to high-cost expensive media campaigns and consultation services. In addition, from lobbying for a large battery of issues with the hope that at least one of them could be implemented, associations narrowed their focus and concentrated on the most important objectives. Principal differences were also observed in the ways trade associations' strategies were implemented. For example, lobbying by the motor industry association mostly went through official channels, such as pre-Budget submissions, consultation papers, and Seanad nominations, while personal informal communications remained the preferred means of lobbying in the banking industry. Case data fails to offer any deterministic evidence for the basis of such differences between the two trade associations. One explanation is that these strategies are largely path dependent and historically driven by idiosyncrasies of the associations. Thus in order to achieve their objectives, powerful banks could rely on informal channels in their dealings with cabinet members and other representatives of the regulatory environment. The less powerful representatives of the motor industry, in contrast, used more formal ways, thus not only formalising their strategies but also gaining publicity for them.

8.2.2.2 Trade Associations as Drivers of Industry Evolution

The impact of trade associations' strategies on industry evolution remains the most understudied aspect of trade associations' activities. The findings of this study suggest that through their

establishment, restructuring, market and non-market activities, trade associations were able to alter the structures of their industries and played an important role in determining the evolutionary paths of their industries. The impact of trade associations varied over time, and their strategies were often aimed at protecting and defending industries' interests, thus increasing their [industries'] stability and facilitating the continued wellbeing of members. Associations also facilitated learning and the dissemination of important information, thus helping their members deal with changing contexts.

The outcomes of associations' strategies often depended on the strategy used (Table 7-5). The establishment and restructuring of associations directly, or through the creation of new institutions and legitimisation by members, resulting in modified industry-level power arrangements. The market actions of associations facilitated learning, and contributed to improvements in their industries' reputations. Finally, non-market strategies sometimes prevented government regulation. More often, however, associations erected barriers to entry for either foreign companies/banks, or non-members. Through their market and non-market strategies associations also increased the core and inner capabilities of their members. The former are defined as a 'firm's capacity to deploy resources for a desired end result' (Helfat & Lieberman, 2002: 725). The inner capabilities are referred to as a knowledge set that distinguishes and provides a competitive advantage. This definition was suggested by Leonard-Barton (1992), who also discussed the four dimensions, within which firm's core capabilities were embedded. These are the knowledge and skills of people, technical systems, managerial systems, and organisational values and norms. Thus, the knowledge assimilation activities of trade associations identified in this study helped to advance the technological base of their members, and training workshops contributed to the improvement of managerial systems and the knowledge and skills of employees. Organisational values and norms were also influenced by self-regulation through codes of conduct and practice and by several PR campaigns.

The findings of this study supported a few of the propositions regarding the impact of trade associations on their industries that were identified in previous studies. For example, Greenwood, Suddaby & Hinings (2002) suggested that collective agencies were important within the organisational field, since they were able to legitimate the industrial change process by defining the institutional logic. In other words, associations initiated or participated in the formation and reproduction of shared meanings and understandings across their industries. Similarly, the findings of this study suggest that trade associations acted as drivers of industry evolution through information dissemination, thus facilitating the change process and legitimisation, and increasing the capabilities of the associations' members. Lynn & McKeon's (1988) found evidence of associations' impact on industrial renewal, technology development, and the fostering of

international competitiveness in the US and Japanese iron/steel and machine tools/robotics industries. In the Irish banking and motor industries, the actions of associations targeted the protection of their industries, since these industries focused on the internal market and were not export-oriented. Thus, although Irish trade associations facilitated training and technology development among their members, they often did so in order to increase their members capabilities and to erect barriers to entry to protect members from imports, and new or external (e.g. foreign banks) players. Therefore, instead of increasing the competitiveness of their members in international markets, the associations protected their members from international competitors. Sine, Haveman & Tolbert (2005) found that associations safeguarded their members' positions by reducing the overall heterogeneity of new industry members. The authors suggested this could be achieved through creating regulative (favourable tax policies) and cognitive (spread of knowledge throughout the industry) institutions. This study confirmed these propositions and found that lobbying (when successful) and most of the associations' market strategies led to similar outcomes.

8.2.2.1 Discussion of Conceptual Explanations

The review of the literature showed that trade associations have mainly been studied from the perspectives of sociology and economics. The former offered power, dependency, and behavioural explanations. The latter focused on efficiency and interest group issues. In order to better capture the complexity of the field this study applied four theories from these two perspectives. The operational concepts originating from both fields and summarising the following analysis of previous works on trade associations aided in the development of concepts for the purpose of this research.

Despite the common use of Transaction cost economics (Williamson, 1975, 1985, 1996) as an economic theory of exchange in the literature, the theory does not offer explanations of why and how trade associations form. As mentioned earlier, its explanation of the formation of interorganisational relations is limited to efficiency and cost-minimisation and ignores learning, legitimacy, perceived fairness, and other human nature characteristics (Aldrich & Ruef, 2006; Barringer & Harrison, 2000; Ring & van de Ven, 1994). Interest group theory suggests that interest groups form for many reasons, including legitimisation, cost reduction, and externality-reducing properties. The availability of wealth transfers through regulation and public policies motivates companies to cooperate in order to influence the transfer process in their favour (Anderson, 2001) and at the expense of unorganised or less organised groups (Ekelund & Tollison, 2001). Resource dependency theory (Pfeffer, 2005; Pfeffer & Salancik, 1978), as an exchange theory in sociology, deals with power/control issues and the strategic actions taken by organisations to manage interdependences with other organisations (Aldrich & Ruef, 2006). The theory suggests that

organisations participate in interorganisational relations through the creation of vertical and horizontal dependencies and by engaging in exchanges with their environments to obtain critical resources, reduce or minimise the negative effects from dependencies (from government or other organisations), gain control, and decrease uncertainty (Barringer & Harrison, 2000; Getz, 1997). This study generally supports the propositions of the economics theories and suggests that the emergence, restructuring, and non-market activities of trade associations were often driven by the threat of increases, or by already increased transaction costs. In the motor industry it was largely driven by the availability of wealth arising from motor shows and rallies, and from the possibility of its transfer from professional association. At the same time, power, dependency, and behavioural explanations appear to be much stronger drivers of trade associations' formation and restructuring. Legitimisation emerges as the most useful explanation for the formation and restructuring processes described in this study. Institutional changes and the need for legitimisation following the independence of Ireland, and anticipation of EEC membership became the driving forces for members to form associations at earlier stages, and for existing associations to restructure at the later stages of industry evolution. Threats to the power of trade associations and the increased power of other actors contributed to the establishment and many of the restructuring activities of trade associations in both industries. Restructuring was also an opportunity to expand the associations' power over emerging industry segments or new entrants, such as foreign banks, and to increase the bargaining power. Decreases in the dependence of associations' members, on the other hand, became one of the factors, which contributed to the decline and dissolution of the IBCS.

According to TCE interorganisational relations can help overcome problems like market failure, difficulties with regulation, and high transaction, opportunism and legitimisation costs. Trade associations can also help reduce competitive pressures (Schneiberg & Hollingsworth, 1996). Efficiency is achieved by creating economising governance structures and acts as a driver of industry change at the level of organisation and as a substitute when markets fail. This study suggests that efficiency considerations were behind many lobbying activities of trade associations. On the organisational level, efficiency consideration often drove associations' restructuring. The theory does not deal with the role of power, culture, and people in the choice between market and hierarchy. It leaves outside its scope the relational aspects of cooperation over time, the reduction of opportunism through trust, cultural incompatibility, and bonding between partners (Barringer & Harrison, 2000; Child *et al.*, 2005). Thus, in application to this study TCE generally fails to explain why trade associations in both industries developed market activities, such as trade promotion and training (with the exception of the development of the insurance scheme in the motor industry,

which was aimed at reducing transaction costs for associations' members following new legislation). When a lobbying strategy was successful, associations generally achieved their objective and decreased transaction costs for their members. IGT suggests that competition between different organised groups of potential recipients of wealth transfers influences government policies. Influence over government policy choice can be increased through resource demanding rent-seeking (Drazen, 2000), such as lobbying, direct engagement in politics, and shifting in and out of the affected activity (Buchanan *et al.*, 1980). Thus, IGT theory explains a lot of the lobbying and self-regulation activities of trade associations, which were developed to influence the wealth transfer processes and the redistribution of wealth from other groups. Similarly to TCE, IGT fails to offer explanations for the market activities of trade associations, which were mostly driven by institutional, power, and dependency considerations. RDT theory considers concepts like power, trust and dependency of resources (Trienekens & Beulens, 2001), and suggests that change is driven by power. Unlike economics-based theories, RDT offers comprehensive explanations of the associations' market activities. Trade promotion, PR, information dissemination, and training activities (as well as pension and insurance schemes in the motor industry) were often developed to retain membership numbers and to increase members' dependence on trade associations, thus increasing the power of the latter. Similar considerations were behind the non-market activities of trade associations. Finally, NIT in sociology emphasises the importance of norms and the institutional expectations that determine organisational behaviour (Getz, 1997). Professional groups are viewed as the main collective actors that generate institutional rules (Scott, 2003), act as regulatory agents (Greenwood *et al.*, 2002) and as sources of normative institutions (DiMaggio & Powell, 1983). Along with RDT, NIT has a potential to explain the behavioural, power, and institutional considerations of trade associations' activities and their outcomes across the two industries. Legitimisation also became an important consideration for training and trade promotion, and for the non-market strategies of motor and banking associations. In addition to legitimisation of members and trade associations, their market and non-market strategies also increased similarities across members. As suggested by the NIT, trade associations altered industry structures through the formation of new institutions and institutional norms. The latter is especially evident in the associations' self-regulation strategies. In addition, the growing importance of reputation and image, as new sources of selective pressures, initiated self-regulation, which often diminished such pressures.

8.2.3 Applying Evolutionary Framework

The empirical findings of the study generally support the conceptual propositions embedded in the theoretical framework. Variation, the threat of variation, and selection as evolutionary processes

drove the trade associations' establishment, restructuring and actions. Thus, the external variation and the opportunities to create variation caused trade associations to form and restructure. The market activities of trade associations resulted from the external variation and new external pressures. Non-market activities were caused by the external variation and the threat of external variation. In terms of the impact on their industry, through establishment and restructuring, trade associations created new variations, adapted to variations, and dealt with selective pressures. Their market activities helped associations to adapt to external variations and diminish selective pressures. Lobbying (when successful) prevented/reversed variation, created new variation, and influenced selection processes. Finally, self-regulation created new variation, an opportunity for new variation, and became a source of new variation. This section looks into the evolutionary processes in more details and shows how the overarching evolutionary framework explains the industry-level evolutionary processes. It is structured in a way that corresponds with the three research subquestions and links the findings of this study to the evolutionary propositions of the four theories.

8.2.3.1 Why do trade associations act and what do they aim to achieve?

The establishment, mergers, major structural changes, and decline of trade associations often took place as a response to some external variation caused by changes in government policies, the establishment of trade unions, increasing competition, or legislative changes at both the European and national levels. In addition, evidence shows that structural changes were implemented if associations saw the opportunity to create variation. For example, increasing competition imposed not only risk, but also an opportunity for trade associations to exert power by expanding into new segments. The threat of increases in transaction costs (TCE) and the need for legitimisation (NIT) appear as driving forces for the establishment and restructuring of TAs in both industries before protectionist policies were implemented in Ireland. The threat to power (RDT) as a reason to coordinate actions through trade association, became evident in banking, while motor industry companies were mostly concerned with financially losing out to professional associations and trade unions (IGT). The increased power of other actors (RDT), the decreased dependence of banks on its services (RDT), and institutional changes (NIT) led to the decline of the IBSC. No noticeable establishment and restructuring activities in either industry took place between the 1930s and 1960. Heavy protection of the motor industry and the strong power of the banking industry eliminated the need for both trade associations to seek to establish new or better structures to deal with the external environment. The period from the 1970s to 1990s imposed industry- and EU-level structural changes and created external variations. Moreover, customer and member expectations of the association's role began to shift towards increasing efficiency and transparency. Trade

associations had to deal with new sources of selective pressures. As a result, trade associations in both industries underwent restructuring to include new member segments and to streamline their operations to achieve efficiency. Unlike the beginning of the century, however, these actions were driven by the need to legitimise in the new EEC environment and across new segments (NIT), and the opportunity to expand its power (and thus increase the dependence of members) over new industry segments (RDT).

Since the 1980s both industries faced the necessity to legitimise themselves in the eyes of members, governments and customers (NIT). In addition, they identified the need to increase their power over members so as to deepen their dependence and keep membership numbers high (RDT). Trade and product promotion activities were driven by the industry-level external variations, such as investigations by the Competition Authority and increasing competition, which could result in the loss of market share for trade association members. There is also evidence of new selective pressures emerging in both industries, which are embedded in increasing customer and government expectations of higher standards, transparency, and environmental awareness.

External variation (national and/or EU-level legislation introduced and level of taxation for motor industry) and the threat of external variation (national and/or EU level legislation not yet introduced, trade unions strikes) became the driving factor for a series of lobbying and negotiation activities initiated by the trade associations in both industries. The evidence shows that threat of variation caused by the unions before the 1920s, and by the government in the 1930s led to the signing of agreements with unions, and to banking industry lobbying against the establishment of government and Central Bank commissions. Commencing from the 1970s, lobbying by the motor industry trade association was used to tackle taxation levels, to reduce competition caused by hypermarkets, and to decrease the import levels of more affordable second-hand cars. In the banking industry lobbying was the outcome of new developments and was aimed at influencing legislative outcomes. Evidence shows that towards the end of the 20th century lobbying also reflected new selective pressures, which included customer and member expectations. It became more focused and professional. The lobbying and negotiation activities of trade associations were caused by either the threat of the redistribution of wealth from associations and their members to the government and/or competitors (IGT), or by the opportunity to gain from the redistribution of wealth from others (IGT). Lobbying in the form of large-scale campaigns was also driven by the need to legitimise the association and its operations (NIT), and by the need to reduce transaction costs and increase the efficiency of trade association and its members (TCE).

Self-regulation is evident in the data extracted from both cases. In banking, the level of self-regulation was very high until the 1960s, when the trade association was represented by a small

number of large players, and no powers were exerted over banks by the government. In the motor industry no self-regulation was observable until the 1970s. The threat of external variation imposed by the government and/or government agencies (and lack of this threat in banking before the 1960s), and increasing competition has always been the most significant motivation for self-regulation in both industries. The exception was the establishment of the Retail customer complaint service and the introduction of Code of conduct by the SIMI in Ireland following the UK examples. The threat of decreases in the trade association's power (RDT) and the threat of a redistribution of wealth from members to other actors and the government (IGT) are evident in both industries since 1970s. In banking, however, the threat of a decrease in the power of the association's members (RDT) and new sources of selective pressures (NIT) also merge as important motivational factors. On one occasion in banking industry, self-regulation became the direct outcome of government regulation. In the motor industry, by contrast, self-regulation was often aimed at reducing member's transaction costs (TCE), thus increasing their dependence on the trade association (RDT).

8.2.3.2 How Do Trade Associations Act?

The case data suggest that despite industry level variations, the patterns of the drivers and impacts of the establishment and restructuring of trade associations on the motor and banking industries exhibit similar characteristics. Following external pressures, companies in both industries formed new institutions to represent their common interests and legitimise their actions (NIT). By doing so, potential members retained their power (RDT) and prevented transfers of their wealth to other parties (IGT) (for example, monopolisation of trade shows and exhibitions by professional associations in motor industry, and successfully opposing the government in banking industry). Mergers and professional consultations on the restructuring of trade associations led to their legitimisation (NIT), increased efficiency and decreased transaction costs (TCE). The expansion of membership to new industry segments, on the other hand, increased the power of trade associations over their members and the dependence of members on trade associations (RDT). In addition, associations increased their bargaining power (RDT).

As a response to external variations and new selective pressures, the banking industry launched an information service for members and customers, and produced a range of general publications on banking, aimed at increasing awareness of banking issues among association members and their customers. SIMI went further by developing two large-scale PR campaigns and rebranding itself. Moreover, it successfully diversified its activities and member services to reduce the association's dependence on membership fees. The case data suggests that TAs in both industries did not engage in large-scale member training and seminar activities until the 1990s. The rise of such activities

took place following variations created in the environment, such as an introduction of new legislation. New sources of selective pressures also seem to be a driving force. Thus, towards the end of the 20th century trade associations were viewed not only as representative associations by their members, but also as knowledge and training support centres. These expectations became new selective pressures for trade associations. Overall, seminars and training led to the legitimisation of trade associations (NIT). At the same time, this allowed them to increase associations' power by increasing the dependency of their members on information and training (RDT).

8.2.3.3 What impact do trade associations have on their industries?

In terms of evolutionary processes, the establishment of new representative institutions in response to the external variations by the industry players in both industries created new variations. Thus, members found a way to coordinate their efforts and an institution through which to negotiate industry-level issues with the government and other parties. Organisational restructuring and optimisation of their internal operations allowed both associations to adapt to variations caused by their external environment, such as increasing competition or the emergence of new institutions. Moreover, it helped the associations to deal with changing selective pressures by meeting new efficiency and transparency requirements and public expectations. By expanding their membership to more industry segments, trade associations created new variations, including the strengthening and legitimisation of their associations and reducing competitive pressures on their members.

The market activities of trade associations, such as the introduction of pension and insurance schemes, collection of statistical data, the launches of environment and PR campaigns (motor industry), publication of information packages (banking industry), and seminar and training workshops in both industries generally led to similar outcomes across the two industries. Data suggest that the market activities of associations, triggered by changes at the national and international levels, mainly influenced the association-member relationships. Thus, they increased the dependence of members on their representative bodies (RDT), and accordingly, increased the power of both associations (RDT). Moreover, market activities increased similarities across members (NIT) and increased the legitimisation of the trade associations (NIT). The impact of market activities on the evolutionary processes in both industries was driven by external variations occurring at the national and international levels. Through their actions, associations and their members could adapt to these variations without noticeable losses of revenues and market share. In addition, associations also diminished selective pressures by influencing industry-level selection processes, thus exhibiting the advantage of obtaining their membership for non-members.

Almost all of the lobbying activities in both industries resulted in the legitimisation of the trade associations and their industries (NIT), many increased similarity across the associations' members (NIT) and achieved wealth transfers to members from other parties (IGT). In the motor industry, lobbying activities also resulted in increased dependence of members on their trade association (RDT), and in the reduction of members' and the association's transaction costs (TCE). The lobbying activities of trade associations in both industries mainly aimed at preventing or reversing variation, creating new variation, or influencing and changing their selection criteria. Only a few of these strategies resulted in observable changes in both industries. Thus, SIMI:

- Deferred variation (termination of motor industry protection) by extending special treatment of the motor industry upon the EEC accession;
- Created new variations in response to high taxation levels by securing tax reductions, increasing awareness of politicians and general public about the situation in the industry, and launching successful scrappage scheme;
- Influenced/changed selection processes (similarities across members, customer expectations from members) by launching marketing and PR campaigns aimed at both customers and members.

In banking, the impact of lobbying is less noticeable. Although the association regularly interacted with authorities, the evidence suggests that the only observable impact of its lobbying on industry evolution is its influence on selection criteria in the 2000s. Analysis of the case data also suggests that the issues of selection criteria for trade associations emerged only in the 1980s (motor industry) and in the 2000s (banking) industry.

The self-regulation activities of trade associations in the Irish banking and motor industries resulted in a few industry-level structural changes. First, associations established new intermediary institutions (NIT). The Retail customer complaint service and credit institutions ombudsman scheme were set up as conflict resolution entities between members and customers, and turned into long-term substitutes for state regulation. Second, associations increased similarities across their members (NIT) and their power over them, thus increasing their members' dependence on them (RDT). All members became bearers of the brand, quality, standard, and other characteristics, which made them similar and distinguished them from non-member companies. Third, the introduction of codes of conduct and codes of practice diminished selective pressures (NIT). Finally, through their actions trade associations continued to establish themselves as legitimate institutions. In banking, the long period of self-regulation, which lasted until the 1960s, allowed the IBSC members to retain their power. In terms of the impact on evolutionary processes, self-regulation in both industries led to the creation of new variation by trade associations in response to context-embedded variations, the threat of variation, and /or the opportunity to create variation. In addition, associations became sources of new selection criteria. In banking self-regulation helped to retain selection criteria for almost four decades.

The analysis of the available data suggests that it is hard to classify associations' strategies into short-term and long-term strategies. Most strategies were aimed at achieving long-term retention objectives of maintaining current levels of costs, redistribution, and rent-seeking (*e.g.* market strategies, Seanad nominations). At the same time, many associations' activities also pursued short-term goals (*e.g.* annual budget submissions). However, even short-term objectives with immediate pay-offs could also retain costs or relationship levels in the long run. Thus, pre-budget submissions pursue immediate short-term goals, but also help to retain membership numbers in the long-run through the 'optics' effect. Economics theories suggest that retention could be achieved through enforcing repetitive transactions, transaction-specific investments, and establishing long-term relationships. For example, in the motor industry SIMI established pension and insurance schemes for members and set up a customer complaint service. Sociology perspectives emphasise shifting power to the units within an association with critical resources, restructuring, promoting shared understanding, socialisation, and new norms and understandings. For example, since the 1960s SIMI actively used its right to nominate candidates to the Seanad from the Industrial Panel. Since a successful nomination depends on the support of political parties via the Seanad electorate (TDs, Senators, and Councillors), this would allow the associations to build up and maintain a long-term working relationship with a wide spectrum of political parties. The banking industry association, on the other hand, preferred to retain existing relationships and rent-seeking through informal personal communication. Both associations also engaged in training and information dissemination activities, and developed codes of conduct and practice, thus promoting shared understandings, socialisation, and new norms and understandings.

8.3 CONTRIBUTION OF THE STUDY

> A distinct contribution to knowledge' can be achieved by using relatively new methodology in a field, using a methodology in a country where it has not been used before, or making a synthesis or interpretation that has not been made before (Perry, 1994: 25)

The literature review suggested that there has been a dearth of studies on how industries evolve over time in terms of structure, and on what drives these industry-level changes. By exploring the role of trade associations in the evolution of their industries, this study fills the gap in the literature and makes a valuable contribution to knowledge of industry evolution and trade associations. Multi-modal design of the study, which utilises four theories common to both fields, and the innovative application of evolutionary approach to the within-case analysis make theoretical and conceptual contributions. Two substantial case studies constructed to answer the research question became the first comprehensive accounts of the evolution of the two Irish industries: motor and banking. These cases not only offer great historical data, but also stand as great pools of information for policy-makers, trade associations, and academics, thus making a unique

contribution to practice. Finally, the longitudinal processual comparative case study approach used in this research required a well-built methodological base and well-constructed data collection and analysis methods. This, combined with a detailed account of the research validity issues that is rare in these types of studies, makes the methodological contribution of this work.

8.3.1 Contribution to Knowledge

The comparative analysis of the role of trade associations in industry evolution contributes a number of valuable insights into the two understudied bodies of literature. The empirical contribution to the industry evolution literature stems from the comprehensive accounts of the two case studies that reveal common evolutionary phase patterns across the two cases discussed in the Cross-case analysis chapter. In addition, the study offers an insight into the types of structural changes that take place at the industry level. Literature on trade associations benefits from the comprehensive analysis of the contextual drivers of trade associations' strategies, the nature of these strategies, and the impact that trade associations make on the structure of their industries. The study supports much of the empirical evidence found in the literature. At the same time it puts forward several propositions that have not emerged from previous work on trade associations. For example, the current study found that the external contextual drivers are much more powerful triggers of the trade associations' development strategies, than the internal ones. This study also found that earlier in the century the associations were mostly driven by threats, while towards the end of the 20th century - by opportunities and possibilities. Strategies, their drivers, and impacts across the two industries demonstrated increasing homogeneity over time and differences across associations' strategies and their impacts were often shaped by the structural properties of associations and leadership. Finally, the impact of trade associations on the member, association, and polity levels varied over time: polity level was targeted at the early stages of industry evolution, and association and member levels became the primarily focus since the 1960s.

8.3.2 Theoretical & Conceptual

The use of a multi-modal approach in the theoretical framework of this study makes a two-fold contribution. First, multi-modal study designs have been often recommended but rarely employed. Therefore, this study is one of the few to explore the usage and implications of such an approach. Second, the conceptual findings of the study prove the usefulness of the usage of a multi-modal framework. No single theory is able to fully explain the impact of trade associations on structures of their industries. Economics-based approaches work best with the drivers of associations' actions, and non-market strategies. Sociological theories, on the other hand, offer comprehensive explanations of the associations' market strategies, leadership, and relationship with members. The

analysis of the data highlights that the TCE better explains the motivational factors and the associations' impact during the earlier stages, while the RDT better accounts for the processes and actions at the later stages of industrial development, when issues like reputation, transparency, and power prevail over transaction costs and efficiency considerations. Another contribution of this study is the innovative application of the IGT, which was rarely applied in the strategy field, and was not generally viewed as an evolutionary approach. The application of the IGT to the analysis of the contextual drivers and the impact of trade associations on the structures of their industries proved valuable. This theory offered useful explanations of the motivations and outcomes of the non-market strategies of associations, particularly lobbying, which sometimes succeeded in preventing new variations or resulted in the creation of new variations.

8.3.3 For Policy & Practice

The study produced two original and comprehensive case studies of industry evolution with an emphasis on the origins, establishment, evolution, and strategies of industrial representation. The evolution of the Irish banking and motor industries in general, and their industrial representation in particular, has never been explored and documented. This research is of great interest to representatives of trade associations, policy-makers, and other stakeholders – a sentiment that was repeatedly expressed in the interviews for this study the fact that this study is the first in-depth exploratory and descriptive account of the establishment, role, and strategies of trade associations in Ireland makes it a solid contribution to policy and practice. The account of industry evolution offers an insightful description of the associations' contexts, strategies, and their outcomes. Since over time the essence of the associations' strategies generally remains unchanged, their application and success rates within different contexts can be studied for strategic purposes. This should prove useful for the associations' policy and management teams. In addition, the data offered insights into the alternative structural arrangements of industry-level representative associations. One is a focused association like IBF, which represents purely banking issues where its members are forced to seek membership in other associations representing other functions of financial institutions, including labour relations. This means that, the IBF's bargaining power and financial takings are limited. In addition, it often needs to contribute its resources to the coordination of actions with other non-banking representative associations for lobbying or trade promotion purposes. On the other hand, there are the IBF's members, who find themselves in a position of having to pay multiple membership fees and follow developments across multiple segments. However, at the same time, the association is easy to manage. The IBF can be contrasted with SIMI, which represents all segments of the motor industry at the same time. Having gained in terms of membership fees and bargaining power, it also has to deal with horizontal conflicts. The processes

and implications of the interest group activities of trade associations are of great interest to policy-makers. This knowledge becomes especially valuable in light of the recent financial crises, which initiated a lot of debates on the optimal balance between industry self-regulation and the degree of government involvement. Finally, while the study achieved its research objectives, the contextual nature of the two cases offers a great pool of historical, statistical, and industrial data that can be used for primary or secondary analysis by policy-makers, trade associations' representatives, civil servants, and scholars of strategy and history.

8.3.1 Methodological

As discussed previously, very few longitudinal studies have been undertaken in the field of strategy because of the complexity of this type of research. Accessibility of data, complexity of coding and data reduction, and validity issues are among the concerns that prevent researchers from conducting this type of investigation. This study addresses some of these complications and makes a strong methodological contribution to the future research on industry evolution. First, the conceptual framework incorporates an innovative approach to the analysis of interest groups within their contexts across the three levels. The framework captures the dynamics of the process and allows for the exploration of process patterns. Second, the study employs the archival and document methods of data collection that have been underused in the strategy field. Third, a detailed step-by-step framework of data collection and analysis was developed to structure and clarify the processes of data coding and reduction, and to highlight how and when triangulation was used. Finally, the study provides a comprehensive account of the possible validity threats, by constructing a framework of reference of the sources of invalidity of archival, historic, and interview data.

8.4 FUTURE RESEARCH AGENDA

This research has provided an important base line from which future research can further explore the implications of trade associations for the evolution of other industries in Ireland and in other European countries. The unique design of this research can be applied to other settings thus expanding the general understanding of trade associations as one of the driving forces of industry. Increasing the number of settings being explored also increases the capacity to draw generalisations about what drives trade associations, what strategies are the most successful, and what the impacts of these strategies are. The scarce, implicit, and undisclosed nature of the data on trade associations, the problems with access to these data, the secrecy and lack of transparency of some institutions, the informal style of decision-making prevalent before the 1980s, and the difficulty of data reduction and data analysis are just some of the difficulties that faced this research. The design

of this study proved useful in dealing with many data-related and conceptual issues, and can be beneficial to any future research into trade associations.

One of the issues emerging from this study is related to the organisational properties of trade associations. The structures of the representative associations in both industries differed considerably. Different structural arrangements lead to different implications for members, associational-level patterns and strategies, and industry-level processes. While a lot of work has been done on the structural properties of organisations, the study of alternative structural arrangements of representative organisations and their efficiency would greatly enhance our understanding of trade associations. Some further work could also be done on the impact of trade associations on the organisational capabilities of their members, the field in strategy, which has been referred to as a 'complex and even somewhat mysterious social phenomena' (Dosi, Nelson, & Winter, 2000: 1). This study found that through their strategies, associations enhanced the internal and external capabilities of their members, but further investigation is needed to understand the patterns and processes behind these impacts.

This research also identified three sets of trade associations' strategies and the emerging patterns of their outcomes on industry structures. However, a more comprehensive analysis is needed to fully uncover the impacts of each of these strategies in order to fully understand their contextually embedded drivers and outcomes. The scope of this exploratory study was too comprehensive to capture associations' strategies in every detail. The general understanding of trade associations' role as a driver of industry evolution would be greatly enhanced by a much deeper and more focused research agenda on specific associations' strategies.

'Leadership' emerged as an important driver in the restructuring and strategy development of trade associations. In 1981 Pfeffer argued that many of the studies of the organisational outcomes focused on the role of leaders, but neglected the situational factors (Pfeffer, 1981). The review of the later literature undertaken for this study supported this argument. Although scholarly research on leadership has flourished, little effort has been made to study leadership issues within their contextual environments. This can be explained by the popularity of theoretical propositions suggesting that the impact of single individuals on their organisations is very limited. The Resource dependency theory, for example, suggests that organisational actions are a response to external factors, not leadership actions. These and many other issues concerning scholarly research on leadership were discussed at the HBS Centennial colloquium on advancing leadership in the Harvard Business School (Nohira & Khurana, 2010). The academic output of this colloquium can serve as a starting point for future studies on the implication of associations' leaders on the structure of industries. For example, one aspect of associations' activities that came through in the

analysis was the relative reliance by SIMI on more public lobbying strategies (wide public campaign, formal pre-budget submissions etc) compared to the banking industry associations' reliance on personal communication between its representatives and the government. While available data do not allow distinguishing the causes behind the choice of these particular strategies, future investigation into strategies' drivers can focus on leadership aspects. It could be valuable to identify the individual members of government and the associations' representatives responsible for relevant policy, and focus on potential patterns of commonalities and differences like partisanship, common background, and class. It is conceivable that the directors of the more affluent banking associations have more in common with Cabinet members, both in terms of their education and social class, compared to the directors of the much smaller SIMI. Given these commonalities, banking associations may find it more useful to utilise back channels and personal communication in their lobbying efforts. At the same time SIMI could be more hard-pressed to gain personal access to Cabinet members, hence it is forced to pursue more public lobbying. However without further investigation with a deeper focus on the leadership aspects, these arguments will remain speculations.

APPENDIX A Interviewees

Name	Date	Position/Background
Brennan, Peter	Sep 9th 2009	1986-2001 Director, IBEC; Director of Brussels-based Irish Business Bureau; 2001 set up A&L Goodbody Consulting; Managing Director of the EPC Consulting
Cogney, Michael	Jan/Feb 2008	AIB Director, now retired
Dukes, Alan	Sep 3rd 2009	Economist with IFA, Ireland (1969-1973); Chief of Staff to EEC Commissioner, Brussels; Minister for Agriculture, Ireland (1981-1982); Minister for Finance, Ireland (1982-1986); Minister for Justice, Ireland (1986-1987); Minister for Transport, Ireland (1996-1997); Director General of Institute of International and European Affairs (until 2008), Ireland; Director of Anglo-Irish Bank (currently)
Farrell, Pat	Aug 11th 2009	Before 2004 Politician; Former Fianna Fail general secretary; Since 2004 Chief Executive, IBF
Forbes, Arthur	Jul 10th 2009	Assistant Director, IBEC Irish Business Bureau, Brussels; Director, IBEC Irish Business Bureau in Brussels; Official in the Internal Market and Services Section of the European Commission, Brussels
Honohan, Patrick	Sep 14th 2009	1971-73 Secretary's Department, International Monetary Fund; 1976-84 Research and International Relations Departments, Central Bank of Ireland; 1980s Economic Advisor to the Taoiseach (Irish Prime Minister); 1981-82 and 1984-86 Economic Advisor to Dr. Garret Fitz Gerald; 1990-1998 Research Professor and Director of the Institute's Banking Research Centre, Economic and Social Research Institute; 1987-1990 and 1998-2007 World Bank; 1998-2002 Lead Economist in the Development Research Group, World Bank; 2001-2002 Advisor, Financial Policy and Strategy Department, World Bank; 2002-2007 Senior Advisor, Financial Sector Policy, World Bank; since 2007 Professor of International Financial Economics and Development, Department of Economics and Institute for International Integration Studies, TCD; since 2008 Professorial Fellow, TCD; since October 2009 Governor of Central Bank
Nolan, Alan	Jun 16th 2009	Assistant Chief Executive, SIMI (later known as Deputy Chief Executive, replaced Robert Prole) (1998-2008); Director General, SIMI (replaced Cyril McHugh) (since March 2008)
Kelly, Brendan	Jul 28th 2009	Trinity College Dublin graduate in Law; Attorney's General's office; Regulatory affairs in FSI (since 2004); Director, FSI (since 2008)
Mongomery, Bob	Aug 23rd 2009	Motoring Writer, Member of the Guild of Motoring Writers, Member of the Society of Automobile Historians, Curator of the RIAC archives
Quigley, Michael	Jul 22nd 2009	Since 1992 Michael Quigley has been working in Brussels on EU affairs; worked in the European Commission and European Parliament; Council member of the Irish Belgian Business Association 1998 – 2000; Director of the Brussels office for the Irish Co-operative Organisation Society (before 2004); Consultant to the European Liberal Democrat and Reform Party (ELDR) in the European Parliament (1994-1996); Head of European Affairs (2004), Sovereign Strategy; Chief Operating Officer and Managing Director, Sovereign Strategy; CEO, Sovereign Strategy (since April 2009)
Quinn, Ruairí	Sep 21st 2009	1984 Chairman Social Affairs Committee, Dáil Éireann, 1983-1987 Member EU Council of Ministers for Social Affairs; 1991 – 1993 Former Member Dublin City Council 1974 - 1977, and Leader of Civic Alliance and Labour Group; 1976-77 and 1981-1982 Member Seanad Éireann; 1977-1981 and 1982 - present Elected Dáil Éireann; 1982-1983 Minister of State, Department of the Environment; 1984-1987 Minister for Labour; 1986-1987 Minister for the Public Service; 1993-1994 Minister for Enterprise and Employment; 1994-1997 Minister fo Finance; 1990 - 1997 Deputy Leader of the Labour Party; 1997 - 2002 Leader of the Labour Party
Smith, Gary	Jun 24th 2009	Owner of Repairs and Sales Garage, Smith Auto, Dublin
Tutty, Michael	Aug 11th2009	Since 1968 Administrative Officer, Department of Finance; since 1973 Assistant Principal Officer, Department of Finance, since 1981 responsible for budget coordination and VAT and Customs Excise Duty policy, Budget Section; since 1985 international monetary issues, including exchange rate policy, liberalisation of capital movements and IMF/World Bank issues Finance Division; 1987-1994 Assistant Secretary General, Finance Division; 1987-1994 coordination of EU affairs (including ECOFIN and EU budget and EU Treaty negotiations, such as EMU aspects of the Maastricht Treaty; regional policy, including the Structural Funds, preparation of Ireland's National Development Plans, and negotiation of Community Support Frameworks; exchange rate policy, banking legislation and policy on supervision of financial institutions; and the Department's Accounts Branch), Department of Finance; 1993-1994 Alternate Member of the EU Monetary Committee and Chairman of the Alternates; Chairman of the Commission for Energy Regulation (currently). Questions submitted for a personal interview with Patrick Honohan's research team

APPENDIX B ISIC Rev3 & ISIC Rev4 Activity Classifications

STAN/ISIC REV 3/NACE REV 1	Tabulat. Category	Division	Group	Class	ISIC Rev 4/NACE Rev2	Section	Division	Group	Class
Financial Intermediation	**J**				**Financial and insurance activities**	**K**			
Financial intermediation, except insurance and pension funding		**65**			**Financial service activities, except insurance and pension funding**		**64**		
Monetary intermediation			651		Monetary intermediation			641	
Central banking: taking deposits which are used for clearance between financial institutions, supervising banking operations and possibly holding the country's exchange reserves and issuing, managing the country's currency, and acting as banker to the government. The activities of central banks will vary for institutional reasons				6511	Central banking: issuing and managing the country's currency, monitoring and control of the money supply, taking deposits that are used for clearance between financial institutions, supervising banking operations, holding the country's international reserves, acting as banker to the government				6411
Other monetary intermediation: monetary intermediation of monetary institutions other than central banks. Included are the activities of banks, discount houses, savings banks, and also specialized institutions granting credit for house purchase that also take deposits				6519	Other monetary intermediation: receiving of deposits and/or close substitutes for deposits and extending of credit or lending funds. The granting of credit can take a variety of forms, such as loans, mortgages, credit cards *etc.* These activities are generally carried out by monetary institutions other than central banks, such as banks, savings banks, credit unions, postal giro and postal savings bank activities, credit granting for house purchase by specialized deposit-taking institutions, money order activities				6419
					Activities of holding companies			642	
					Activities of Holding Companies: activities of holding companies, i.e. units that hold the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principal activity is owning the group. The holding companies in this class do not provide any other service to the businesses in which the equity is held, i.e. they do not administer or manage other units				6420
					Trusts, funds and similar financial entities			643	
					Trusts, funds and similar financial entities: legal entities organised to pool securities or other financial assets, without managing, on behalf of shareholders or beneficiaries. The portfolios are customized to achieve specific investment characteristics, such as diversification, risk, rate of return and price volatility. These entities earn interest, dividends and other property income, but have little or no employment and no revenue from the sale of services				6430
Other financial intermediation			659		Other financial service activities, except insurance and pension funding activities			649	
Financial leasing: Leasing where the term approximately covers the expected life of the asset and the lessee acquires substantially all the benefits of its use and takes all the risks associated with its ownership. The asset may or may not eventually be transferred.				6591	Financial leasing: leasing where the term approximately covers the expected life of the asset and the lessee acquires substantially all the benefits of its use and takes all the risks associated with its ownership. The ownership of the asset may or may not eventually be transferred. Such leases cover all or virtually all costs including interest				6491
Other credit granting: financial intermediation primarily concerned with making loans by institutions not involved in monetary intermediation, including the granting of consumer credit, the provision of long term finance to industry, and money lending outside the banking system. The granting of credit for house purchase by specialized institutions that do not also take deposits is included in this class.				6592	Other Credit Granting: financial service activities primarily concerned with making loans by institutions not involved in monetary intermediation, where the granting of credit can take a variety of forms, such as loans, mortgages, credit cards *etc.*, providing the following types of services: granting of consumer credit, international trade financing, provision of long-term finance to industry by industrial banks, money lending outside the banking system, credit granting for house purchase by specialized non-depository institutions, pawnshops and pawnbrokers				6492
Other financial intermediation n.e.c.: other financial intermediation primarily concerned with distributing funds other than by making loans. This includes investment in securities (*e.g.* shares, bonds, bills, unit trust units, *etc.*) including dealing for own account by securities dealers, investment in property where this is carried out primarily for other financial intermediaries (*e.g.* property unit trusts) and writing swaps, options and other hedging arrangements. Activities of financial holding companies are included.				6599	Other financial service activities, except insurance and pension funding activities, n.e.c.: other financial service activities primarily concerned with distributing funds other than by making loans: factoring activities, writing of swaps, options and other hedging arrangements, activities of viatical settlement companies, own-account investment activities, such as by venture capital companies, investment clubs *etc.*				6499
Insurance and pension funding, except compulsory social security		**66**			**Insurance, reinsurance and pension funding, except compulsory social security**		**65**		
Insurance and pension funding, except compulsory social security			660		Insurance			651	

Life insurance: life insurance (including reinsurance) and other long term insurance, with or without a substantial savings element, involving the collection and investment of funds			6601	Life-Insurance: underwriting annuities and life insurance policies, disability income insurance policies, and accidental death and dismemberment insurance policies (with or without a substantial savings element)			6511
Pension Funding: provision of retirement incomes, including activities involving the collection and investment of funds			6602	Non-life Insurance: provision of insurance services other than life insurance: accident and fire insurance, health insurance, travel insurance, property insurance, motor, marine, aviation and transport insurance, pecuniary loss and liability insurance			6512
Non life-insurance: insurance (including reinsurance) of non-life business (*e.g.* accident, fire, health, property, motor, marine, aviation, transport, pecuniary loss and liability insurance)			6603	Reinsurance		652	
				Reinsurance: activities of assuming all or part of the risk associated with existing insurance policies originally underwritten by other insurance carriers			6520
				Pension Funding		653	
				Pension Funding: legal entities (i.e. funds, plans and/or programmes) organized to provide retirement income benefits exclusively for the sponsor's employees or members. This includes pension plans with defined benefits, as well as individual plans where benefits are simply defined through the member's contribution. Includes: employee benefit plans pension funds and plans, retirement plans			6530
Activities auxiliary to financial intermediation	**67**			**Activities auxiliary to financial service and insurance activities**	**66**		
Activities auxiliary to financial intermediation, except insurance and pension funding		671		Activities auxiliary to financial service activities, except insurance and pension funding		661	
Administration of financial markets: operation and supervision of financial markets other than by public authorities and includes the activities of stock exchanges and other bodies that regulate or supervise the activities of financial markets including exchanges for commodity futures contracts			6711	Administration of financial markets: operation and supervision of financial markets other than by public authorities, such as: commodity contracts exchanges, futures commodity contracts exchanges, securities exchanges, stock exchanges, stock or commodity options exchanges			6611
Security dealing activities: dealing in financial markets on behalf of others (*e.g.* stock broking) and related activities			6712	Security and commodity contracts brokerage: dealing in financial markets on behalf of others (*e.g.* stock broking) and related activities, securities brokerage, commodity contracts brokerage, activities of bureaux de change *etc.*			6612
Activities auxiliary to financial intermediation n.e.c.: all activities auxiliary to financial intermediation not classified elsewhere, including financial advisers, mortgage advisers and brokers, bureaux de change, *etc.*			6719	Other activities auxiliary to financial service activities: activities auxiliary to financial service activities not elsewhere classified, such as financial transaction processing and settlement activities, including for credit card transactions, investment advisory services, activities of mortgage advisers and brokers			6619
Manufacturing	**D**			**Manufacturing**	**C**		
Manufacture of motor vehicles, trailers and semi-trailers	**34**			**Manufacture of motor vehicles, trailers and semi-trailers**	**29**		
Manufacture of motor vehicles		341		Manufacture of motor vehicles		291	
Manufacture of motor vehicles: manufacture of motor cars and other motor vehicles principally designed for the transport of persons: personal passenger motor cars, passenger motor vehicles designed to negotiate unusual terrain (snow mobiles, golf carts, cross-country cars, amphibian motor vehicles) and public-transport type passenger motor vehicles, i.e. busses, motor vehicles for the transport of goods: ordinary lorries and vans (flat, tarpaulin covered, closed, *etc.*); lorries with automatic discharging devices, tankers, drop frame lorries, refuse collectors, *etc.*; special purpose motor lorries and trucks (motor breakdown lorries, armoured cars, fire-engines, street sweepers, mobile medical and dental clinics, travelling libraries, *etc.*), over-the-road tractors for semi-trailers, chassis fitted with engines for the motor vehicles described above, compression-ignition or spark-ignition reciprocating or rotary internal combustion piston engines of types chiefly used to power motor vehicles			3410	Manufacture of motor vehicles: manufacture of passenger cars: manufacture of commercial vehicles: vans, lorries, over-the-road tractors for semi-trailers *etc.*, manufacture of buses, trolley-buses and coaches, manufacture of motor vehicle engines, manufacture of chassis fitted with engines, manufacture of other motor vehicles: snowmobiles, golf carts, amphibious vehicles, fire engines, street sweepers, travelling libraries, armoured cars *etc.*, concrete-mixer lorries, ATVs, go-carts and similar including race cars, factory rebuilding of motor vehicle engines			2910
Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers		342		Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers		292	
Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers: manufacture of: bodies (including cabs) designed to be mounted on motor vehicle chassis, bodies for vehicles without chassis and unit construction bodies; bodies for passenger vehicles, lorries and special purpose vehicles; bodies of metal, wood, plastics or combinations of these or other materials, trailers and semi-trailers designed to be drawn by motor vehicles; trailers and semi-trailers of the caravan type used for housing or camping, for transport of goods (*e.g.* tankers, removal trailers, motor car carriers, ammunition limbers, *etc.*), for transport of passengers and for other purposes including "road-rail" trailers, parts of trailers and semi-trailers, containers (including containers for the transport of fluids) specially designed and equipped for carriage by one or more modes of transport			3420	Manufacture of bodies (coachwork) for motor vehicles; manufacture of trailers and semi-trailers: - manufacture of bodies, including cabs for motor vehicles, outfitting of all types of motor vehicles, trailers and semi-trailers, manufacture of trailers and semi-trailers: for transport of goods: tankers, removal trailers *etc.*, for transport of passengers: caravan trailers *etc.*, manufacture of containers for carriage by one or more modes of transport			2920

Manufacture of parts and accessories for motor vehicles and their engines		343		Manufacture of parts and accessories for motor vehicles		293	
Manufacture of parts and accessories for motor vehicles and their engines: manufacture of parts and accessories for motor vehicles including their bodies and engines: brakes, gear boxes, axles, road wheels, suspension shock absorbers, radiators, silencers, exhaust pipes, clutches, steering wheels, steering columns and steering boxes and other parts and accessories not elsewhere classified			3430	Manufacture of parts and accessories for motor vehicles: manufacture of diverse parts and accessories for motor vehicles: brakes, gearboxes, axles, road wheels, suspension shock absorbers, radiators, silencers, exhaust pipes, catalytic converters, clutches, steering wheels, steering columns and steering boxes; manufacture of parts and accessories of bodies for motor vehicles: safety belts, airbags, doors, bumpers, manufacture of car seats, manufacture of motor vehicle electrical equipment, such as generators, alternators, spark plugs, ignition wiring harnesses, power window and door systems, assembly of purchased gauges into instrument panels, voltage regulators, *etc.*			2930
Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	**G**			**Wholesale and retail trade; repair of motor vehicles and motorcycles**	**G**		
Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of automotive fuel		**50**		**Wholesale and retail trade and repair of motor vehicles and motorcycles (except automotive fuel)**		**45**	
Sale of motor vehicles		501		Sale of motor vehicles		451	
Sale of motor vehicles: wholesale and retail sale of new and used passenger motor vehicles including specialized passenger motor vehicles (ambulances, caravans, microbuses, *etc.*), motor vehicles to negotiate unusual terrain (jeeps, land-rovers, *etc.*), other passenger motor vehicles with motor-car type steering mechanisms, and lorries, trailers and semi-trailers			5010	Sale of motor vehicles: wholesale and retail sale of new and used vehicles: passenger motor vehicles, including specialized passenger motor vehicles such as ambulances and minibuses, *etc.*, lorries, trailers and semi-trailers, camping vehicles such as caravans and motor homes wholesale and retail sale of off-road motor vehicles (jeeps, *etc.*), wholesale and retail sale by commission agents, car auctions			4510
Maintenance and repair of motor vehicles		502		Maintenance and repair of motor vehicles		452	
Maintenance and repair of motor vehicles: maintenance and repair of motor vehicles, including washing, polishing, *etc.*			5020	Maintenance and repair of motor vehicles: maintenance and repair of motor vehicles: mechanical repairs, electrical repairs, electronic injection systems repair, ordinary servicing, bodywork repair, repair of motor vehicle parts, washing, polishing, *etc.*, spraying and painting, repair of screens and windows, repair of motor vehicle seats, tyre and tube repair, fitting or replacement, anti-rust treatment, installation of parts and accessories not as part of the manufacturing process			4520
Sale of motor vehicle parts and accessories		503		Sale of motor vehicle parts and accessories		453	
Sale of motor vehicle parts and accessories: wholesale and retail sale of all kinds of parts, components and accessories for motor vehicles, when not combined with sale of such vehicles themselves			5030	Sale of motor vehicle parts and accessories: wholesale and retail sale of all kinds of parts, components, supplies, tools and accessories for motor vehicles, such as: rubber tires and inner tubes for tires; spark plugs, batteries, lighting equipment and electrical parts			4530
				Sale, maintenance and repair of motorcycles and related parts and accessories		454	
Sale, maintenance and repair of motorcycles and related parts and accessories		504		Sale, maintenance and repair of motorcycles and related parts and accessories: - wholesale and retail sale of motorcycles, including mopeds, wholesale and retail sale of parts and accessories for motorcycles (including by commission agents and mail order houses), maintenance and repair of motorcycles			4540
Sale, maintenance and repair of motorcycles and related parts and accessories: wholesale and retail sale of motorcycles and snowmobiles and their parts and components. Maintenance and repair are also included			5040				
Retail sale of automotive fuel		505					
Retail sale of automotive fuel: retail sale of fuel (motor spirit, gasoline, petrol, liquefied petroleum gas) for motor vehicles and motorcycles, or of the same fuels for use in boats. This activity is often combined with sales of lubricating products, cooling products, cleaning and all other kinds of products for motor vehicles or even for other purposes, *e.g.* kerosene. If the main object, however, is the sale of automotive fuel or lubricants, they remain classified here			5050				

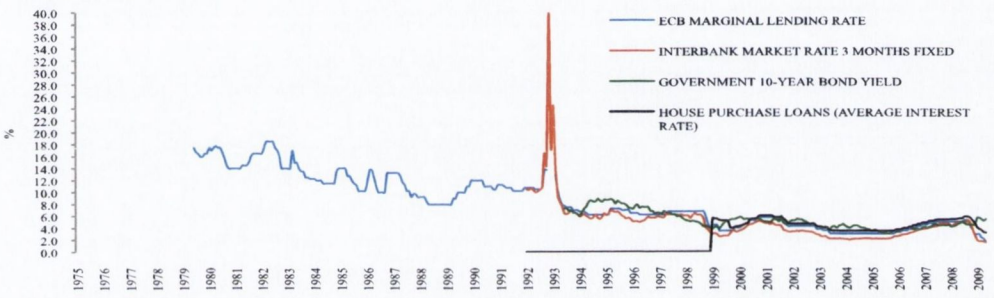
APPENDIX C Indicators

Indicator	Source	Code	Description
Intra-industry trade	STAN Indicators Database	IIT	The value of total trade remaining after subtraction of the absolute value of net exports or imports of an industry. For comparison between countries and industries, the measures are expressed as a percentage of each industry's combined exports and imports. For total manufacturing, the calculation is the summation of the value of total trade remaining after subtraction of the absolute value net exports or imports for all manufacturing industries. This index varies between zero and 100. If a country exports and imports roughly equal quantities of a certain product, the IIT index is high. If trade is mainly one-way (whether exporting or importing), the IIT index is low.
Contribution to manufacturing trade balance	STAN Indicators Database	CMTB	The "contribution to the trade balance" makes it possible to identify an economy's structural strengths and weaknesses *via* the composition of international trade flows. It takes into account not only exports, but also imports, and tries to eliminate business cycle variations by comparing an industry's trade balance with the overall trade balance. It can be interpreted as an indicator of "revealed comparative advantage", as it indicates whether an industry performs relatively better or worse than the manufacturing total, no matter whether the manufacturing total itself is in deficit or surplus. If there were no comparative advantage or disadvantage for any industry *i*, a country's total trade balance (surplus or deficit) should be distributed across industries according to their share in total trade. The "contribution to the manufacturing trade balance" is the difference between the actual and this theoretical balance. A positive value for an industry indicates a structural surplus and a negative one a structural deficit. The indicator is additive and individual industries can be grouped together by summing their respective values: by construction, the sum over all industries is zero. To allow comparisons across countries, the is generally expressed as a percentage of total trade or of GDP.
Export/import ration	STAN Indicators Database	XM	Exports as a percentage of imports
Export shares relative to OECD23	STAN Indicators Database	XMSO23	Exports of a certain industry for a given country (or country group) as a percentage of exports of this industry for 23 selected OECD countries
Import propensity relative to OECD23 & the total economy	STAN Indicators Database	MSPEC23	A country's (or country group's) imports for an industry relative to total industries' imports, divided by OECD23 imports of the same industry relative to OECD23 total industries' imports. For a given country, a value above 100 in a certain industry implies that, relative to the OECD23 average, the country tends to have a high propensity to import in that given industry
Export specialisation relative to OECD23 & the total economy	STAN Indicators Database	XSPEC23	A country's (or country group's) exports for an industry relative to total industries' exports, divided by OECD23 exports of the same industry relative to OECD23 total industries' exports. For a given country, a value of 100 implies that the country exports equal proportions of goods than the OECD23 average. A value above 100 in a certain industry implies that, relative to the OECD23 average, the country tends to specialise in exports in that given industry. This indicator is quite versatile but for each country, it allows to draw and compare its overall profile relative to the OECD area; it is also commonly known as the *index of revealed comparative advantage*
Composition of total exports of goods	STAN Indicators Database	XSH	Exports in a given industry as a percentage of total industries' exports
Composition of total imports of goods	STAN Indicators Database	MSH	Imports of a given industry as a percentage of the total sectors' imports
Import Penetration	STAN Indicators Database	MPEN	Imports as a percentage of total domestic demand (this latter is estimated as production *plus* imports *less* exports). For a given country (country group), a value close to 100 in a certain industry, implies that domestic demand is mainly fulfilled by imports and domestic production tends to be exported; whereas a value above 100 illustrates measurement problems when combining production and trade (exports can exceed production, *see* note below). A value close to zero means self sufficient, i.e. domestic demand is mainly satisfied by domestic production

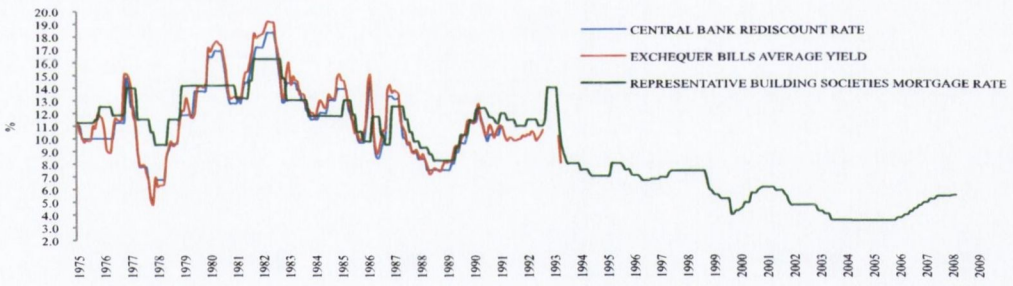
Value added shares relative to the total economy	STAN Indicators Database	VASH	Each industry's value added as a percentage of value added for the total economy.
Employment shares in the total economy	STAN Indicators Database	EMPSH	Each industry's employment as a percentage of employment for the total economy.
Labour compensation per employee for the total economy	STAN Indicators Database	LABEMPM	Calculated as the ratio of labour compensation for a particular industry (or industry group) to the number engaged divided by the ratio of labour compensation for the total economy to the number of persons engaged for the total economy
Trade Union Density Rate	LFS - Trade union density	TUD	TUD rates are based on surveys, wherever possible. Where such data were not available, trade union membership and density in European Union countries, Norway and Switzerland were calculated using administrative data adjusted for non-active and self-employed members by Prof. Jelle Visser, University of Amsterdam, along the model used in the ICTWSS Database (Visser, 2009); Ebbinghaus and Visser (E&V, 2000); and in OECD (1991), divided by the corresponding total number of wage and salary earners taken from OECD Labour Force Statistics
Value Added Share	STAN Indicators Database		Value added for a particular industry represents its contribution to national GDP. It is sometimes referred to as GDP by industry. It is not directly measured. In general, it is calculated as the difference between Production and Intermediate inputs. Value added comprises Labour costs (compensation of employees), Consumption of fixed capital, Indirect taxes less subsidies (the nature of which depends on the valuation used - see below) and Net operating surplus and mixed income
Labour costs & Compensation of Employees Relative to Total Economy	STAN Indicators Database		Labour costs or Compensation of employees, the major component of value added, comprises of wages and salaries of employees paid by producers as well as supplements such as contributions to social security, private pensions, health insurance, life insurance and similar schemes. Where available, Wages and salaries are given separately in STAN.
Value Added (Basic Prices)	STAN Database for Structural Analysis	VALB	
Total Employment	STAN Database for Structural Analysis	EMPN	
Labour Compensation of Employees	STAN Database for Structural Analysis	LABR	
Car Registrations (Index)	MEI, Production & Services Statistics		
Financial Institutions: Branches, Assets, & Liabilities	Finance. Bank Profitability Statistics. Structure of financial System		Monetary Institutions: Commercial Banks ic. Foreign Owned, Savings Banks, Co-operative Banks, Other monetary Institutions Other Financial Institutions: Mortgage Credit Institutions, Development Credit Institutions, Finance Companies, Other Financial Institutions Insurance Institutions: Insurance Companies, Pension Funds and Foundations, Other Insurance Institutions

APPENDIX D Interest, Financial, Exchange Rates, & Exchequer Account (Source: CSO)

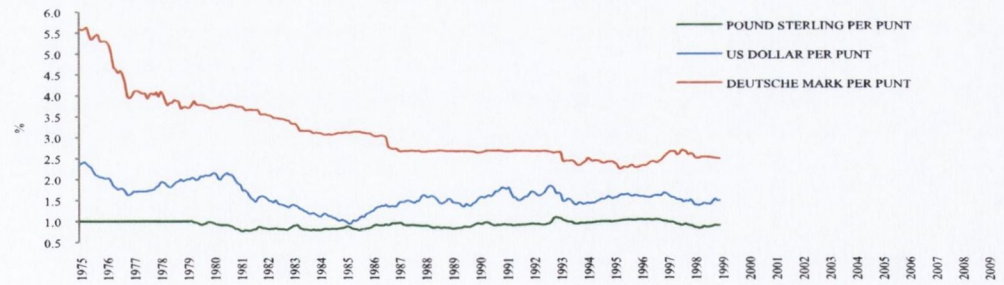
INTEREST RATES



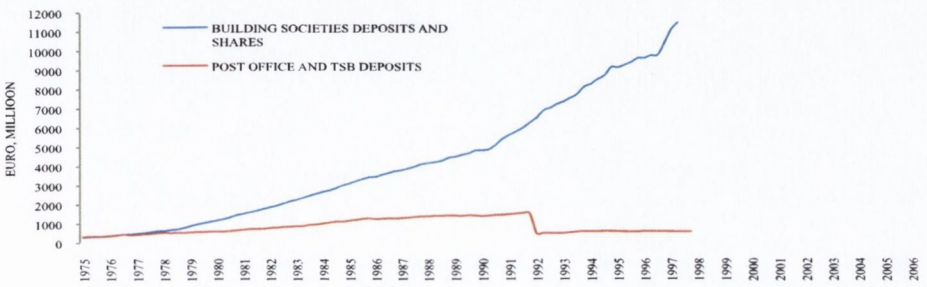
FINANCIAL INTEREST RATES



EXCHANGE RATES

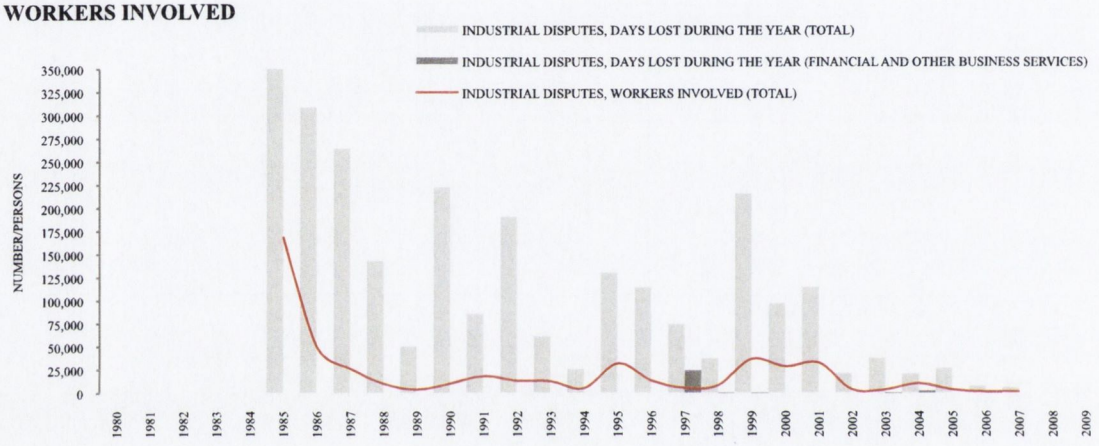


EXCHEQUER ACCOUNT IN IRELAND

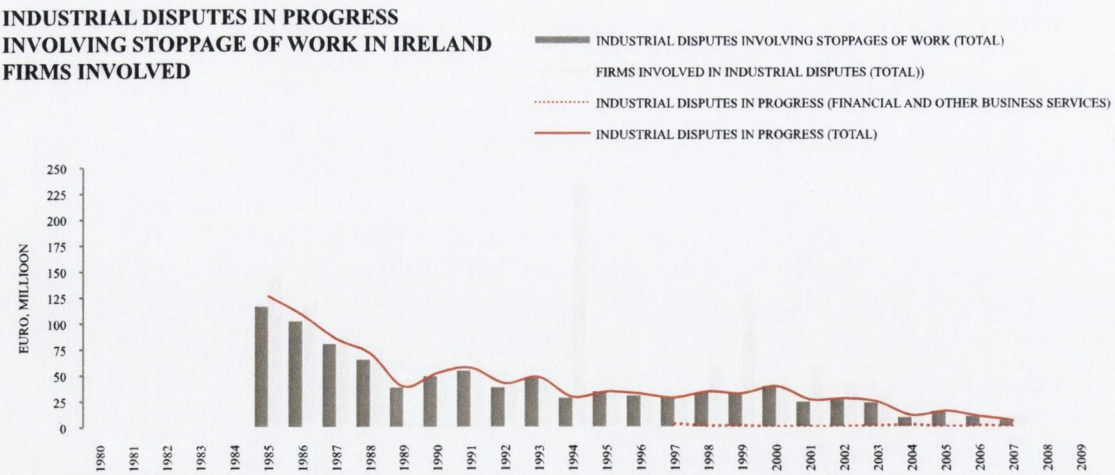


APPENDIX E Industrial Disputes in Ireland (Data Source: CSO)

INDUSTRIAL DOSPUTES IN IRELAND
DAYS LOST
WORKERS INVOLVED

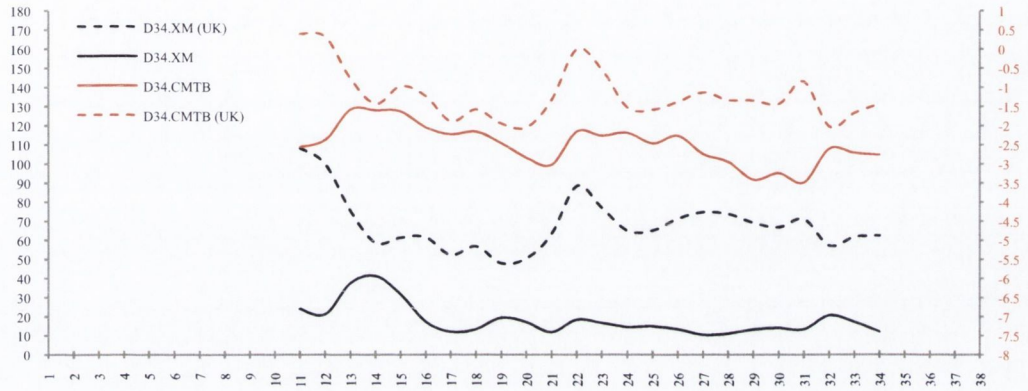


INDUSTRIAL DISPUTES IN PROGRESS
INVOLVING STOPPAGE OF WORK IN IRELAND
FIRMS INVOLVED

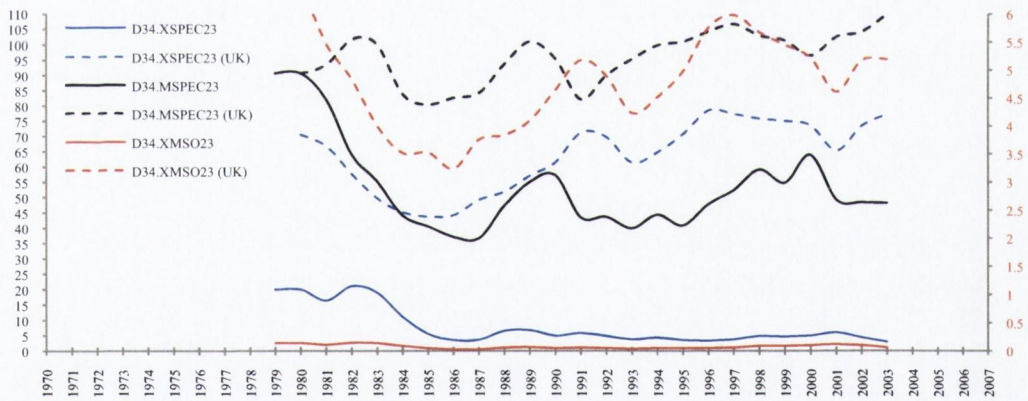


APPENDIX F Motor Industry. International Trade Indicators (Data Source: STAN, OECD)

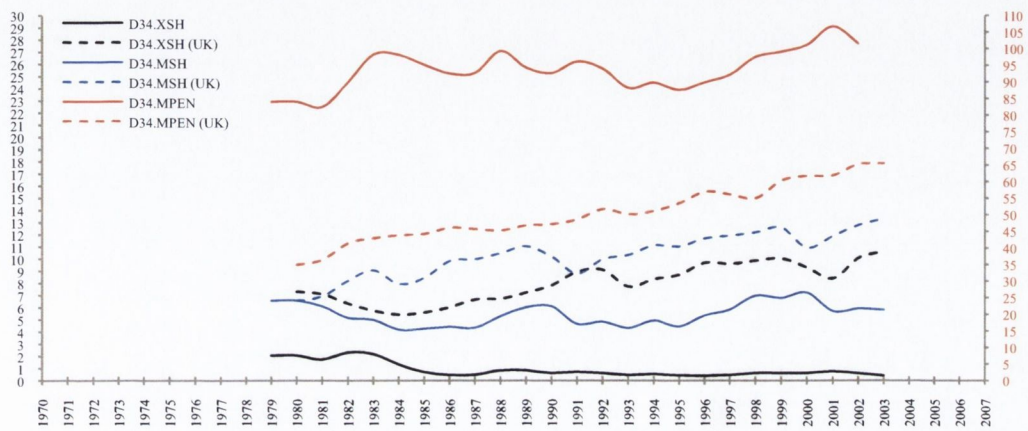
INTRA-INDUSTRY TRADE, CONTRIBUTION TO MANUFACTURING TRADE BALANCE, & EXPORT/IMPORT RATIO OF MOTOR INDUSTRY (MANUFACTURING) IN IRELAND & UK



EXPORTSHARES, IMPORT PROPENSITY, AND EXPORT SPECIFICATION RELATIVE TO OECD23 OF MOTOR INDUSTRY (MANUFACTURING) IN IRELAND & UK

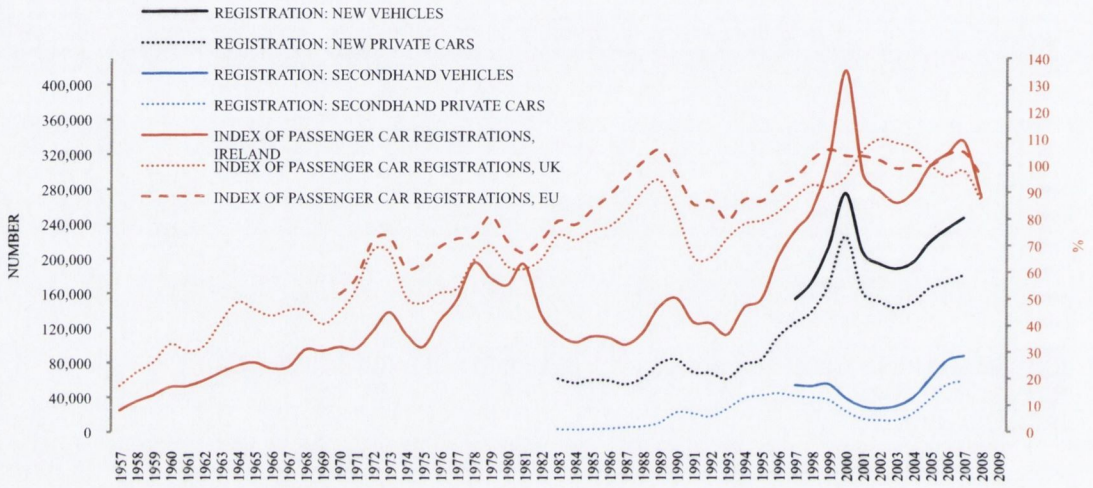


COMPOSITION OF TOTAL EXPORTS, TOTAL IMPORTS, AND IMPORT PENETRATION IN MOTOR INDUSTRY (MANUFACTURING) IN IRELAND & UK

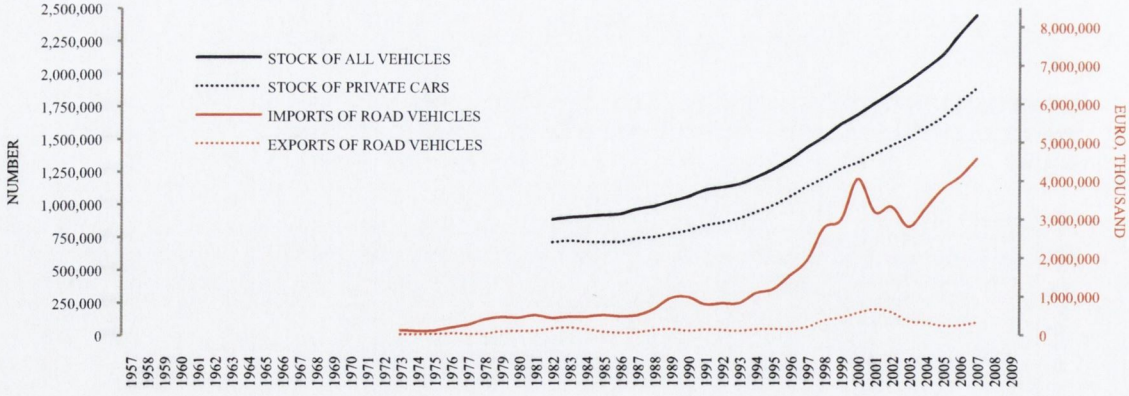


APPENDIX G Motor Industry. Registration & Stock of Cars in Ireland (Data Source: CSO)

CAR REGISTRATIONS
NEW & SECOND-HAND MOTOR VEHICLES IN IRELAND
INDEX OF REGISTRATIONS IN IRELAND, UK & EU

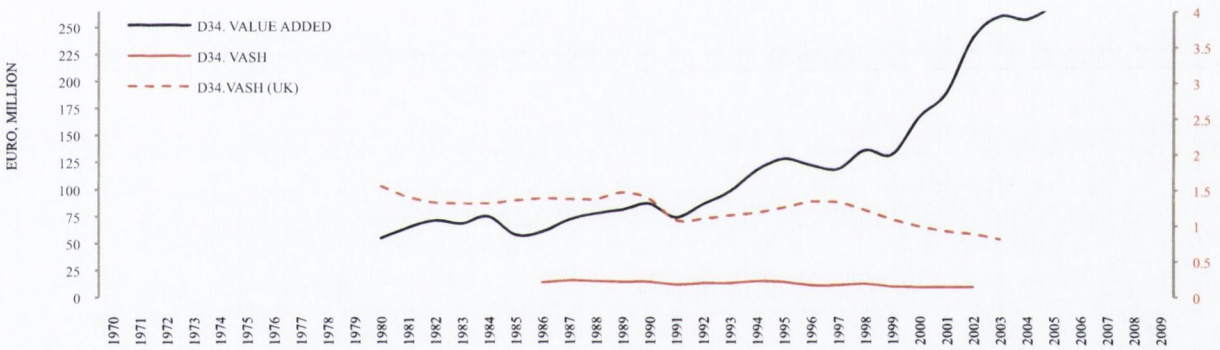


STOCK OF MOTOR VEHICLES IN IRELAND
IMPORTS & EXPORTS OF ROAD VEHICLES IN IRELAND

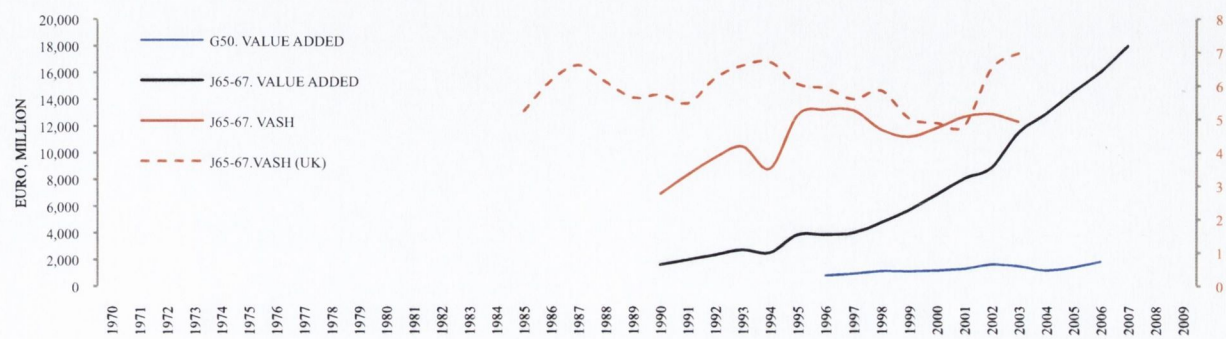


APPENDIX H Industrial Composition Indices in Ireland (Data Source: STAN OECD)

MANUFACTURING. INDUSTRIAL COMPOSITION IN IRELAND:
VALUE ADDED (BASIC PRICES)
VALUE ADDED SHARE RELATIVE TO TOTAL ECONOMY IN IRELAND & UK

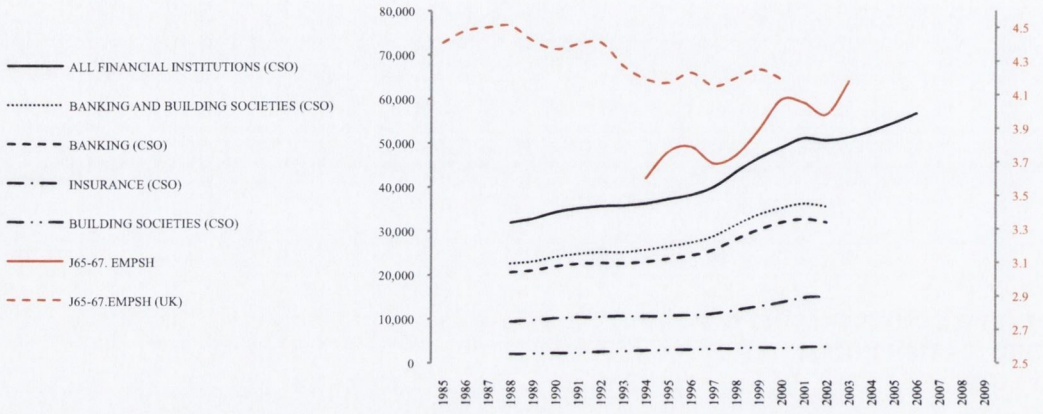


SERVICES. INDUSTRIAL COMPOSITION IN IRELAND:
VALUE ADDED (BASIC PRICES)
VALUE ADDED SHARE RELATIVE TO TOTAL ECONOMY IN IRELAND & UK

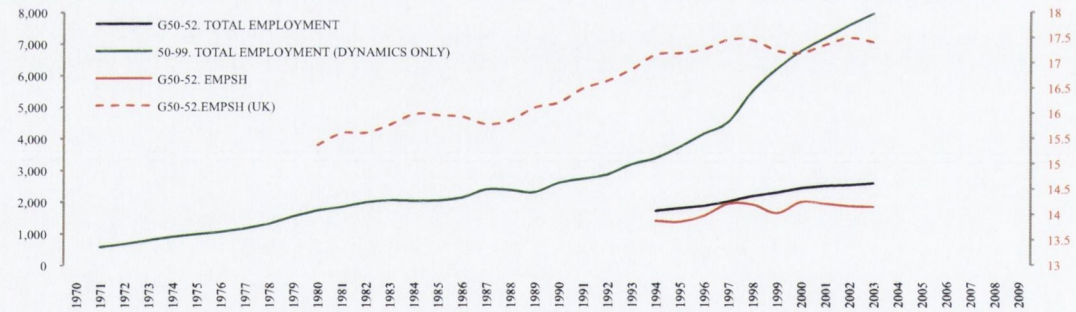


APPENDIX I Employment in Banking & Motor Industries (Data Source: CSO, OECD)

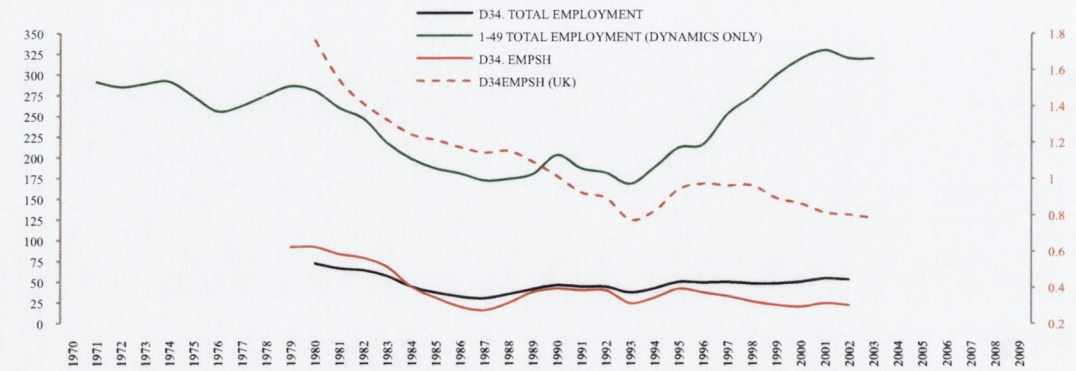
EMPLOYEES IN BANKING INDUSTRY IN IRELAND, PERSONS
EMPLOYMENT SHARE OF BANKING INDUSTRY IN TOTAL ECONOMY IN IRELAND



TOTAL EMPLOYMENT IN MOTOR INDUSTRY IN IRELAND (SERVICES), PERSONS
DYNAMICS OF EMPLOYMENT IN ALL MANUFACTURING IN IRELAND
EMPLOYMENT SHARE OF MOTOR INDUSTRY (SERVICES) IN TOTAL ECONOMY IN IRELAND

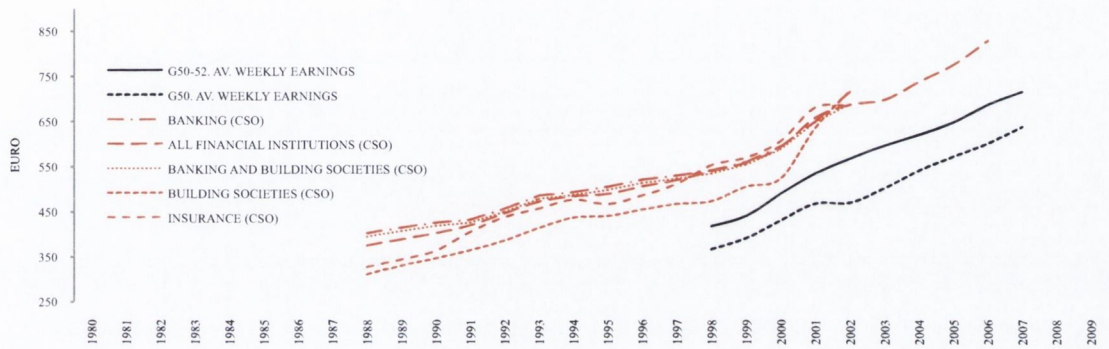


TOTAL EMPLOYMENT IN MOTOR INDUSTRY IN IRELAND (MANUFACTURING), PERSONS
DYMANICS OF EMPLOYMENT IN ALL SERVICES IN IRELAND
EMPLOYMENT SHARE OF MOTOR INDUSTRY (MANUFACTURING) IN TOTAL ECONOMY IN IRELAND

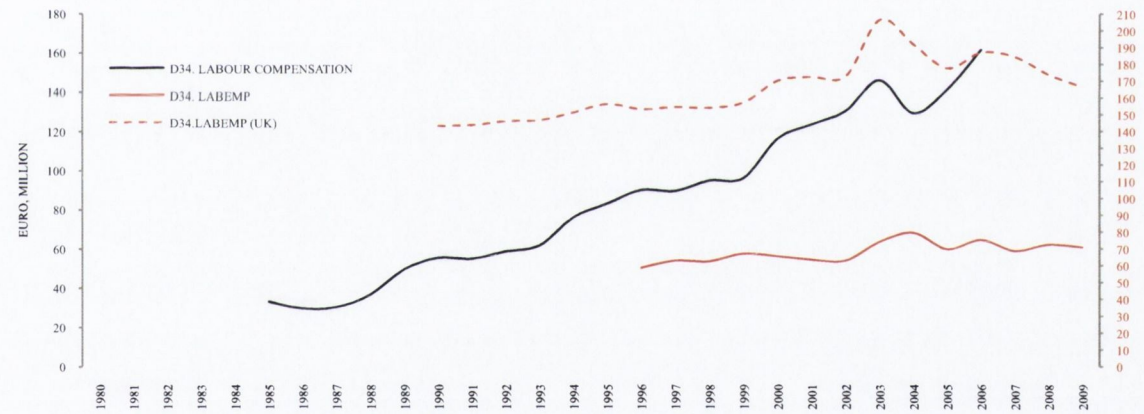


APPENDIX J Earnings & Employee Compensation (Data Source: OECD; CSO NACE Rev1)

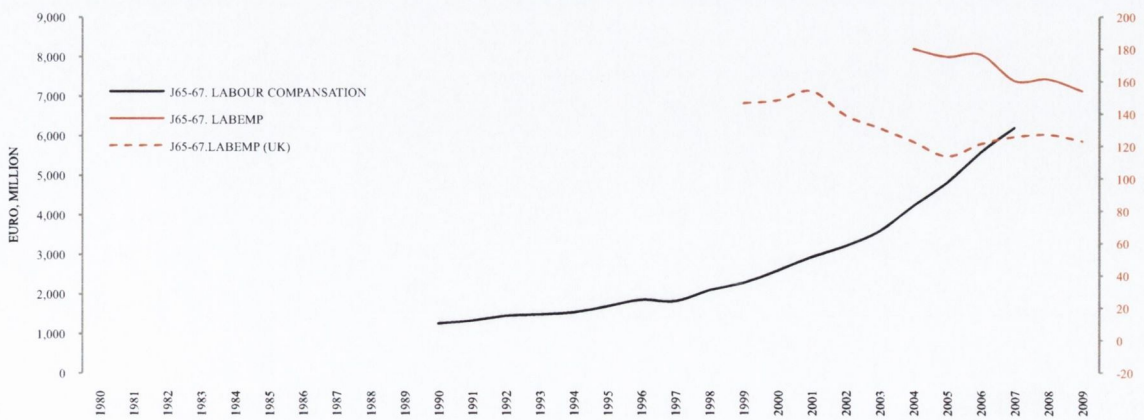
AVERAGE WEEKLY EARNINGS IN MOTOR AND BANKING INDUSTRIES IN IRELAND



EMPLOYEE COMPENSATION IN MOTOR MANUFACTURING IN IRELAND
EMPLOYEE COMPENSATION RELATIVE TO TOTAL ECONOMY IN IRELAND & UK



EMPLOYEE COMPENSATION IN BANKING SECTOR IN IRELAND
EMPLOYEE COMPENSATION RELATIVE TO TOTAL ECONOMY IN IRELAND & UK



APPENDIX K Provisions of Protocol 7 Annexed to the Ireland's Treaty of Accession

1. All imports of FBU vehicles are channelled through registered importers;

2. Registered importers who are assemblers had to maintain their 1965 level of assembly;

3. Importers/assemblers of EEC manufactured makes could import *f.b.u.* vehicles without restriction provided they maintain their 1965 level of assembly;

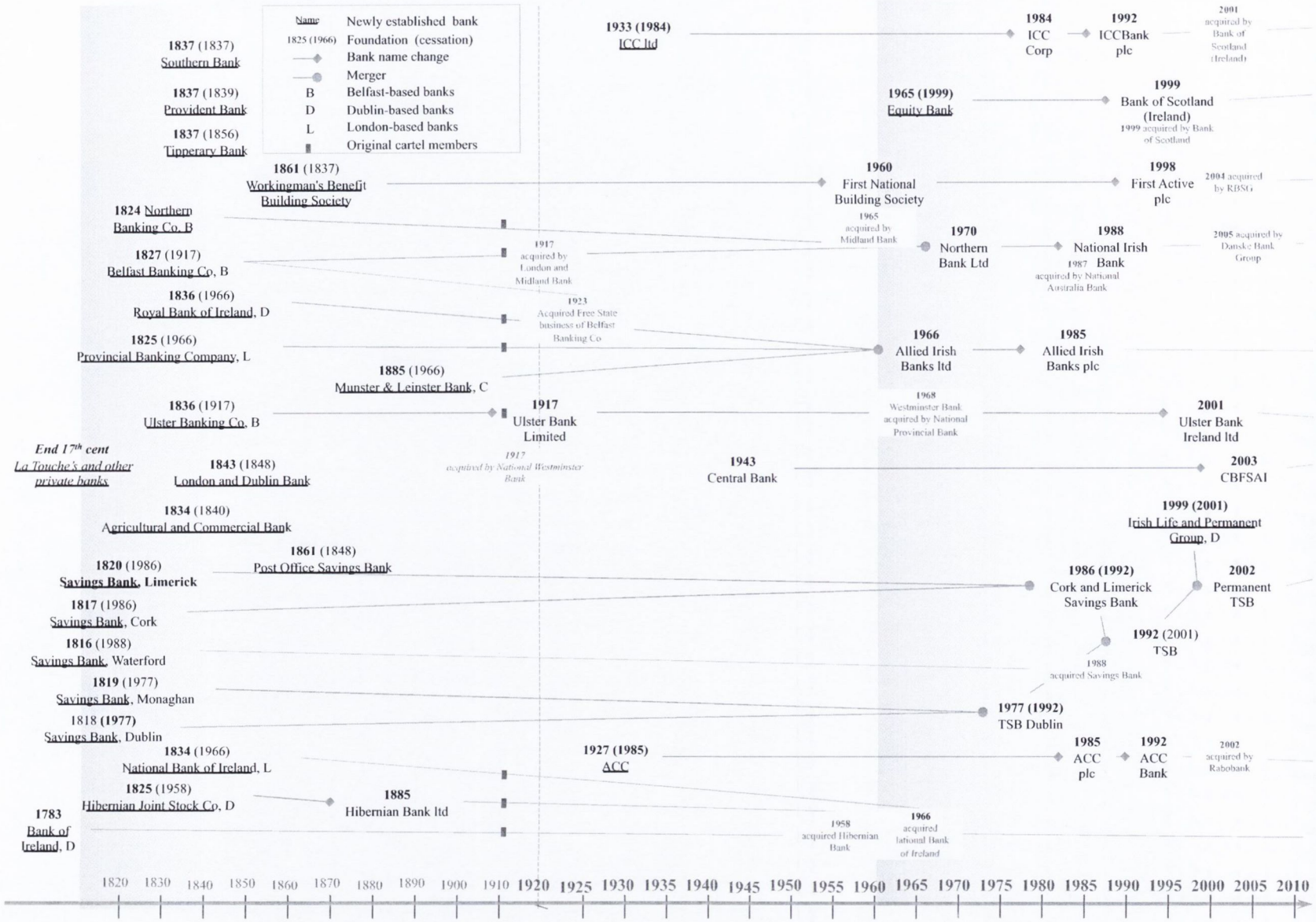
4. Imports of non-EEC *f.b.u.* vehicles are restricted on a ratio basis related to assembly

5. Manufacturers in the EEC whose vehicles were not assembled here in 1965 are granted limited access to the Irish Market by means of an expanding global quota, which is related to assembly in the previous year. The quota in 1976 is 6 per cent of the numbers of vehicles assembled in 1975, increased by 1 per cent per annum to 14 per cent in 1984. This rule applies at present to such makes as BMW, Alfa Romeo and Rolls Royce which are not assembled here, and to one assembly company which has commenced operations recently.

6. Where a particular manufacturer's vehicle marques were not previously on the Irish market, any person who engages in assembly is eligible for registration when he attains a level of assembly to cater for 5 per cent of the total market for private cars or 10 per cent of the total market for commercial vehicles (both trucks and vans), or 5 per cent pf the total market for private cars and commercial vehicles where both types of vehicles are involved. The rule mainly applies to companies who recently commenced assembly of vehicles operating outside the EEC and who can not import *f.b.u.* under the Global Quota. It applies to such makes as Volvo (Sweden) and Hino, Datsun, Maxda and Toyota of Japan. However, EEC assemblers who commenced operations recently can also use this rule. Truck assemblers maintain that this which requires that they assemble 10 per cent of the truck and van market before they can import *f.b.u*, sets a target which is virtually impossible to achieve

7. The scheme does not apply to *c.k.d.* parts. There are no quota restrictions on the importation of vehicles in the completely knocked-down form from any source.

APPENDIX M Evolution of Irish Domestic Banking Institutions



APPENDIX M First IBF Member Banks

ASSOCIATED BANKS
AIB
BANK OF IRELAND
NORTHERN BANK

NORTH AMERICAN & OTHER THIRD-COUNTY BANKS
BANK OF AMERICA
BANK OF NOVA SCOTIA
CHASE AND BANK OF IRELAND (INTERNATIONAL)
FIRST NATIONAL BANK OF CHICAGO
FIRST NATIONAL CITY BANK

MERCHANT BANKS
AIB INVESTMENT BANK
GUINNESS & MAHON
HILL SAMUEL & CO (I)
INVESTMENT BANK OF IRELAND
NORTHERN BANK FINANCE CORPORATION
ANSBACHER & CO
OTHER LICENSE BANKS
ALGEMENE BANK NEDERLAND (IRELAND)
ANGLO IRISH BANK
CHARTERHOUSE (IRELAND)
ULSTER BANK
CITY OF DUBLIN BANK
COMMERCIAL BANKING CO
EQUITY SECURITIES
IRISH TRUST BANK
JULIAN S HODGE (IRELAND)
MERCHANT & INDUSTRIAL BANK (I)
OLD BROAD STREET SECURITIES (I)
ROYAL TRUST CO (IRELAND)
TEA IMPORTERS (1958)
TRINITY BANK

INDUSTRIAL BANKS
ALLIED IRISH FINANCE CO
BOWMAKER (IRELAND)
CREDIT FINANCE
FORSTER FINANCE
IRISH BUYWAY
LIMERICK CREDIT CO
LOMBARD & ULSTER BANKING IRELAND
MERCANTILE CREDIT COMPANY OF IRELAND
MERCHANT BANKING
UNITED DOMINIONS TRUST (IRELAND)

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