
The Death of Irish Trade Protectionism: A Political Economy Analysis

Michael Breen*

*Centre for International Studies, School of Law and Government,
Dublin City University*

and

James Dorgan

National University of Ireland, Maynooth

ABSTRACT

The decision to abandon protectionism and move to a more open economy is considered one of the most important developments in modern Irish economic history. Drawing on recent work in the field of international political economy, we propose a new explanation for this important policy change based on interest groups' demands. More specifically, we argue that Irish agriculture's needs were highly influential in the policy decisions that were taken in the 1950s. Without the threat of exclusion from the emerging process of European integration and the accompanying loss of traditional markets for agricultural exports, protectionism would have persisted for some time. But we also suggest that the absence of significant objection from industry—supposedly the potentially adversely affected group, as the beneficiary of protection—reflects the changing balance between exporter and protectionist interests in that sector.

INTRODUCTION

Despite the collapse of the Celtic Tiger, Ireland is one of the most globalised nations in the world. This stands in sharp contrast to 50 years ago, when Ireland's engagement with the world economy was limited by high tariffs, quotas and a range of other restrictions on imports and inward investment. These barriers, imposed during the 1930s, constituted a central pillar of government policy for decades. It wasn't until the late 1950s that protectionism was abandoned in principle, though the actual abolition occurred several years later. The decision to move to a more open economy is considered one of the

*Corresponding author's e-mail: michael.breen@dcu.ie

most important developments in modern Irish economic history. Understandably, it has received much attention from academics and policy-makers. The considerable literature on the topic has tended to favour variations on the theme of leadership as explanations for the change.

However, in what is probably the largest body of work in international political economy, the ‘society-centred’ approach argues that trade policy is ultimately responsive to economic interest groups expressing their demands through the political system. We explore the applicability of this approach to Ireland’s decision to abandon protectionism and find that it offers a persuasive alternative to conventional explanations. Specifically, agriculture’s needs were highly influential in the policy decisions that were taken in the 1950s. Without the threat of exclusion from the emerging process of European integration and the accompanying loss of traditional markets for agricultural exports, protectionism would have persisted for some time. But we also suggest that the acceptance by industry of free trade, albeit qualified by requests for forms of transitional assistance, reflects the changing balance between exporter and protectionist interests in that sector—supposedly the potentially adversely affected sector, as the beneficiary of protection. This overall industrial passivity facilitated, at least, the abandonment of protection.

The next section places our research in the context of the literature on Irish trade policy, as well as some of the broader historical accounts of the period. Then we move on to describe the society-centred approach and its relevance to the Irish case. Our conclusion considers the implications of our argument for the study of Ireland’s foreign economic policy.

POLICY CHANGE IN IRELAND DURING THE 1950S

The decision to abandon protectionism in the late 1950s came against the backdrop of a decade of profound crisis, which led many to question the viability of the Irish state.¹ Ireland’s poor economic performance was at the root of the crisis but it was also reflected in contemporary politics: there were four changes of government in nine years, compared with only one during the previous 26 years. There is a substantial literature on the causes and consequences of the crisis and how it was eventually resolved. As to causes, some of this literature has argued that Irish society reached a kind of stasis as a result of the conservative influence of dominant interests, including the Catholic Church, farmers, and business.² Much of the literature recognised that protectionism, which had been the organising principle of government policy since the 1930s, had contributed to the crisis. There certainly appears to be a consensus in the literature that the publication of *Economic development*

¹Historians and political scientists are almost unanimous about the existence of a political and economic crisis. See, for example, F.S.L. Lyons, *Ireland since the famine* (London, 1973), 628; Roy Foster, *Modern Ireland 1660–1972* (London, 1988), 578; John Murphy, *Ireland in the twentieth century* (Dublin, 1989), 142; Gary Murphy, *In search of the Promised Land* (Cork, 2009), 304; Cormac Ó Gráda and Kevin O’Rourke, ‘Irish economic growth: 1945–1988’, in Nicholas Crafts and Giovanni Toniolo (eds), *Economic growth in Europe since 1945* (Cambridge, 1996), 389; Paul Donnelly and John Hogan, ‘The move from protectionism to outward-looking industrial development: a critical juncture in Irish industrial policy?’, *Administration* 58 (3) (2010), 107–29.

²The literature on the causes of the crisis has tended to invoke the concept of ‘distributional sclerosis’ explicated in Mancur Olson, *The rise and decline of nations: economic growth, stagflation, and social rigidities* (New Haven, CT, 1982). See for example Tom Garvin, *Preventing the future: why was Ireland so poor for so long?* (Dublin, 2005), 13, and Ó Gráda and O’Rourke, ‘Irish economic growth’, 413. In other work the idea is more implicit, as in: Brian Girvin, *Between two worlds: politics and economy in independent Ireland* (Dublin, 1989), 10, and Paul Bew and Henry Patterson, *Sean Lemass and the making of modern Ireland: 1945–66* (Dublin 1982), 77.

and the *Programme for economic expansion* was a watershed moment in Irish history, after which protectionist policies were abandoned.³ But why exactly did the change occur?

There are several distinct explanations of this revolutionary change in attitudes and policies, but leadership is easily the most prominent explanation in the literature, specifically that of Seán Lemass and T.K. Whitaker, the former being Taoiseach from 1959 to 1967 and the latter author of *Economic development* and Secretary of the Department of Finance from 1956 to 1969. Few historians would attribute the entirety of the change to either or both, but some come close to it and most consider one or the other to have been essential.⁴ John Murphy's encomium to Whitaker is just one of many examples of the importance attributed to leading policy-makers: 'The dawn that slowly broke over this dismal night was heralded...not by some charismatic public figure but by an expert working in the relative obscurity of the civil service. T.K. Whitaker.'⁵ Some historians have cast the net a little wider than the two leading dramatis personae and their explanations can be characterised as elite theories of change, obviously a manifestation of leadership. A somewhat parallel interpretation to the foregoing is the concept of generational change, along the lines of Kuhn's concept of paradigm change. According to this, change does not take place because of a process of learning or accumulation of knowledge, but simply by the replacement of older people with younger people with a different set of ideas.⁶ The problem with the bulk of the research that has focused primarily on decision-makers is that it has tended to overlook fundamental economic and social forces.⁷

By contrast, other scholars have focused on change from the outside. Several historians, Roy Foster especially, advert to the Marshall Aid programme as challenging Irish policy-makers to think coherently about economic development and specifically to consider the potential of trade with continental Europe.⁸ Ireland participated actively in Working Parties of the Organisation for European Economic Co-operation (OEEC), and actually chaired one, which considered aspects of the free trade proposal.⁹ Maurice Fitzgerald chronicles

³Department of Finance, *Economic development* (Dublin, 1958) and *Programme for economic expansion* (Dublin, 1958). For example, F.S.L. Lyons argues that *Economic development* was 'well-nigh revolutionary' and 'It is hardly too much to say, indeed, that even today it can be seen as a watershed in the economic history of the country' (F.S.L. Lyons, *Ireland since the famine*, 583, 628). Other coverage of this issue in the literature includes: Foster, *Modern Ireland*, 577 and Joe Lee, *Ireland 1912–85: politics and society*, (Cambridge, 1989), 344. For a lengthier survey see Ronan Fanning, 'The genesis of economic development', in John F. McCarthy (ed.), *Planning Ireland's future: the legacy of T.K. Whitaker* (Dublin, 1999), 74–111.

⁴In some accounts Whitaker is considered more important. See for example John Murphy, *Ireland in the twentieth century* and Patrick Paul Walsh and Ciara Whelan, 'Hirschman and Irish industrial policy', *Economic and Social Review* 41 (3) (2010), 283–99. A related approach sees the change as a result of the emergence not of a single leader, but of a motivated elite. In these accounts it is not Whitaker alone, but he and associates in the Department such as Charles Murray and academics such as Patrick Lynch, Loudon Ryan and Charles Carter.

⁵Murphy, *Ireland in the twentieth century*, 142.

⁶It is notable not only that Whitaker was very young when appointed Secretary of the Department of Finance, but also that until then the department had been dominated by long serving and relatively elderly functionaries.

⁷Some authors have argued that policy change can be traced back to the dynamics of 'production relations' and was not primarily driven by leadership, learning and emulation. See for example Bew and Patterson, *Sean Lemass and the making of modern Ireland*, 191–96; Denis O'Hearn, 'The road from import substituting to export-led industrialization in Ireland', *Politics and Society* 18 (1) (1990), 1–38.

⁸Foster, *Modern Ireland*, 577.

⁹D.J. Maher, *The tortuous path: the course of Ireland's entry into the EEC 1948–1973* (Dublin, 1986), 71.

how Ireland became immersed in complex negotiations with other European countries about free trade following the emergence of the EEC and of the European Free Trade Association (EFTA) in the late 1950s.¹⁰ It is conceivable that some of these interactions might have represented an example of Peter Haas's concept of epistemic communities. Civil servants certainly could have, as Haas puts it, 'insinuated' trade liberalisation into the wider bureaucratic and political system in Ireland.¹¹

Historians frequently comment on the sense of failure manifest in Ireland in the 1950s, made particularly acute by the knowledge that other countries had been doing better.¹² As a consequence, some authors focus on the role of new ideas and policy learning, the emulation of successful policies elsewhere, and the implementation of new cutting-edge policies.¹³ For example, Paul Donnelly and John Hogan have applied Peter Hall's concepts of first-, second- and third-order change to explain Ireland's turn from protectionism.¹⁴ Furthermore, Paul Donnelly has traced the embedding of protectionism into Irish government policy and its eventual demise using theories of path dependence as an analytical framework.¹⁵

Perhaps a simpler explanation is that protectionism had run its course because it had become an inefficient drag on economic activity; policy-makers had eventually become aware of its weaknesses and had taken action to correct the problem. However, we think efficiency-maximising by itself is a weak explanation of policy change in the Irish case. One of the main lessons of political economy is that protectionism is often the most politically sensible course of action regardless of policy-makers' beliefs about efficiency. Neither are we convinced that Cormac Ó Gráda's and Kevin O'Rourke's observation that 'policy-makers had simply been slow to learn that protection was mistaken' explains the death of protectionism.¹⁶ Whether policy-makers are gifted or slow learners does not feature much in the broader literature on the political economy of trade. Moreover, in cases where the 'learning thesis' has been tested, namely the United States, it has not performed as well as competing explanations of trade liberalisation.¹⁷

In summary, there is a consensus that the 1950s constituted a fundamental economic and political crisis: the whole rationale of Irish independence, supposedly the historic resurrection of the Irish nation from centuries of oppression, was in question. Furthermore, the process of economic integration in Europe was beginning to gather pace: Belgium, France, Germany, Italy,

¹⁰Maurice Fitzgerald, *Protectionism to liberalisation: Ireland and the EEC, 1957 to 66* (Aldershot, 2001).

¹¹Peter M. Haas, 'Introduction: epistemic communities and international policy coordination', *International Organization*, 46 (1) (1992), 1–35.

¹²In the 1950s the OEEC began compiling statistics on comparative economic performance in Europe, starting a function continued to date by the OECD. As national accounting was still a relatively new concept, the assembly and circulation of growth tables might well have had a salutary effect on Irish policy-makers. At least one historian thinks that the circulation of such data by Seán MacBride in 1956 (see Garvin, *Preventing the future*, 133), even though he was then reduced to the back-benches, caused a considerable stir.

¹³Walsh and Whelan, 'Hirschman and Irish industrial policy', 283–99.

¹⁴Donnelly and Hogan, 'The move from protectionism to outward-looking industrial development: a critical juncture in Irish industrial policy?', 121.

¹⁵Paul F. Donnelly, 'Tracing the path to "Tiger Hood": Ireland's move from protectionism to outward looking economic development', *Organization Management Journal* 9 (2) (2012), 90–103.

¹⁶Ó Gráda and O'Rourke, 'Irish economic growth', 414.

¹⁷Michael J. Hiscox, 'The magic bullet? The RTAA, institutional reform, and trade liberalization', *International Organization* 53 (4) (1999), 669–98; Karen E. Schnietz, 'The institutional foundation of U.S. trade policy: revisiting explanations for the 1934 Reciprocal Trade Agreements Act', *Journal of Policy History* 12 (4) (2000), 417–44.

Luxembourg and the Netherlands had formed the EEC and most Western European countries were locked in negotiations to establish EFTA. Even authoritarian Spain and Portugal had made substantial moves towards economic openness and free trade.¹⁸ It was within this context that policy-makers decided to reverse protectionist policies and support the move to a more open economy. Most of the research on the demise of protectionism has focused on individuals (sometimes on the individual). With some exceptions, a considerable body of work on the political economy of trade policy-making has been ignored, leading scholars to neglect the role of domestic interests in shaping Ireland's foreign economic policy. In the rest of this paper, we show how theories of international political economy can enhance our understanding of Ireland's decision to abandon protectionism in the 1950s. Their most important contribution is to allow us to treat trade liberalisation not as an idiosyncratic outcome but as a predictable response to domestic and international trade politics.

POLITICAL ECONOMY AND TRADE LIBERALISATION

A considerable body of research has argued that in order to explain trade policy decisions it is essential to understand also the demands voiced by a range of societal actors including firms, industries, and factors of production. The society-centred approach to trade policy formation, which sees trade policy as the outcome of political contestation between economically opposed groups, has proved a fruitful inspiration for research and probably accounts for the bulk of the published work in this field. Most work in the 'societal demands' tradition relies explicitly on economic theory to identify the preferences of these societal actors.¹⁹ With preferences identified, researchers then move on to examine the strategic setting: what will societal actors do to realise their preferences? Will government capitulate to their demands?

The contestation in question in the literature is usually about the demand for protection by import-competing domestic business and agricultural interests. However, one of the main approaches in this literature which is particularly relevant to the end of protectionism in Ireland is Andreas Dür's 'protection for exporters' thesis.²⁰ It argues that the creation of a free trade area (FTA) can militate against non-member exports to a particular member of the FTA if imports to that country from non-members are displaced by imports from other members, now disburdened of tariffs. Exporters in non-member states can counter any threat to their business resulting from these types of agreement by economic means (improving competitiveness, investing inside the area, and so on). However, exporting firms likely to be displaced by these agreements can seek out the political route by pressurising their government to participate in

¹⁸See Tapani Paavonen, 'From isolation to the core: Finland's position towards European integration, 1960–95', *Journal of European Integration History* 7 (1) (2001), 53–75; David Greenaway, 'Liberalising foreign trade through rose-tinted glasses', *Economic Journal* 103 (1) (1993), 208–22.

¹⁹See Michael J. Hiscox, *International trade and political conflict: commerce, coalitions, and mobility* (Princeton, NJ, 2002); Hiscox, 'The magic bullet?', 669–98; Mark S. Manger, *Investing in protection: the politics of preferential trade agreements between North and South* (Cambridge, MA, 2009); Helen Milner, *Resisting protectionism: global industries and the politics of international trade* (Princeton, NJ, 1988); Jeffrey A. Frieden and Ronald Rogowski, 'The impact of the international economy on national policies: an analytical overview', in Helen Milner and Robert O. Keohane (eds), *Internationalization and domestic politics*, (Cambridge, MA, 1996).

²⁰Andreas Dür, *Protection for exporters: power and discrimination in transatlantic trade relations, 1930–2010* (Ithaca, NY, 2010).

the FTA, potentially at the expense of domestic protected industry. Therefore, as Robert and Richard Baldwin point out, the mere creation of FTAs by reason of the possibility of trade diversion increases the returns to pro-liberalisation lobbying in potentially excluded countries and may tilt the balance against protectionists even if there is no other objective change (such as institutional changes or changes in economic conditions).²¹ Of course, these returns rise with the expansion of the size of the free trade grouping. Dür, among others, suggests that this cumulative process is a factor in the expansion of FTAs such as the EU and Mercosur.²²

It is this situation that gives rise to Dür's interesting contribution to the political economy of trade policy.²³ Dür argues that while exporters normally do not react to the disappearance of *potential* markets, they react vigorously when, as a result of the formation of an FTA, *actual* export markets are threatened by trade diversion. The argument here is that assessing the value of potential foreign markets is difficult and yields uncertain results, so not much is considered lost if they should become protected. But in the cases of *actual* export markets, the position of exporters in society is similar to that of protectionists. Exporters will therefore lobby in favour of removing domestic protection as part of the process of joining the FTA or forming an FTA with a member of it (as Ireland did later with the UK in 1965) or negotiating a bilateral agreement with it. They will also lobby against raising domestic tariffs for fear of retaliation by trading partners on their existing exports. In the 1950s, the original OEEC idea was a Europe-wide FTA. That wasn't especially a threat except to the few industries exporting to the UK, which would face free trade in that market.²⁴ But the proposal to set up the EEC was a threat in that if Britain joined and Ireland didn't then agriculture would be severely dislocated, and if Ireland joined along with Britain then protected industry would suffer.

On the basis of this argument, Ireland's commitment to free trade in the late 1950s, emphasised in *Economic development* and the *Programme for economic expansion*, would have been underpinned by the segments of society that stood to gain from inclusion in the process of European economic integration. Similarly, the move to free trade should have been opposed by those that stood to gain from exclusion. In the next sub-sections we assess the strength of exporting interests and the lack of counter-mobilisation by protectionist interests.

Protection for agricultural exporters?

In the period under consideration, agriculture was the dominant sector of the economy in terms of employment and contribution to GNP and to exports (see Figs 1 and 2). Indeed, it is easy to interpret Irish foreign economic policy in the entire period between the Anglo-Irish Trade Agreement of 1938 and the Anglo-Irish Free Trade Area Agreement of 1965 as primarily responses to the threats facing that sector from international developments. That is in fact the

²¹Robert Edward Baldwin and Richard Edward Baldwin, 'Alternate approaches to the political economy of endogenous trade liberalization', *European Economic Review* 40 (3) (1996), 775–82: 778.

²²Dür, *Protection for exporters*, 34.

²³Andreas Dür, 'Foreign discrimination, protection for exporters, and U.S. trade liberalization', *International Studies Quarterly* 51 (2) (2007), 457–80.

²⁴Under the 1938 and 1948 Anglo-Irish Trade Agreements, Irish manufacturers had tariff-free entry to the UK and so were advantaged *vis-à-vis* other countries. British manufacturers had preferential tariff entry to Ireland.

Figure. 1. Employment by sector, Ireland, 1951–1960 (000s) (CSO, *Employment and Unemployment, various issues*).

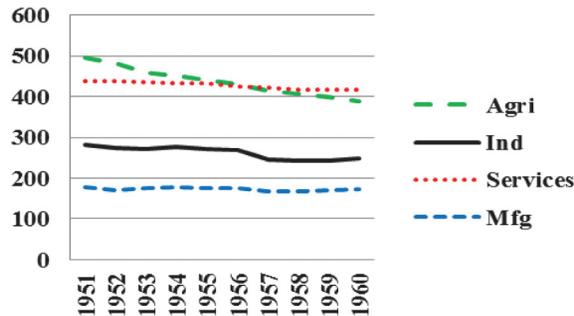
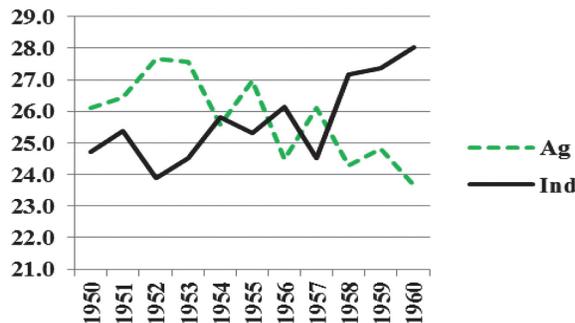


Figure. 2. Sectoral share of GNP, Ireland, 1950–1960 (%; Ag, agriculture; Ind, industry) (CSO, *National Income and Expenditure, various issues*).



proposition suggested by Frank Barry.²⁵ In the 1948 Anglo-Irish Trade Agreement, as in 1938, Irish negotiators sought to enhance agriculture's access to the UK market with concessions to British exporters via adjustments in the preferential tariff that they had obtained in 1938. Their motivation for attempting this stemmed in part from erosion of advantages of Irish agriculture due to increased subvention of British farmers. When in 1957 proposals for a Europe-wide FTA were first announced, Irish policy-makers were confronted by the possibility that retention of access to the UK agricultural markets might require Ireland's participation and therefore involve the end of protection for industry. When this proposal was in effect rejected and the UK opted to form EFTA in opposition to the EEC, the dilemma re-presented itself, only to fade once more when it became clear that agriculture was not to be included in EFTA either (though the UK did make some concessions to Danish agriculture).²⁶ Notwithstanding that, T.K. Whitaker wished to participate in the interests of stimulating industrial competitiveness and, eventually, building

²⁵Frank Barry, 'Agricultural interests and Irish trade policy over the last half century: a tale told without recourse to heroes', *Working Papers in British-Irish Studies* (No. 91) (Dublin, 2009).

²⁶Barry, 'Agricultural interests and Irish trade policy', 8.

a robust export sector.²⁷ However, in late 1959 the Department of Agriculture concluded that Irish membership of EFTA would oblige the UK to offer Ireland's privileged access to the UK agricultural market to the other EFTA partners. On this basis the idea was dropped. Barry is right to say that agriculture's interest was decisive.

Nonetheless, the government felt uncomfortable about a situation in which it would be excluded from both of the European FTAs while the UK was a member of one of them. But apart from a review of the Anglo-Irish Trade Agreement in 1960, it made no move in deference to the calculus of the Department of Agriculture, already cited. In 1961, when the UK applied for membership of the EEC the grounds for any hesitation in joining an FTA disappeared. Unlike EFTA, the EEC did cover agriculture and Britain's membership would therefore cut off Irish agricultural export markets. On that ground alone Ireland's membership of the EEC was virtually mandatory. But more than that, the EEC's CAP promised high levels of protection and subsidisation for agriculture such that any increased competition in the UK market from other members of the EEC that might have resulted for Irish agriculture could be faced with equanimity, all the more so since Commonwealth suppliers would presumably be at a disadvantage. The loser, in static equilibrium terms, would seem to have been industry, which would cede its preferential access to the UK and, more importantly, would be obliged to offer tariff-free access to its own markets to the UK and to other members.

One of the central premises of the 'protection for exporters' thesis is the ability of organised interests to lobby against exclusion from an FTA. Maurice Manning charts how, during the 1950s, the farmers' organisations came into being and began to flex their political muscles.²⁸ Specifically Macra na Feirme (Young Farmers) was founded in 1944, the Irish Creamery Milk Suppliers Association (ICMSA) in 1950 and the National Farmers' Association (NFA; later the Irish Farmers' Association, IFA) in 1954. This was a substantial departure from the method of representation farmers had chosen up to then: the formation of farm parties. The last of a series of these, Clann na Talmhan, faded out in the mid-1960s, unable, in Manning's judgement, to avoid taking sides in 'civil war politics'.²⁹ These farmer organisations were non-party political, therefore exclusively vocational, and supported by full-time staff and economic advisers. This gave them an effectiveness that less focused political representation did not possess. As early as 1960 the NFA was providing reasoned memoranda on agricultural policy, including lobbying the government to join the EEC with or without Britain.³⁰ In the meantime Seán Lemass decided to consult formally with farmers' organisations (and also with employer and union interests), thus opening a channel for direct representation of farmers' views.³¹ Eventually (1963), these consultations were structured into the National Industrial Economic Council. But farmers exercised a more general influence as well: they were active participants in both main parties; the rural electorate was a large part of the total and had strong links with the urban population through family members who had left the farms for employment in

²⁷T.K. Whitaker, *Protection or free trade: the final battle* (Dublin, 2006), 51–7.

²⁸Maurice Manning, 'The farmers', in Joe Lee (ed.), *Ireland 1945–70* (Dublin, 1979), 48–60.

²⁹Manning, 'The farmers', 52.

³⁰Maher, *The tortuous path*, 119.

³¹Maher, *The tortuous path*, 130.

industry and services.³² Ireland's eventual entry to the EEC further reinforced agriculture's influence in Irish politics.

Lack of counter-mobilisation by import-competing interests

Although industry did not actively lobby for free trade in the 1950s, it was remarkably acquiescent at the prospect, considering that Irish industry was believed to be built on protection. Therefore, perhaps more remarkable than agriculture's interest in EEC membership is the apparent passivity of industrial interests in what appeared to be a threat to their protected sector. In assessing the potential danger, account should be taken of the fact that employment in industry had grown from 62,000 in 1931, before protection was applied, to 146,000 in the mid-1950s. Prima facie, 80,000 jobs were attributable to protection directly, with many others indirectly dependent on it. Political economists would expect that any threat to this group would have resulted in political strife, as workers in protected industries would turn to the political arena to defend their interests. But there is little evidence of such a turn. Authors that have focused specifically on EEC entry, such as Miriam Hederman, D.J. Maher, Maurice Fitzgerald and Dermot Keogh, record virtually no response from the indigenous industrial interests, suggesting that they were indeed relatively acquiescent.³³ According to Ó Gráda, 'There were complaints from some trade unionists and indigenous industrialists, but it is the lack of protest at the shift to a more outward looking policy that is significant.'³⁴ Our examination of the minutes of the annual conferences of the Irish Congress of Trade Unions (ICTU) in this period (1954–66) confirms that there was no strong opposition. What is to be found in the ICTU proceedings, and also in the employers' journals, is expressions about the desirability of transitional periods and resources for adaptation and redundancy arrangements.³⁵ But there appears to be no determined opposition by any group of consequence to the new course of policy.³⁶ In the end, just before entry to the EEC, the unions did vote against EEC membership at a Special Delegate Conference in 1971 and the Labour Party formally opposed membership.³⁷ But this was a full decade after the decision had been made in principle. In any case, the margin of support was small and the 'anti' campaign that followed was half-hearted. Analysis of voting patterns suggests that grassroot union opposition was not universal.³⁸ Finally,

³²Also, until the O'Donovan judgment in 1961 regulating the ratio of population per deputy, the rural electorate was over-represented in the Dáil (O'Donovan v. Attorney General, [1961] I.R. 114.).

³³Miriam Hederman, *The road to Europe: Irish attitudes 1948–61* (Dublin, 1993); Maher, *The tortuous path*; Fitzgerald, *Protection to liberalisation*; Dermot Keogh, *Ireland and Europe 1919–1989* (Cork and Dublin, 1990).

³⁴Cormac Ó Gráda, *Rocky road: the Irish economy since the 1920s* (Manchester, 1997), 114.

³⁵Federation of Irish Manufacturers, 'Symposium on proposed free trade area', *Irish Industry* 25 (3) (1957), 65–88; Federation of Irish Industries, 'Annual report', *Second Arm* 7 (2) (1960), 9–15.

³⁶It is true that in the later 1960s, when Ireland was engaged in EEC negotiations for entry for the second time, sectional interests on both sides were more vigorously expressed. By then agricultural interests had become more activist and the highly favourable terms of the CAP had become fully visible in a way that was not possible in the early years of the EEC.

³⁷Their preferred option was association with the EEC, which would have delayed rather than precluded liberalisation.

³⁸Gary Murphy and Niamh Puirseil, 'Is it a new allowance? Irish entry to the EEC and popular opinion', *Irish Political Studies* 23 (4) (2008), 533–53.

the debate on the resolution indicated that opposition to EEC entry was political as much as economic.³⁹

The Federation of Irish Manufacturers (FIM) was established in the 1930s to represent protected indigenously owned industry. In 1958 it became the Federation of Irish Industries (FII) and opened itself to all industrial and service enterprises and trade associations. The change seems to have been accompanied by a more accommodating attitude to free trade, resulting most likely from the inclusion of enterprises that were *de facto* foreign (mainly British) owned. Examination of the contents of *Irish Industry* and *The Second Arm*, published respectively by the FIM and the FII, suggests that business opinion became progressively more positive about free trade. In 1957 the FIM held a symposium on the subject of free trade and while there were objectors, there were as many supporters. To be sure, industrialists in public voiced concern about the need to assist vulnerable industries. But they also expressed confidence in the potential opportunities of free trade for those who prepared. In 1959, the FII published a pamphlet stating its belief in the ability of industry to meet free trade given 'that action is taken in time by individual firms and that the cooperation and assistance of the government is forthcoming'⁴⁰—'a sea change' in attitudes according to Murphy, who concludes that 'The FII was, on the whole, eager for Irish entry into some form of trading bloc'⁴¹

There are several potential explanations, but the argument that it was just recognition of the inevitable can be disposed of immediately; it underestimates the resourcefulness of threatened sectional interests. Such interests do not necessarily recognise what others might regard as the inevitable, nor do they resign themselves to it even when they do. At the very minimum they act to secure compensation from the gainers. In fact, a better explanation is that protection was seen by some industrialists as no longer in their own interests. Factors behind this might have included confidence resulting from the rapid rebound from the recession of the mid-1950s, as a result of which production and exports grew rapidly in the late 1950s. It could also be that the Exports Profit Tax Relief (EPTR) introduced in 1957 and enhanced in 1958 was encouraging more confident attitudes to free trade.⁴² More generally, research in the field of international political economy has found that industry often supports regional trade liberalisation when access to larger markets has the potential to reduce unit costs.⁴³ Put simply, some firms would have benefited

³⁹Patricia O'Donoghue, 'Irish trade unions and the EU', in Ruth R. Barrington and James Dooge (eds), *A vital national interest – Ireland in Europe 1973–1998* (Dublin, 1999), 43–54.

⁴⁰Cited by Whitaker in *Protection or free trade: the final battle*. In private they might be even more sanguine. Murphy reports civil servants, presumably on the basis of their informal contacts with businessmen, as wondering if Irish industry was not a bit too complacent at the prospect of free trade (Murphy, *In search of the Promised Land*, 191). See also Dillon-Malone, whose interviews with businessmen found that many considered that free trade would bring a high rate of casualties but few considered that they would be among them (Patrick J. Dillon-Malone, 'Research into management attitudes and behaviour', *Journal of the Statistical and Social Inquiry Society of Ireland* 33 (1) (1968/69), 88.

⁴¹Murphy, *In search of the Promised Land*, 185, 190.

⁴²In its final form the EPTR abolished corporation tax on profits attributable to increases (from 1956) in exports. Profits were attributed to exports on the basis of exports to total sales. In some cases, companies could reduce their aggregate tax bill, and increase their after tax profits, by exporting at a loss. There is the further consideration that Irish exporters of clothing and textiles to the UK enjoyed rebates on the tariffs on their imported materials which put them at an advantage to UK suppliers. Dermot McAleese, *Effective taxes and the structure of industrial protection in Ireland* (Dublin, 1971), 31–2.

⁴³See Kerry Chase, 'Economic interests and regional trading arrangements: the case of NAFTA', *International Organization* 57 (1) (2003), 137–74.

from Irish trade liberalisation, contributing to the sense of optimism about free trade expressed by the FIM and the FII.

In addition, during the 1950s manufacturing exports had grown rapidly despite the poor performance of the economy as a whole. Table 1 shows the trend in output of manufacturing industry by sector from 1950 to 1960. During this decade, one of the worst for Irish economic growth to date (including 2000–2010), GNP grew by a total of 70 per cent in money terms and 18 per cent in volume.⁴⁴ However, notwithstanding slow general economic growth, manufacturing output grew by about 100 per cent in value and 30 per cent in volume (see Fig. 3).

Clearly, as the economy was growing slowly in the 1950s, the impetus to industrial expansion had to come mainly from abroad. Table 2 and Fig. 4 show that exports of non-food manufactures doubled in value terms in 1950–55 and

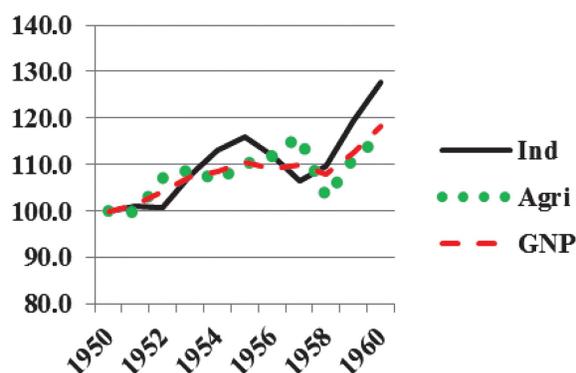
Table 1. Gross output of non-food manufacturing, Ireland, 1950–60 (£000s)

	1950	1955	1960
Clothing and textiles	36193	48125	64024
Wood and furniture	8620	10274	9133
Paper and printing	10781	18548	24541
Leather	3949	4955	6344
Chemicals	9294	12592	18027
Building materials	4923	8408	10301
Metals and engineering	24025	40242	57386
Miscellaneous	9563	6848	23930
Total non-food manufacturing	107348	149992	213686
Volume of non-food manufacturing*	100.0	125.0	154.3

*Authors' estimates based on Censuses of Industrial Production 1950–60.

Source: CSO, Census of Industrial Production, various issues.

Figure 3. Volume of production, Ireland, 1950–1960 (1950 = 100).



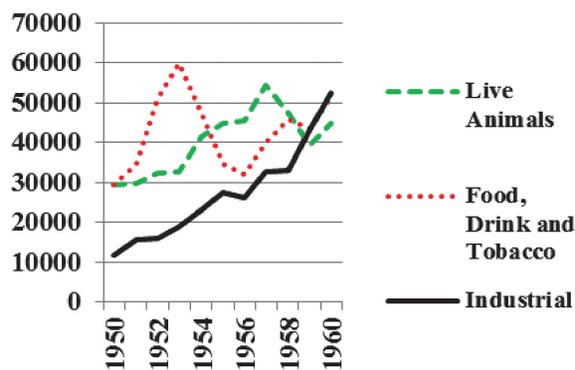
⁴⁴The CSO has published annual estimates of GNP and GDP since 1947.

Table 2. Exports of non-food manufactures 1950–60 (£000s)

	1950	1955	1960
Non-metalliferous mine and quarry products	214	1040	2349
Metalliferous ores, metals and manufactures	637	1979	4427
Cutlery, hardware, implements, machinery and electrical goods	530	779	3560
Vehicles	471	2134	2459
Wood, timber and cork manufactures	141	258	516
Textiles	6178	6948	10568
Clothing	594	1752	4964
Hides, skins, furs, leather and leather manufactures	196	1642	2957
Paper and cardboard	331	2617	2500
Oils, fats, soaps, fertilisers, chemicals dyes, colours, perfumery	242	559	5023
Miscellaneous	1597	2504	4267
Total exports of non-food manufactures	11,131	22,212	43590
Volume of total exports of non-food manufactures*	100.0	178.4	303.4

*Deflated by price index derived from the index of the volume of non-food manufacturing referred to in Table 1.

Source: CSO, *Trade Statistics of Ireland*, various issues.

Figure 4. Exports per sector, Ireland, 1950–1960 (£m).

doubled again in 1955–60. That represents an approximate trebling in the volume of such exports in a decade. Another way to measure the importance of non-food exports is the fact that they accounted for about 10 per cent of gross non-food manufacturing output in 1950 and about 20 per cent in 1960, and that about one third of the expansion of non-food manufacturing output was attributed to increased exports. This took place at a time when there had been no significant changes in the level of tariff protection confronting Irish exporters. Nor, furthermore, should it be considered that the exporting was by incoming foreign companies. Foreign inward investment became progressively more significant after 1960, but export growth was robust throughout the 1950s.

While most of these industries benefited from tariff-free access to the UK, there were some ‘sensitive’ items in the textile sector that had been subject to

tariffs. In the discussions about the 1960 Anglo-Irish Trade Agreement there had actually been complaints by British interests of ‘dumping’ by Irish manufacturers. Irish exporter interests, in turn, complained that under EFTA British tariffs were lower for imports of these products from EFTA countries than from Ireland.⁴⁵ To the extent that this specific situation lent support to the push towards free trade (or at least to not opposing it) it would be a classical example of Dür’s ‘protection for exporters’ (see above).

But there were other long-standing reasons why some at least of the Irish would not have regretted the passing of protection. First there is the point emphasised by Whitaker that while protection conferred substantial profits on some, it conferred substantial costs on others through high prices and the process of pyramiding. The high costs would have inhibited exporting, as Whitaker argued, but would also have dampened home sales so that even for those catering only for the home market, protection had its drawbacks. There is also the point, not intuitively obvious, that pyramiding reduces effective protection for downstream industries.⁴⁶

There must have been quite a few enterprises for which local manufacturing was simply an adjunct to importation and distribution, which without the tariff would happily have closed the manufacturing activity and reverted to wholesale importing. This could have been true of both British-owned and Irish-owned businesses. In a research programme now under way, based on painstaking examination of records of company ownership, Barry *et al.* show that a high proportion of protected industry was in fact foreign owned.⁴⁷ They conclude that of the 80,000 persons employed in manufacturing enterprises surveyed by the government’s Committee on Industrial Organisation up to 1964, 30,000 or 40 per cent of the total were in firms that were actually or effectively foreign (mostly British) owned. Some had been set up before protection had been adopted in 1932, but others had availed of the numerous methods of evading the effect of the Control of Manufactures’ Acts.⁴⁸ These had been adopted in the 1930s to prevent foreign ownership of Irish industry and were part of the apparatus of protection. Some of these enterprises were substantial or were already exporting to fellow subsidiaries in the UK, or considered themselves to be export-capable. At very worst, closure of the manufacturing activity and conversion to direct importing and wholesaling might not have seemed unduly disturbing to their owners.

While we have made a strong case that not all of industry would have lamented the demise of protectionism, it is also worth examining governments’ motivations. What explains the exact timing of the government’s decision? In line with the literature on the political economy of trade, the exact timing of the government’s decision should have been dictated by events at the European-level; specifically, the process of European trade liberalisation and the potential loss of foreign markets. In the absence of external pressure, Irish governments might not have put an end to protectionist policies when they did. But why were successive Irish governments so responsive to the needs of agricultural interests? One possible explanation is that Irish governments in the 1950s and 1960s had very strong incentives to cater to agricultural interests, even at the expense of

⁴⁵Federation of Irish Industries, ‘An end and a beginning’, *Second Arm.* 7 (3) (1960), 5.

⁴⁶McAleese, *Effective taxes*, 7–10.

⁴⁷Frank Barry, Linda Barry and Aisling Menton, *Foreign ownership and external licensing of Irish business under protection* (Dublin, 2012), unpublished report.

⁴⁸Including flat disregard of the rules. Barry *et al.* cite one case of a foreign-owned company that applied for a licence from the Department of Industry and Commerce and was refused, but started the factory anyway.

industry. The two largest political parties—Fianna Fáil and Fine Gael—were equal contenders for farmers' votes and virtually all deputies from rural constituencies would have been strong supporters of farmers' interests. The crucial institutional point here is the relatively subdued nature of the ideological differences between the two largest Irish political parties, at least in the economic sphere. Had Irish politics followed the European pattern then there would have been a large socialist delegation to the legislature, not interested in attracting farmer support and presumably more likely to oppose farm interest in trade liberalisation.

On the other hand, there were some voices within the Irish state administration that supported protected industry. The Department of Industry and Commerce was virtually built around the administration of tariffs, quotas and import licences. In opposing the government's move to end protection, the department made the most extraordinary estimates of the potential losses from free trade and assigned no significance whatever to export potential of the enlarged markets that free trade would bring. In the exchange on the subject between J.C.B. McCarthy, Secretary of the Department of Industry and Commerce and T.K. Whitaker, the former cites an estimate of 100,000 as the number of jobs dependent on protection. Whitaker was no doubt correct in considering that McCarthy was over-egging the pudding with this estimate, but there may have been a widespread view that something of that order of jobs was the result of protection.⁴⁹ Indeed, T.K. Whitaker himself cited the figure of 100,000 in *Economic development*, in the context of a discussion about protection. At the other extreme, Garret Fitzgerald, under the *nom de plume* 'Analyst', calculated that not more than 50,000 jobs were created by protection.⁵⁰

CONCLUSIONS

Society-centred approaches are probably the largest constituent of the political economy of trade policy formation. It would seem that the approach is of particular relevance to policy-making in a small economy, where inevitably imports are a large part of national expenditure and exports a large part of national production and therefore trade policy should loom large on the domestic political agenda. Since agriculture was the dominant sector in both production and trade during the period in question, it might seem hardly surprising that agricultural interests were predominant in trade policy. However, the society-centred approach shows how protection of even minority sectional interests, never mind those of a large sector such as 1950s Irish agriculture, can be foisted onto the rest of society. That is in part what happened in the 1930s when protection became widespread and deep. As Barry points out, that was possible because protection was not just for industry, but also extended to part of agriculture in the form of supports for tillage activities in the interest of creating employment—even if at relatively low standards of living, given that tillage is comparatively uncompetitive in Irish conditions.⁵¹ This recruited to the protectionist side a fraction of agriculture, leaving the export-oriented sector at a political disadvantage. Of course these were not the only factors at work, since in the 1930s conditions for international agricultural trade were poor.⁵² The return to economic normality after the war, the growing strength of exporters of all shades and the increasing inefficiency of

⁴⁹Whitaker, *Protection or free trade*, 24–44.

⁵⁰Analyst, 'Employment 1926–57 1: the results of protection', *Irish Times*, 17 January 1957, 5.

⁵¹Barry, 'Agricultural interests and Irish trade policy over the last half century', 11.

⁵²Cormac Ó Gráda, *Rocky road*, 5.

protectionism tilted policy into alignment with the country's comparative advantage, and protectionist interests in industry and agriculture eventually lost out. The exact timing of the transition was dictated by events at the European level, namely the process of intra-European trade liberalisation and the internalisation of this in Irish policy-making. In the absence of these unfolding processes, Irish governments would not have come under such pressure to put an end to protectionist policies. In the case of industry what needs to be explained is its acquiescence to the prospect of free trade, given that so much of it was considered (for example by the Department of Industry and Commerce) to be dependent on protection. But there is evidence that industry, or some of it, had good reasons for not lamenting its passing. Thus, the abandonment of protection and reactions to it can be largely explained by fundamental economic forces at work on and in the Irish economy. Future research on Ireland's foreign economic policy needs to take account of the role of domestic interests and Ireland's position in the global economy.