

A FEAST OF FAMINE  
DEPENDENCY AND EMPLOYMENT IN THE REPUBLIC OF IRELAND

by

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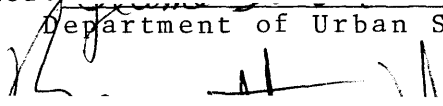
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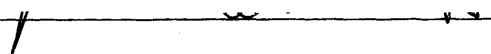
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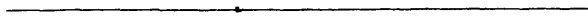
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## ABSTRACT

Ireland has substituted colonial dependence based on export of agricultural products to Great Britain for a new dependence as an export base for mainly U.S. owned transnational corporations wanting to trade in the European Common Market Area. One result of this continued dependence has been high unemployment and an increasing polarization of the work force into a marginal sector based on subsistence agriculture and traditional industry, a public sector providing services and domestic industry, and a sector owned by transnational enterprises, producing for export. This paper traces the process of polarization.

Thesis Supervisor: Bennett Harrison

## INTRODUCTION

A variety of theories have been proposed to explain why "developing countries" have not achieved the levels of development predicted by conventional economic theory. This dilemma has led some theorists to make modifications of conventional theory, such as Hirschman's unbalanced growth model (Hirschman; 1958). Others focus on successfully transplanting development theories drawn from the experience of Western nations to countries of the Third World (Galbraith, 1964).

Still other approaches challenge the basic premises of conventional theory. Initially drawing on the experience of Latin America and eventually incorporating the experience of developing nations around the world, a group of such theories has come to be known as "dependency theory". While many formulations of dependency theory exist, they share a common conception of underdevelopment. According to this view, underdevelopment is rooted not in precapitalist attitudes and social institutions, nor in inadequate savings and insufficient capital, but in the historical workings of the international capitalist system which cause the economies of developing nations to be conditioned on the workings of the economies in the developed world. Underdevelopment is the result of this dependent status.

I have chosen to investigate economic development in the Republic of Ireland in the framework of dependency theory. While dependency theory was first applied to countries in Latin America and later Africa and the Caribbean, Ireland has experienced one of the longest colonial

histories in the world and shares many of the problems of development faced by Third World countries.

Independence from the United Kingdom was achieved for 26 of the 32 counties in Ireland in 1921 when they were granted status as a British dominion. Six of the counties in the province of Ulster remained in the United Kingdom, thus creating a partition between the Irish Free State and Northern Ireland. The partition insured the continued dependence of both parts of the island on Great Britain. Ulster was the most industrialized part of the island, with well developed shipbuilding and linen trades. The rest of the island was mainly agricultural and could have used the engineering skills in the north to produce capital goods to industrialize. The split rendered the northern counties dependent on British export markets and left the 26 counties to import the goods needed for industrialization. In the sixty or so years since partition, Ireland (hereafter assumed to mean the 26 counties) has pursued a variety of development policies which have recently been hailed as "a miracle of development" by the popular press (see National Geographic, April, 1981). It is the contention of this paper that although Irish GNP and per capita income have risen, the development has brought famine rather than feast. Ireland has substituted a colonial dependence based on export of agricultural products to Great Britain for a new dependence as an export base for mainly U.S. owned multinational corporations wanting to trade in the European Common Market Area. One result of this continued dependence has been the continuation of high rates of unemployment and an increasing polarization of the work force into a

remnant sector based on subsistence agriculture and traditional industries, a large public sector involved in services and some domestic industry, and a sector owned by transnational enterprises, producing for export. This paper will trace the process of polarization.

## Chapter 1: Problems of Development and Dependency

### Cultural and Social Implications

Underlying any discussion of dependence is a notion of what constitutes development and usually, an unstated assumption that development is desirable. Much of the theory of development proposed by economists focuses on a narrow view of the problem. Increases in total and per capita income and product, when accompanied by the proper rate of savings and appropriate capital investment have been assumed by any number of conventional economists to indicate that development is taking place.

Other observers have not taken so simple or benign a view of the process. "Development" involves not only economic growth but a host of social and cultural changes, as well. Development is not a neutral concept. It proceeds from a series of assumptions and values which are widely accepted in the Western industrialized world, but which are not shared by other cultures.

Russell Means made a speech before the Black Hills International Survival Gathering on the Pine Ridge Reservation in 1982 criticizing both Marxist and conventional views of development. Means refused to write out the speech, noting that "It is one of the white world's way of destroying the culture of non-European peoples, the imposing of an abstraction over the spoken relationship of a people (Means; 1980; 25).

Means, who views Marxism as an integral part of the European cultural tradition, criticizes the secularization of the universe by the Western peoples.

In terms of the despiritualization of the universe, the mental process works so that it becomes virtuous to destroy the planet. Terms like progress and development are used as cover words here, the way victory and freedom are used to justify butchery in the dehumanization process. For example, a real estate speculator may refer to "developing" a parcel of ground by opening a gravel quarry: development here means total, permanent destruction, with the earth itself removed. But European logic has gained a few tons with which more loads can be 'developed' through the construction of road beds. (Means; 1980; 27).

This logic, which regards destruction as development has led to the classification of many Indian lands as 'National Sacrifice Areas'. These are lands with uranium deposits, which industry says can be most cheaply and efficiently exploited by dumping the wastes at the digging sites, making the land uninhabitable forever. The destruction of the Indian lands is considered by Western logic and values to be an "acceptable" price for development. Means speaks out not only against the destruction which often accompanies development but against the notion of gain which motivates it.

Being is a spiritual proposition. Gaining is a spiritual act. Traditionally, American Indians have always attempted to be the best people they could. Part of that spiritual process was and is to give away wealth, to discard wealth in order not to gain. Material gain is an indicator of false status among traditional people, while it is "proof that the system works" to Europeans. (Means; 1980;25)

Other observers, who accept Western value systems are also critical of some of the results of the development process. Lisa Peattie (1968) describes the creation of an underclass in Ciudad Guayana, Venezuela which accompanied the development of the steel industry. Drawn from the subsistence agricultural sector by the prospect of wages higher than the prevailing living standard, the residents of La Laja barrio have thrown

their lot in with the modern world of mass produced goods, but are unable to fully participate. Unemployment rates in excess of 25% produce chronic poverty and a complex range of human adjustments to a situation where people's expectations can not be met.

Similar problems have arisen in Ireland in the pursuit of development. One need only contrast the lush countryside with the gaping sore caused by strip mining at the Tara Mines, or talk with elders about the spread of the television and the accompanying decline in the oral tradition and traditional folk music. Two summers ago, the talk of the town in Cork (Ireland's second largest city) was the U.S. owned asbestos factory the Irish Development Authority promised would bring jobs. The high unemployment rate was not sufficient to make death by asbestiosis appealing. When citizens blocked the development site, police refused to stop them and the project was abandoned.

### Dependency

Although much of the theory of dependency was developed in Latin America, it has relevance to many of the issues important in the Irish context. Raul Prebisch, who provides one of the earliest formulations of dependency theory addresses an issue of concern to any economy which relies heavily on the export of primary products.

Prebisch located the problems of underdevelopment in deteriorating terms of trade for the primary products produced in 'Peripheral' areas in relation to the industrial products produced in 'Center' countries. This deterioration caused wages and profits in developing countries to increase in comparison to productivity, while rate of income increases

in 'Peripheral' countries has been lower than the productivity gain. Thus, the benefits of technical progress have accrued disproportionately to 'Central' countries. His solution was to industrialize the 'Peripheral' countries.

...Although it is not an end in itself, (industrialization is) the principal means at the disposal of those countries for obtaining a share of the benefits of technical progress and progressively raising the standard of living of the masses...Historically, the spread of technical progress has been uneven, and it has contributed to the division of the world economy into an industrial center and countries engaged in primary production, with differences in income growth (Prebisch; 1959).

Interestingly, Prebisch recommends that countries of the 'Periphery' finance industrialization by using foreign capital to solve the problems of low rates of savings (Di Marco; 1972; 8). Ireland has pursued a path much like the one recommended by Prebisch. The results will be evaluated later in this paper.

Celso Furtado's study of development in Brazil led him to conclude that the advent of industrial development in Europe eventually conditioned the economic development of almost every region of the world. He described the industrial process as functioning on three fronts: development within Europe; displacement of frontiers to uninhabited lands with similarities to those in Europe (Australia and the U.S.); and displacement of frontiers to already inhabited regions whose economies were pre-capitalist. While his attempt to explain the course of development in the U.S. and Australia on the basis of being uninhabited is clearly incorrect, and his argument about similarity of lands is also weak, his description of development in pre-capitalist economies has clear relevance for the study of Ireland.

Under Furtado's formulation, dependency is a process which penetrates the economy at a far deeper level than the balance of trade issues raised by Prebisch. Furtado sees industrialization not as a solution to dependency, but as an integral part of the process. Furtado found that the displacement of the European economic frontier almost always resulted in the formation of hybrid economies in which a capitalist nucleus and an archaic structure coexist. The capitalist nucleus seldom modified preexisting structural conditions unless the type of capitalist enterprise called for a very large number of wage laborers. In the case where the wage sector grows large enough, the monetary sector has prompted substantial modification in consumption habits which gives rise to a domestic market. An industrial nucleus grows up around this new market, concentrating at first on light industries producing articles for general consumption as textiles and processed foodstuff. The result of this process is a three sector economy: 1) a "remnant" economy based on subsistence; 2) activities directly connected to foreign trade; 3) activities connected with the domestic market. Furtado points out that although development has occurred, the main dynamic factor is demand created by external induction, not in factors internal to the economy (Furtado; 1964). It is precisely the impact that this splitting of sectors has on employment that will be explored in this paper.

Like Furtado, Andre Gunder Frank finds that underdevelopment results from linkage to the world capitalist system. According to Frank, development cannot be prompted via diffusing capitalist institutions and values from the metropolis, it can only occur

independently. Frank points to Brazil as an example of a country which has developed, but which has been unable to break out of its satellite-metropolis dependence. Frank's thesis is one which explains why Prebisch's prescription of industrialization using foreign capital has not produced the desired results in many countries, including Ireland.

One feature which distinguishes the Irish economy from countries of Latin America which were studied by Prebisch, Furtado, and Frank is size. With an estimated population of 3,365,000 in 1979 and a total land area of 70,282 square kilometers (Haughton and Gilmore; 1979) development in Ireland assumes a different context than development in Brazil or Argentina. Kuznets defines a small economy as being one with less than 10 million people (Kuznets in Robinson; 1960; 14). Demas (1965) uses the figure of 5 million. In either case, Ireland qualifies as a small economy. William Demas has approached the study of development from the perspective of small size and finds that underdevelopment and self-sustained growth cannot be considered apart from the size of a country.

Demas notes that small size has not presented a block to development in countries such as Switzerland, Luxembourg, Belgium, Holland, Denmark, New Zealand, Norway, and Sweden. He attributes this success to timing. In his view countries trying to develop since World War II face a much more difficult task.

Among the factors which Demas thinks make it difficult for small countries are the following:

- resources and raw materials in a small country are likely to be skewed rather than broadly based;
- economies of scale often cannot be achieved by producing for the home market;
- specialization is much different in a small economy where the structure of production differs sharply from domestic composition of final demand;
- exports play a role of leading sector in a sense that the rate of growth of GDP is tied much more closely with the rate of growth of exports than in a large economy.

Demas concludes that "Only large continental economies with varied resources and very large populations can fully achieve self-sustaining growth" (38). Regional integration into a common market area is suggested as one way to achieve a more self-sustaining growth pattern. Of course, Demas formulated his theory with reference to the Carribean; where regional integration of a group of small, developing economies may lead to increased self-sustenance.

An approach to dependency which is relevant to employment problems in Ireland is that of Hans Singer (1970). Singer theorizes that international technological dualism leads to internal dualism in developing countries. This internal dualism is brought about by a process whereby the total volume of technical knowledge is increasing, but mainly in areas relevant to developed countries. This technology is brought to developing countries through private foreign investment and is internalized within large international firms. Through repatriation of profits and dividends, reinvestment opportunities are lost. The

technology is not adapted to the needs of the developing economy so it stays in a modern enclave and does not spread. Unemployment rises in the developing economy due to the combined result of rapid rise in population and labor force attracted the modern sector by higher wage levels and the capital intensive nature of modern technology. The result of this process is a small elite of regularly employed people. Singer predicts the creation of "job clusters", pools of people drawn from other sectors of the economy and vying for a small number of jobs. This effect runs counter to the Keynesian notion that increased investment will increase employment.

For Ireland, integration into a common market with large, developed countries of the EEC has not achieved the self-sustaining growth Demas talked about. Frank would argue that it never will, because integration is the source of the dependency. While Demas' argument is a useful look at some of the disadvantages faced by small countries, it underestimates the extent of the forces creating dependency. The theories of Furtado and Frank can explain not only why the Caribbean is dependent, but why Brazil and other large countries with generous resource and population endowments are dependent. Demas assumes these countries will develop if they follow conventional macroeconomic models for growth. In the Irish context, his theory may help explain why rapid economic growth during the 1960s and 1970s did not solve the country's unemployment problems.

To my knowledge there exists no contemporary literature about dependency in Ireland, although the concept is certainly not new to the Irish. The Sinn Fein movement, which emerged at the turn of the century, was dedicated to collective self-help and national

independence. The words "sinn fein" mean "we ourselves" and reflect this notion. The DeValera government, which came into power in 1932, was strongly influenced by this philosophy.

The task of constructing a theory of dependency in Ireland is far greater than the scope of a Master's Thesis. As a beginning contribution toward this end, I will develop a theory about dependency and employment since 1921. Specifically, I will attempt to show that changing patterns of dependency, first resulting from Ireland's colonial status, and later based in attempts to promote export base industrialization have resulted in a severely polarized labor force which experiences chronically high levels of unemployment. This polarization has created a distressed native sector consisting of small farms and traditional businesses producing mainly for the Irish market, a public sector involved in services and industries for the home market, and a foreign dominated sector producing for export.

This typology of polarization has much in common with the theories of dependency that have already been mentioned. Like Furtado, it sees a three sector split but focuses differently on the nature of this split. The remnant economy is not just the subsistence sector, it is also the small farm and business sector built up in the 1930s and which has been marginalized by integration into the world economy. The sector connected to foreign trade is distinguished not only by the destination of products, but also by foreign ownership and imported technological processes. The domestic market sector consists of public services and those private enterprises for domestic consumption which have not been marginalized by integration into the world economy.

Defining the three sectors in this way makes the distinctions between potential for job creation and the quality of jobs more clear. The marginal sector is characterized by small establishments severely effected by economic fluctuation, tending to use traditional production methods and not likely to be a source of sustained job creation.

The foreign sector uses imported technology and tends to involve assembly and other fairly low skill level operations. These firms are in Ireland to take advantage of EEC markets and cheap labor. Growth of jobs and output depends on market expansion in Europe and keeping wages low. As Singer predicted, job creation in this sector has by no means kept pace with combined population growth, declining emigration and those drawn from the agricultural sector.

The public sector does not receive attention from the dependency theorists discussed earlier. It is the contention of this paper that the public sector in Ireland has been the most significant contributor to sustained growth in Ireland. Despite this contribution, public sector employment is presently under attack because it offers comparatively higher levels of wages and job security than the private sector, which depends on low wages to attract foreign firms.

## Chapter 2: Defining and Measuring Development

### Definition of Development

If development involves more than economic growth, and encompasses cultural, political, and social processes as well as a self-sustaining capacity, then a definition which includes these elements must be far broader than many conventional definitions. For the purposes of this thesis, I will define development in the following way:

- 1) Individual and group self-esteem within the country have been enhanced in relation to each other, and national self-esteem has been enhanced in relation to the world at large.

### Implications for Employment Policy in Ireland

One of the aspects of Ireland's past which has been most damaging to national self-esteem is the long history of emigration. In addition to the personal loss and rent in the fabric of cultural continuity, the continual outflow of Ireland's youth was regarded as one of the most visible signs of oppression under British rule. Nationalists believed that surely under native rule this curse would stop. When it did not, the blow to national esteem was staggering.

- 2) The range of choice and participation available to people has expanded, freeing them from external and internal domination and dependence.

### Implications for Employment Policy in Ireland

The establishment of national sovereignty for the 26 counties and the institution of a democratic form of government were the beginning of this process. Economically, independence has been much harder to achieve. From an employment perspective, this would mean jobs for all who want to work, the formation of unions, reduction of inequality between social classes and between men and women.

- 3) The strategies and methods for achieving development increase the capacity for self-sustaining development.

### Implications for Employment Policy in Ireland

If self-sustaining development is to take place, strategies for increasing employment must insure that surplus is controlled by nationals and invested within the economy.

### Measuring Development

One of the advantages of definitions of development which focus on growth is that measurement looks easier. If growth is the object of development, then a number of easily quantifiable measures are readily available from statistical sources -- GNP, GDP, income per capita, etc. Because I have selected a broad definition of development, the problem of measurement is more complex.

My attempt to demonstrate trends toward development or dependency will proceed directly from the definition of development proposed earlier. The task is to try to find out what is happening to each part

of the definition and theory. In order to do this, the measures of development must have a variety of characteristics:

- They must be multi-dimensional and examine the economic, political, and social implications of the definition.
- They must focus not only on outcomes but on capacity developed through institutional and structural changes.
- They must relate events in Ireland to the international economic system.
- They must be able to examine changes at different time periods. This means that different measures may be appropriate for different times.

McGranahan points out that indicators are not simply statistics, they must point out something else that relates to an underlying theory or assumption. An indicator represents an element of a goal or definition that is not directly measurable itself. Thus the goal of better health can be represented by the indicator which measures infant mortality (McGranahan in Baster; 1972; 92).

The literature on measurement is replete with techniques for measurement including correlational analysis, input-output models, and complex systems for ranking political participation or social development. One notion about which I have not seen much discussion is appropriateness. A particular technique may be favored by any number of experts, but if it does not enhance the readers' understanding of some part of the complex process of development, it is useless. Thus, models which collapse years of political history into a scale of political

participation which goes from 1 to 4 may make for tidy reports, but they do not add much to our understanding of dependency or development.

This example points to a further aspect of the notion of enhancing understanding, and this is the appropriateness of form. Some data are best presented in quantitative form, others are most meaningful in a qualitative form, and some will take the form of telling the story of what happened, or describing the debate over a policy or program.

Inherent in any definition of development and any attempt to measure it, are a set of values. The theory proposed in this paper proceeds from a set of values which respect the culture and integrity of all nations and which find relations of domination and dependence repugnant. I wish to make it clear at the outset that the course of development in Ireland is being measured from the perspective of my value system and not the value system of those designing and implementing Ireland's economic policy. I have chosen this course because I believe dependency theory can provide a valuable critique of and explanation for what is happening in Ireland. Taking this point of view will also lend consistency to the analysis because the values underlying economic development in Ireland have changed over time. The choice of employment as the focus of this study should tie together my values and the Irish government's values over time, for promoting full employment has always been an important part of Irish development policy.

#### Limitations of this Study

Full examination of the political, economic and social dimensions of dependency in employment is impossible within the limited scope of

this thesis. In order to keep the project to a reasonable size, this study will focus mainly on economic factors influencing dependency.

An additional limit of the scope of this study is the availability of data. Large amounts of data that are important to this topic are unavailable or have never been collected: the role of women in the Irish labor markets has received very little attention; to my knowledge, the notion of primary and secondary labor markets is not developed in the Irish literature; the role of the public sector as a source of employment seems to receive very little attention. The Telesis Report, which provides a detailed study of grant-aided industry was completed in July 1981, but has not yet been released to the public. In addition, the data that is available provides aggregated statistics on job gains and losses, giving no sense of the fluctuations which produced the aggregate changes.

This project is clearly not a definitive statement of dependency in Ireland. Rather it is an attempt to define a framework for studying the issue from a fresh perspective. It is my hope that this project can be useful to others who have greater resources for studying the problem.

### Study Design

The theory of dependency outlined earlier describes a process of polarization in employment over a period of time from 1921-1980. This overall time period can be broken down into two sub-periods, marked by changes in economic policy. These periods and the rationale for selecting them are as follows:

1921-1957: This time sequence begins with the founding of the Irish Free State and encompasses a period when development policy was based on self-sufficiency and self-containment.

1958-1980: This period represents a major departure from the policies of self-sufficiency. It begins with the introduction of legislation allowing foreign-controlled firms to set up operations in Ireland and is marked by increasing foreign participation in the Irish economy and changes from protection to free trade and integration into the EEC in 1973.

Within each time period, employment will be studied in relation to dependency within each sector of the economy: agriculture, industry, and service. For each sector of the economy, a number of component areas will be examined which demonstrate the growing polarization in employment. Thus, within the agricultural sector component, areas include policy evenness of regional distribution, disparity in farm sizes and output, etc. A variety of indicators are presented to show whether the trend is toward development or dependence within each component area.

## Chapter 3: Development from 1922-1958

### Section I: Agriculture

#### Background

Ireland's maritime climate has a significant influence on agricultural production. While extremes of heat and cold are rare, summer temperatures tend to be low and winter temperatures relatively high. Valentia in the southwest has a July temperature of 15°C and a January temperature of 7°C (Houghton and Gillmor; 1979; 15). Rainfall is high, with four-fifths of the country experiencing 35-50 inches annually. In Western and mountainous areas much greater amounts are recorded. The Mweelrea Mountains in County Mayo record an average of 99 inches annually (Meenan; 1970; 88). In addition, a remarkably large number of days are recorded in which at least .1 inch of rain falls: 200-250 days in different parts of the country (Meenan; 1970; 88). This climate is very suitable for growing grass. Growing cereals in these conditions is more hazardous than in the rest of Europe because the soil tends to be leached of minerals and humus by the rainfall.

Before the arrival of large numbers of English settlers in the 16th and 17th centuries, the land was worked for subsistence, not profit. Climatic conditions encouraged the growing of cattle and technical conditions made common ownership of land useful. Common ownership meant that land did not have to be divided into individual stock proof areas. Grazing over land areas made it possible to shift herds from one part of the land to another with changing seasons. Grazing was done on higher

and wetter areas in the summer and lower and dryer areas in the winter (Crotty; 1966; 5).

With the arrival of planters from Scotland and England, the native population was dispossessed of their land and individual land ownership was instituted. Under colonial rule, agricultural policy in Ireland was determined by the needs of the British market. Changes in policy in the late nineteenth century produced great bitterness in Ireland. The repeal of the Corn Laws in 1846 meant that the Irish were to decrease the amount of land under tillage and grow more cattle for export to England. As cattle production was less labor intensive than tillage, people were forced off the land.

This process was enforced by the Great Hunger of 1846-7. Although twice as much food as was needed to support the population of 6.5 million was harvested in Ireland each year of the famine, British policy required that it continue to be shipped to England. The resulting deaths and emigration reduced the population to less than half, a much more manageable population for a land devoted to feeding the population of Great Britain.

The system of tenancy for the native population provided little security of tenure and fixed rents amounting to two-thirds of what was produced. By the late 19th century, the countryside had erupted into a series of guerrilla style land wars. To quiet these rebellions, proprietorship was extended to peasants in 1903.

The period from 1850-1900 produced far reaching structural change in Irish agriculture. The number of cattle rose by 60%, sheep by 100%.

Tillage areas declined from 4.3 to 2.4 million acres. The rural population fell from 5.3 million to 3 million (Crotty; 1966; 87).

### Policy

The Cosgrave government appointed a Commission on Agriculture in 1922 to investigate the condition of agriculture and make recommendations for its improvement. In April 1924, the Commission produced a final document which included both Minority and Majority Reports.

The Majority Report, whose views were shared by the Cosgrave government, was strongly influenced by the laissez faire approach to economics which dominated British policy. The Majority Report established the goal of expansion and recovery of export crops as the basis of agricultural policy. Their report recommended a broad range of measures designed to improve the framework within which producers produced. The Report opposed granting direct assistance via tariffs, subsidies, or guaranteed prices. "The main work of agricultural recuperation must rest with the individual farmer, whether working singly or organized in cooperation with his fellows." (Meenan; 1970; 93)

The long term results of these policies were never attained because the Fianna Fail Party came to power in 1932 and changed policies to conform to the Minority Report. The new government, headed by former IRA member Eamon DeValera was committed to policies of self-sufficiency and widespread state intervention in the economy. (Crotty; 1966; 132)

This switch in policy has important implications for the study of dependency. The Cosgrave approach aimed to cause growth in the economy and increase incomes. Expansion was dependent on trade with Great

Britain. The Cosgrave approach involved no attempt to alter income distribution in the farming community. As the main export was cattle, which requires small amounts of human labor and large amounts of land, the fortunes of small farms worked by family members would not be expected to improve much and agricultural unemployment would not be likely to be stopped.

On the other hand, the DeValera approach intended to break the economic dependence on Great Britain and produce mainly for the domestic market. This involved a switch from cattle to tillage, which was hoped would create jobs and stop emigration. However, in a small country with a declining population, reliance on the home market was risky business. DeValera foresaw a nation living modestly which would not adopt the high consumption style of Europe or the United States. The emigration rate, which was about 5.6/1,000 population through the 1950s (Crotty; 1966; 131) attested to the difficulties of this policy.

Although self-sufficiency was regarded as the optimum policy in itself, world events soon made it a necessity. The Depression of 1929 caused a collapse in international trade and a trade war from 1932-1938 over the terms of the 1921 Treaty between Ireland and England made a shift from exports to import replacement mandatory (Crotty; 1966; 137). Agricultural self-sufficiency and subsidies to encourage growing foods that had formerly been imported continued to be the mainstay of economic policy until after World War II. With the post-war world food shortage, export crops received more attention.

## The Structure of Irish Agriculture

The analysis which follows will show that the overall structure and output of Irish agriculture changed little in the first forty years of independence and the acute employment problems in this sector continued. As a source of employment, the importance of the agricultural sector declined continuously. The following chart illustrates this decline as well as the continuing problems of unemployment and emigration throughout the period.

### Distribution of the Irish Labor Force by Sector 1926-1958

	<u>1926</u>	<u>1936</u>	<u>1946</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>	<u>1957</u>	<u>1958</u>
1. Agriculture <sup>1</sup>	50.0	45.7	43.1	39.4	38.5	37.2	36.7	36.8	36.1	35.7	35.7
2. Industry	12.5	15.5	17.7	22.5	22.0	22.2	22.5	22.7	22.6	21.4	21.3
3. Other Domestic	31.0	31.0	33.2	34.8	35.2	35.4	35.3	36.0	36.2	36.5	36.7
4. Unemployed	6.5	7.8	6.0	3.3	4.3	5.2	5.5	4.5	5.1	6.4	6.3
5. Emigration <sup>2</sup>	NA	NA	NA	2.7	2.8	2.9	3.7	3.9	3.6	4.9	3.0
Total 4 & 5	--	--	--	6.0	7.1	8.1	9.2	8.4	8.6	11.3	9.3

<sup>1</sup>Includes forestry and fishing.

<sup>2</sup>Percent of total potential labor force.

(Source: Bristow and Tait; 1968; 129)

The inability of the agricultural sector to provide employment for the rural population is the result of a variety of structural and institutional factors within the economy and Ireland's position in the world at large. One very important structural factor was the pattern of land tenure.

The established system of owner occupancy was intended to ensure security of tenure and compensation for improvements. The system increased farmers' incomes to the extent by which rents or land commission annuities were lower than competitive rents. Government policy kept these rates low hoping to encourage farmers to spend their money making investments in their farms. This policy ignored the fact that the market for cattle and dairy products was poor for much of the period. Because rents were kept low, there was little incentive for farmers to divest themselves of land that they were not using productively. The result was that land which could have produced employment was allowed to remain idle or under-utilized (Crotty; 1966; 88).

A further difficulty is related to the population structure of those who lived on farms. Because emigration and migration to towns were concentrated among younger people, those remaining on the farm were disproportionately older and less likely to be able to work the land to its capacity. The following chart illustrates the change in farm population structure and provides a comparison to farms in England and Wales.

Age and Sex of Farmers in England & Wales, and Ireland  
1881 and 1951  
 (Percentage of Total Farms)

<u>1881</u>	<u>England &amp; Wales</u>	<u>Ireland</u>
Farmers under 45 years	39.3	34.7
Farmers 45-65 years	42.1	43.5
Farmers 65 and older	18.6	21.8
	<u>100.0</u>	<u>100.0</u>
<u>1951</u>		
Farmers under 45 years	41.4	21.9
Farmers 45-65 years	46.0	46.3
Farmers 65 and older	12.0	31.8
	<u>100.0</u>	<u>100.0</u>

(Source: Crotty; 1966; 104-5)

The actual size of holdings had an important impact on employment. Many of the holdings were very small. In 1960, 50 percent of all holdings were between 1 acre and 30 acres, and 71 percent were under 50 acres. Throughout the 1922-1958 period, the numbers of small holdings (under 30 acres) decreased steadily, while the number 30-50 acres remained constant and the number 50-200 acres increased (Crotty; 1966).

Numbers of Agricultural Holdings, According to Size  
1922-1960 (Thousands of Acres)

<u>Year</u>	<u>1-14</u>	<u>15-29</u>	<u>30-49</u>	<u>50-99</u>	<u>100-199</u>	<u>Over 200</u>	<u>All Holdings Over 1 Acre</u>
1921	164	105	59	49	20	9	406
1931	104	90	62	50	21	8	336
1941	89	87	62	51	22	7	319
1960	71	73	62	54	23	7	290

(Source: Meenan; 1970; 109)

Under Irish conditions, where production is heavily concentrated in livestock, more land per unit output is required than for more labor intensive activities such as tillage and dairying. If farming was to become an attractive enough source of employment to stem the tide of emigration, farm units would have to be of sufficient size to compare favorably with incomes attainable abroad or in the towns. In the 1940s, a minimum target for desirable farm size of 33 acres was established and in the 1960s, 40-50 acres were considered viable. (O'Donohue in Bristow and Tait; 1968; 236)

Meenan refers to data from an Emigration Report which indicates that 70 percent of the total fall in agricultural employment between 1926 and 1946 occurred on farms under 15 acres, of which one-half were relatives assisting and most of the remainder were farmers. The report finds that on farms above 30 acres, there was reasonable stability.

The extensive nature of agricultural production as a contributing factor in employment problems has been mentioned. Part of the rationale of the DeValera government in promoting the production of tillage crops, which require more intensive farming, was to increase employment. A system of price supports was introduced to make production of certain crops more appealing. The following chart provides data on acreage of crops at different dates.

Area Under Crops (Thousands of Acres)

	<u>1851</u>	<u>1931</u>	<u>1939</u>	<u>1945</u>	<u>1964</u>
Wheat	429	21	255	662	214
Oats	1,585	623	537	834	289
Barley	312	116	74	170	454
All corn crops	2,377	763	868	1,680	965
Potatoes	666	346	317	388	182
Turnips & mangels	331	266	227	240	139
Sugarbeet	--	5	42	85	80
All root and green crops	1,072	656	612	750	460
Total tillage	3,509	1,425	1,492	2,474	1,438

(Source: Meenan; 1970; 117)

As can be seen from the chart, the acreage of tillage crops increased little during the interval from 1931-1939. During World War II, when external markets were destroyed, they increased, but had dropped below their 1939 levels by 1964. At no time did total acres under tillage reach the 1851 level.

There is no evidence that the increased tillage of wheat and sugar beets stemmed the tide of agricultural employment. The following chart correlates increased acreage of these crops with employment changes.

<u>Province</u>	<u>Increase Wheat Acreage</u>	<u>Increase in Sugarbeet Acreage</u>	<u>Change in Acreage (Thousands)</u>	<u>% Change in Males Engaged in Farm Work</u>
Leinster	129	10	+14	-8.3
Munster	85	12	+ 1	-7.5
Connaught	10	7	-15	-1.4
Ulster (3 counties)	4	-	-31	-7.6
Ireland	226	29	-29	-6.2

(Source: Crotty; 1966; 145)

Despite the emphasis on production for output during the post-war years, employment in agriculture continued to decline. It fell by 37 percent between 1946 and 1961, despite increased state aid to agriculture and encouragement to expand cattle herds. The government's price support program, introduced in 1931, was intended state aid to agriculture and encouragement to expand cattle herds. The government's price support program, introduced in 1931, was intended to encourage the production of more intensive crops and help make it possible for people to stay on the land. In fact, it may have had the opposite effect. Crotty has shown that only a small portion of the output of products receiving price supports came from small farms.

Percent of Output Accounted for by Farms 1-30 Acres

<u>Product</u>	<u>1931</u>	<u>1960</u>
Wheat	20.7	7.4
Barley	15.7	8.3
Sugarbeet	22.1	14.1
Pigs-Cows	31.8	18.9
	31.1	21.9

(Source: Crotty; 1966; 187)

The products which small farmers grew most of were (in descending order): poultry, potatoes, pigs, dairy, cattle under one year, oats, other roots and green crops, sugarbeets, wheat, sheep, other cattle, and barley. Clearly, if aid was intended to reach small farms, it failed. In fact, the price support for barley caused feed costs to rise and wiped out the poultry industry and severely hurt the pig industry, both of which had been important to small farms (Crotty; 1966; 189).

Changes in technology also benefitted the large farmer more than the small farmer. Tractors, combine corn drills and harvesters, sugarbeet cultivating and harvesting machinery and milking machines introduced in the post-war years allowed large farmers who could afford to buy them to increase output of price supported crops.

According to Crotty, the introduction of new technology is responsible for what little growth occurred during this period. The output of tillage crops increased by nearly 80 percent. Crotty attributes 10 percent of the increase to increased tillage and 70 percent to increased yield per acre made possible by the introduction of fertilizers and harvesting machinery. Although the output of livestock and livestock products declined because fewer pigs and poultry were raised, the output of milk, cattle, and sheep rose. The tractor made it possible to support more animals who fed on grass (Crotty; 1966; 174).

Despite the best intentions of the DeValera government to promote development in the farm sector, changes which occurred during this period set the stage for further polarization in farm employment. The large farm sector was able to take advantage of government price supports and imported technology to boost output for the export market. The small farm sector was hampered by plots too small to support extended families, ownership by those who did not work them fully and lack of ownership possibility for rural young people.

## Section II: Industry

### Policy

Industrial policy was effected by the same difference in viewpoint between the Cosgrave and DeValera governments that influenced agriculture. Cosgrave was committed to a free trade policy with emphasis on producing for export. DeValera saw protection as a way to provide employment and stop emigration. The DeValera government believed that, with the exception of industries based on agricultural products, Irish industries would not be able to compete in international markets. Although the government realized that production of goods for the home market under a heavy barrier would not be likely to bring about a high standard of living, its primary goal was to stop emigration.

In line with this self-sufficiency strategy, Control of Manufacture Acts were passed in 1932 and 1934 to insure native control of industry. Under the Acts, one-half of the issued capital and at least two-thirds of the capital with voting rights had to be in beneficial ownership of persons born in Ireland or qualified by residence. The majority of directors other than whole-time managing directors had to be Irish nationals. Of particular concern were the distributive trades which had been closely associated with British firms. While Meenan notes that private deals were made to avoid these restrictions, the Acts seem to have been fairly successful at discouraging foreign investment in Ireland.

A Fiscal Inquiry Commission was set up and asked to report on obstacles to industrial development. They defined five obstacles in

relation to labor: a small supply of skilled labor, the tendency of skilled labor to emigrate, wage levels inflated by proximity to the British labor market, and the inefficiency of Irish labor.

To remedy the nation's labor problems, the system of technical education was expanded. In 1929-30, some 67 technical schools with 2,500 full-time students existed. By 1966-67, the system included over 900 schools with 39,800 whole-time and 80,000 part-time students (Meenan; 1970).

To produce credit for expanding industry, the Industrial Credit Company, Ltd., was established in 1933. Supported with government funds, and having the Minister for Finance for its major share holder, the company was intended to provide funds for private enterprise.

The Irish government has been actively involved in the economy since 1932. A number of industries were nationalized where it was unlikely that private enterprise would fill the bill. These industries include those where the provision of the good or service could most efficiently be fulfilled on a national basis, such as roads, transport, and energies. They also include a number of industries where capitalist governments are not usually involved such as steel, sugar, and fertilizers. The government became involved in these industries to eliminate the need for imports at a time when the activity was not likely to provide a profit level attractive to private investors. (Bristow in Bristow & Tait; 1968)

After World War II, government economic policy underwent a period of instability. The experiment with self-sufficiency had failed to stem the tide of emigration, and incomes had not risen enough to meet DeValera's goal of an independent nation of modest means. The worldwide food shortage and possibility of loans under the Marshall Plan led people to look toward foreign intervention and export markets as the

solution to Ireland's economic ills. This change will be discussed in more detail later in the paper.

A significant change in the form of government intervention in the 1950s was the use of government funds for the direct encouragement of industrial development. The Industrial Development Act of 1950 established the Industrial Development Authority (IDA) as an advisory and fact finding agency. Shortly afterwards, a grant making body called An Foras Tionscal was founded to provide assistance to firms wishing to set up in the undeveloped areas of Ireland. (The undeveloped areas included most of the west and northwest where emigration had been highest and it was hoped industry could absorb the excess farm labor.) In 1956, the IDA was given the power to make grants to developed areas, and in 1959, these powers were transferred to An Foras Tionscal. (Brock in Bristow and Tait; 1968)

#### Industrial Development in the Pre-War Period

Under British rule, Ireland had very little industry. Those industries that did develop produced mainly for export to Great Britain: shipbuilding and linen in Belfast, and brewing in Dublin. In 1926, only 12.5 percent of the employed population was working in industry. (Mulvey in Bristow and Tait; 1968; 129)

The industrial sector is composed of four different industrial groups: mining, quarrying and turf production; manufacturing; building and construction; and electricity, gas and water. The DeValera industrial policy had differing effects on each of these groups.

Manufacturing. When protection became widespread, employment in manufacturing expanded through the proliferation of small industries. Like most of the manufacturing sector before protection, these industries tended to cater to the home market, many of them producing import substitutes. The manufacturing sector at independence was marked by a high degree of variation in employment and productivity, and this pattern continued. The following table gives some idea of the variation in output and employment among these industries in 1926.

Only six industries had a net output of more than £500,000: brewing; bread, biscuit and flour confectionery; tobacco; printing; and grain milling. At the other end of the scale, seven industries had a net output of less than £200,000. In terms of employment, only four industries employed more than 4,000 people: bread, biscuit, etc.; printing; brewing; and clothing; while eight industries employed less than 1,000 people. Net output per capita also exhibited a wide variation. For linen, cotton, jute, canvas, the figure was a low £79 per capita, while the net output per capita was £121 in the brewing industry.

The years 1931-38 witnessed the growth of many new establishments most of them small. The following table examines average annual rates of growth from 1926-38.

It can be seen that some of the industries which were smallest in 1926 experienced the greatest growth of output, notably fellmongery, paper, boot and shoe, metal trades, hosiery, and minerals. These groups were also the fastest growing in terms of employment growth.

Individual Manufacturing Industries: Average Annual Rates  
of Growth in the Pre-War Period

<u>Industries (ranked by output growth)</u>	<u>Period</u>	<u>Volume of output</u>	<u>Employ- ment</u>	<u>Output per head</u>
1. Fellingmongery, leather manufactures	1931-40	27.05	19.49	6.32
2. Paper	1926-39	18.74	10.92	7.05
3. Boot and shoe	1926-39	18.13	14.19	3.44
4. Metal trades (excl. machinery and transport equipment)	1931-38	17.39	16.13	1.08
5. Hosiery	1926-40	16.05	12.28	3.36
6. Minerals	1926-40	15.38	7.96	5.27
7. Linen, cotton; jute, canvas	1926-40	11.68	5.82	5.54
8. Sugar, sugar confectionery, jams, etc.	1926-38/40	10.44	6.82	3.39
9. Clothing	1926-39	10.30	8.99	2.01
10. Woolen and worsted	1926-40	8.40	3.11	5.13
11. Manufactures of wood (except furniture)	1926-38	6.25	2.22	3.94
12. Soap and candles	1926-39	5.01	4.71	0.28
13. Grain milling	1926-39	4.71	2.95	1.71
14. Distilling	1926-38	3.82	1.21	2.58
15. Printing	1926-38	3.71	2.64	1.04
16. Bacon	1926-40	3.71	2.31	1.37
17. Tobacco	1926-39	2.39	1.03	1.35
18. Butter, cheese, margarine	1926-38	1.63	0.45	1.18
19. Bread, biscuit, flour confectionery	1926-40	0.78	0.27	0.52
20. Malting	1926-38	-3.07	-2.23	-0.86
21. Brewing	1926-38	-3.61	-1.58	-2.00

(Source: Kennedy; 1971; 102)

The industries in which output and employment were brewing and the much smaller but associated industry, malting. Brewing was dominated by the Guinness Company, whose major export market was England and whose owners were of colonial stock. When independence was secured, the company felt insecure about the future, but was reassured by the policies of the Cosgrave government. When the government changed hands and the home market became the focus of attention, fears were again aroused. Although the company was not penalized during the trade war, they opened a brewery outside London to protect their market. This brewery came into operation in 1936. The decline of output in Ireland between 1936 and 1938 parallels the decline of exports during these years (Kennedy; 1971).

The geographic distribution of manufacturing employment was highly skewed in 1931 as can be seen below:

<u>Province</u>	<u>Net Output (%)</u>	<u>Employment (%)</u>
	<u>£ '000s</u>	
Dublin city and county	60.1	44.0
Leinster, incl. Dublin	70.8	59.7
Munster	24.0	28.5
Connaught	3.3	6.8
Ulster counties	<u>1.9</u>	<u>5.0</u>
	100.0	100.0

(Source: Meenan; 1970; 134)

Not only was employment concentrated in Leinster, and mostly within Dublin, but a greater percentage of output than employment was concentrated in this area, suggesting that these were the most productive industries.

#### Post War

By 1946, employment in manufacturing numbered 89,309, almost double the 47,562 figure for 1926. The overall size of industries remained small, however. Only one industry, boots and shoes, could be added to the number of industries employing 5,000 or more people, but seven industries now employed more than 4,000. By this time, only four industries employed fewer than 1,000 people. The list of industries, employment and output for 1946 follows.

This list includes a number of changes in the type of industries. Clothing has become specialized into men's and boy's, and women's and girl's. Six new industries have developed: engineering and machinery; fertilizers; chemicals and drugs, oils, and paints; aerated and mineral waters; assembly of vehicles; and furniture, brushes and brooms. Each of these industries involved production of import substitutes.

Although the differences in productivity between industries continued to be large, ranging from £1425 net output/person in brewing to £200-250 in the various clothing industries, most industries had experienced large productivity gains since 1926. It is noteworthy that tobacco, malting and brewing, which had been among the most productive industries in 1926 experienced the smallest gains. The following industries experienced gains of over 50 percent in net output per person

Gross Output, Net Output, and Employment in 1946

<u>Industry</u>	<u>Gross Output (L1000)</u>	<u>Net Output (L1000)</u>	<u>Employ- ment (numbers)</u>
1. Engineering and machinery	1,714	853	2,541
2. Fertilizers	1,050	248	776
3. Chemicals and drugs, oils and paints	2,786	1,022	2,088
4. Minerals	2,419	1,113	2,966
5. Metal trades (excl. machinery and transport equipment)	2,627	1,287	4,510
6. Hosiery	2,335	1,002	4,086
7. Paper	2,311	837	2,761
8. Linen, cotton; jute, canvas	2,314	740	3,183
9. Aerated and mineral waters	855	561	1,282
10. Assembly of vehicles	3,581	1,243	3,575
11. Clothing: women's and girl's	2,756	1,099	4,958
12. Woolen and worsted	4,417	1,569	4,535
13. Printing	3,987	2,899	7,095
14. Bacon	5,880	622	2,010
15. Malting	843	278	786
16. Furniture, brushes and brooms	1,879	921	3,036
17. Fellingmongery, leather manufactures	2,352	680	2,110
18. Clothing: shirtmaking	993	334	1,670
19. Boot and shoe	4,100	1,675	5,928
20. Manufactures of wood (except furniture)	2,122	1,099	4,017
21. Brewing	9,264	6,027	4,229
22. Bread, biscuit, flour confectionery	9,375	3,082	8,539
23. Grain milling, animal feeding stuffs	14,253	1,431	3,960
24. Tobacco	14,636*	1,444	2,559
25. Soap, detergent, candles	1,136	281	674
26. Clothing: men's and boys'	2,637	1,107	4,602
27. Distilling	1,561	760	913
TOTAL	104,183	34,214	89,309

(Source: Kennedy; 1971; 92)

in the 20-year period: minerals, paper, linen and woolen and worsted. While the gap between brewing and other industries remained large, the new chemicals industry was one of the most productive.

Despite the gains in size and output, the size of establishments in Irish industry continued to be small. According to Linehan, just over 50 percent of the firms surveyed employed less than 15 people. Another 40 percent employed 19-99 people and only 1 percent employed over 500 people. However, this 1 percent produced 27.7 percent of net output and employed 20.9 percent of the total. Establishments of less than 15 people accounted for 5.9 percent of total net output and 7.6 percent of employment.

When establishments in the same industry are compared, variation is also evident. In the food group, 410 establishments had a net output per person engaged of less than £500, but 17 establishments had a net of £2,000 and over. For bread, biscuits, etc., 22 establishments had a net output per person of less than £200 while 12 had a net output per person of £1,000 and over and one establishment reported a net output of £2,000. In the mineral water industry, 7 establishments had a net output per person of less than £200, 10 had £1,000 and over, and one had over £2,000. (Meenan; 1970; 136)

One of the topics under investigation in this paper is the role that the public sector vs. the private sector plays in creating employment. Meenan provides some interesting information in his book:

Legal Status of Establishments in Transportable Goods Industry, 1952

<u>Legal Status</u>	<u>Number</u>	<u>Percent</u>	<u>Gross Output (%)</u>	<u>Net Output (%)</u>	<u>Avg. No. of People Engaged (%)</u>
Public limited companies	287	8	45	43	35
Private limited companies	1,600	47	41	44	47
Total limited companies	1,887	55	86	87	82
Individuals and partnerships	1,281	37	5	7	11
Cooperatives	225	7	8	3	3
Statutory bodies	39	1	1	3	4
Others	18	-	-	-	-
	3,450	100	100	100	100

(Source: Meenan; 1970)

These figures demonstrate that although public limited companies represented only 8 percent of total companies, they employed 35 percent of the work force, whereas private limited companies represented 47 percent of the companies and employed 47 percent of the work force. It would appear that public companies employed many more people per establishment than private ones, and that they were more productive. With the ratio of percent net output to percent people engaged being 1.23 for the public sector and 0.93 for the private sector. Like private companies, statutory bodies represent a smaller portion of total establishments than of employment, although their number is so small that they represent only 4 percent of total employment.

### Section III: Service Employment

According to definitions used by the National Economic and Social Council in Ireland and the EEC, the service sector includes the following industries: commerce, finance, insurance and business services, public administration and defense, and professional, domestic, and recreational services. The heterogeneity of functions within this sector complicates the study of employment changes. To facilitate study, the ESRI has classified the factors into four sectors:

1. New Services. These services tend to be a by-product of increasing affluence and extension of social welfare. They include provision of education, health, and welfare services, recreation services, and the tourist industry.
2. Old Services. These are services found in pre-industrial countries. Their contribution to employment tends to decrease as industrialization proceeds. Domestic service and repair work are examples of these services.
3. Complementary Services. These services include banking, finance, transport, and wholesale and retail trade. Rises in manufacturing production tend to increase the need for these services.
4. Industrial Services. This category of services refers to service occupations located within the industrial sector. Industrial workers in management, research, professional and clerical occupations fall within this classification.

Conventional development theory tends to see a progression whereby employment is concentrated in agriculture, expands to and concentrates

in industry, and finally spreads in services as industry expands. This pattern does not seem to apply to Ireland. According to the 1926 Census of Population, the share of employment in services was 33.6 percent, whereas the share in industry was 12.9 percent. Ratios of industrial to service employment confirm this view. It appears that in Ireland labor may have transferred from agriculture to services because of the lack of opportunity in the industrial sector.

Although growth in the service sector was minimal, .041 percent per year (5,710 jobs), marked changes took place within the sector.

Service Sector Employment by Industrial Group, 1926-1961

Industrial Group	Number Employed 1926	% Service Sector Share	Number Employed 1961	% Sector Share	Average Change Annual in Change 1926-61 (%)	Employ- ment 1926- 61
Transport and Communication	38,885	9.5	54,167	13.0	1.0	15,282
Commerce, Insurance, Banking and Finance	115,268	28.1	159,091	38.3	0.9	43,823
Public Administration and Defense	76,342	18.6	40,580	9.8	-1.8	-35,762
Professional Service	38,299	9.3	85,193	20.5	2.3	45,894
Personal Service	127,471	31.1	63,314	15.2	-2.0	-64,157
Recreational Service	4,776	1.2	10,986	2.6	2.4	6,210
Other Services	9,119	2.2	2,539	0.6	-3.7	-6,580
Service Sector	410,160	100.0	415,870	100.0	0.04	5,710
Industrial Sector	157,453	100.0	257,178	100.0	1.41	99,725
Combined Sectors	567,713	100.0	673,048	100.0	0.49	105,435

(Source: ESRI, Service Type Employment and Regional Type Development)

The Personal Services category lost about one-half of its jobs. Most of this decline was due to a loss of jobs in private domestic services, a classic example of an "old service" and maybe a result of the breaking up of colonial estates. Jobs were also lost in the Public Administration and Defense category, although much of this loss was an accounting transfer of workers in education into the Professions category and workers in Public Works into the Building and Construction category.

Job gains were almost all in complementary services. Commerce and Finance experienced a total gain of about 10 percent (43,823 jobs). Transportation and Communication increased its sectoral share by 3.5 percent (15,282 jobs). The Professions also experienced a large gain, although much of this was the accounting transfer mentioned above. Specific data about job composition in the various service categories are not available, however, it is possible to speculate about what these changes might mean. The jobs lost in Personal Services are likely to be unskilled jobs, whereas the jobs gained in Finance and Commerce, Transport and Communication, and the Professions are likely to include mainly skilled jobs. This means that the service sector was becoming an attractive source of employment for an increasingly skilled labor force, but was unlikely to be a source of jobs for unskilled labor leaving the farms.

### Synthesis: 1926-1958

By the close of the 1950s, Ireland's unemployment and emigration problems were unabated. Combined unemployment and emigration represented an average of about 9 percent of the labor force through the late 1950's. (Mulvey in Bristow and Tait; 1968; 129) While the total number of jobs had declined by about 13.7 percent by 1961, substantial shifts had taken place in the distribution of employment between sectors. The proportion of the labor force employed in agriculture dropped 17.4 percent, the proportion in industry rose 11.5 percent, and the proportion in services rose 5.9 percent.

Government policy changed markedly in this time, from looking to export markets to bring growth, to self-contained production for the home market, and back to emphasis on production for export.

In terms of assessing the success or failure of these policies in promoting development, the results are uneven. Clearly, participation and choice in the economy were not enhanced if the numbers working, and the unemployment and emigration rates are used as measures. On the other hand, industrialization was viewed as a way to create capacity for future employment and absorbing the agricultural surplus. Public sector industries clearly represented increased capacity. Transportation and Communication systems were upgraded, the Electricity Supply Board and Board na Mona (Peat) were set up to provide energy sources, Nitrigin Eireann was formed to produce fertilizers. The Industrial Credit Corporation and Agricultural Credit Corporation were developed to finance private sector growth. The Irish Sugar Company and Irish Steel holdings hoped to reduce dependence on imports.

On the private sector side, the results are not so rosy. Although production and employment increased, much of the new production, namely import substitution based on imported materials, did not increase capacity for independent production, it merely changed the composition of imports. Further the small size of most firms prohibited them from absorbing much labor, and rendered them dependent on heavy protection to make up for lacking economies of scale.

The continued problems of emigration and unemployment were a severe blow to national self esteem. The proponents of Irish nationalism had assumed that with freedom from British rule, the economy would expand enough to provide jobs and were highly disappointed to find out that this was not the case.

The Control of Manufactures Act was an important step towards insuring Irish control of industry. Unfortunately, ownership of stock is not the only way to influence the development of the economy. The British continued to exert control in the sense that they remained Ireland's export market. After the war, when emphasis was again placed on production for export, the Irish economy became increasingly conditioned on Great Britain.

Another problem unsolved by restricting ownership of Irish manufacturing was that no control was exercised over surplus. Investment of Irish surplus abroad was a long-term problem in Ireland. This problem continued after Independence, as Ireland continued to use the British capital market and did not break the link to sterling. Mulvey commented that: "Employment policy in this period, therefore, insofar as it was concerned with increasing the rate of capital accumulation in general,

ought to have been directed more strongly towards creating a climate favorable for investment in Ireland. This could have encouraged more foreign firms to set up in Ireland." (Mulvey in Bristow and Tait; 1968; 135).

Mulvey offered inviting foreign firms to set up business as the solution. If independent development is the goal, Mulvey's solution is obviously lacking. Nonetheless, it points towards what may be the central paradox in trying to promote self-sustained development in a capitalist economy. The government could take measures to limit foreign participation in the economy and provide protection to new industries, but it does not make the rules about which industries start up, how large their operations are, what land or technology they use, or when they start up, or what they do with their reinvestible surplus.

## Chapter 4: Development From 1958-1980

### Policy

The post-war decision to increase government intervention in the economy and to integrate the Irish economy with the world economy is the most important development of the period and one which had implications for dependent development. The decision came about through the convergence of a variety of social, political and economic influences.

The desecration of the Irish countryside by massive emigration in the 1940's and 1950's ushered in more active government participation in the economy. Past emigrations had taken place in an atmosphere of sorrow at leaving the land and traditional ways of life. This emigration took place amid changed perceptions of rural life. The Irish countryside had come to be regarded as a place from which to escape. Peasants wanted their children to learn to speak English and join the modern world, where a less isolated and meager existence were to be sought. Brown (1981) attributes this change in attitude to the penetration of the cinema and mass circulation periodicals which portrayed a world of vitality, glamour and affluence previously unimagined in the countryside.

Because of the people who left were from the countryside, the balance of population tipped from the countryside to the towns. By 1951, 41.44% of the population lived in cities and towns and over 20% of the population lived in Dublin and Dyn Laoghaire. Politically, this meant that policies aimed at preserving rural life took a back seat to

the needs of the urban poor for housing, social services and jobs. Political forces which had previously held government economic intervention in check were willing to reconsider when the reserve army of the unemployed moved to their neighborhood. Large scale public building programs and social service programs were financed to meet these needs.

Economic problems brought on by the war were an important influence in promoting integration with the world economy. Shortages of raw materials, fuel and capital goods for production restricted the country's industrial potential. When the war ended, industries and consumers clamored for imported goods which they had been denied. A massive balance of payments deficit which almost bankrupted the country resulted. The Marshall Fund provided the bailout which kept the economy from collapsing.

The post-war economic instability was matched by political instability. After 25 years of continuous rule, the DeValera government lost power in 1947. Between 1948 and 1957, the government changed power four times. Nation decision making no longer proceeded from a consistent set of values and alliances, it flowed from confusion about where to turn next. This void was partly filled when T.K. Whitaker, secretary of the Department of Finance, prepared a report called Economic Development. His report was a blueprint for the future economic development of the nation. Based on conventional economic formulations, it emphasized agricultural exports and incentives to promote private industrial deveopment, both native and foreign. While the report contained nothing new by way of economic policy, it was treated as revolutionary in Ireland and bacame the basis fo economic policy.

## Foreign Investment

After the stagnant economic performance of the 1950's, government began to view foreign industrial investment as a desirable way to raise living standards and increase employment. Because policies encouraging foreign investment were in conflict with the Control of Manufactures Acts of 1932 and 1934 and inhibited the IDA's ability to attract foreign investment, the 1958 Industrial Development Act was passed, granting the Ministry for Industry and Commerce the power to exempt some foreign firms producing for export from the legislation of the 1930s. By 1964, the exemptions were no longer needed, as the Control of Manufactures Acts were repealed. To encourage foreign investment, the government provided tax remissions on investment and export trade. A customs-free zone was created at the Shannon Airport and an industrial estate built to house firms choosing to locate there. (Brock in Bristow and Tait; 1968).

Looking to export based foreign firms to promote development ensured Ireland's dependent status within the world economic order. Tax remissions eliminated a source of revenue which could have financed further development activities. As no controls were placed on the use of profits, there was no guarantee that surplus would be invested in the Irish economy, thus weakening any spread effects the initial investment would have. Looking to foreign owned exports for growth, meant that growth would be conditioned on circumstances outside the control of the Irish. All in all, the policy boded ill for self-sustained growth.

## Planning

Systematic attempts to plan for changes in the economy represent positive steps toward development. The plans were an effort to raise self-esteem and increase choices by trying to guide development. Each plan became more sophisticated and involved greater participation by groups affected by the plan. A brief description of each plan follows.

First Programme of Economic Expansion, 1959-1963. The First Programme marks the beginning of government effort to formulate a coherent economic development strategy. The plan set no detailed quantitative production targets or formal implementation structures. The plan did set a goal of achieving an overall rate of growth of 2 percent per year for the five-year period. This goal was not determined by use of any formal econometric techniques, rather it was selected for its modesty. A modest target was set to build national self confidence. In fact, the plan expressed doubt as to whether more formal approaches to planning in Ireland could be successful:

In a country in which private enterprise predominates and which is so exposed to fluctuations in external trade, there would be little point in drawing up a detailed plan based on predetermined production 'targets' (Part I; 25).

The Programme was designed to orient government development efforts in a way that would produce long-term growth. The major policy set by the Programme was to change the level and composition of capital investment by encouraging savings and favoring 'productive' investment over 'social' investment. Government funds were to be channeled toward industrial and to a lesser extent agricultural development projects.

The performance of the economy from 1959-1963 was better than the modest goals set by the programme. GNP increased at an average rate of 4-1/2%; employment in industry and services increased, although not enough to offset losses in the agricultural sector; emigration declined sharply after 1961; and the government succeeded in establishing its role in promoting economic development.

Second Programme of Economic Expansion, 1964-1970. This Programme was a much more complex attempt to plan for economic development than the First Programme. It set specific production targets as well as outlining the means to be adopted to achieve them. The chief objective was a 50% increase in real GNP between 1960 and 1970. This overall increase was to be made up of sectoral increases of 31 percent in agriculture, forestry and fishing; 97 percent in industry, and 43 percent in the service sector.

One of the important assumptions of the plan was that Ireland would join the EEC by 1970. A variety of measures were proposed in the plan to help Irish industry adapt to free trade conditions. Like the earlier Programme, this one emphasized public investment in 'productive' projects. An innovation of the Programme was the consultation with a variety of economic actors in the public and private sector to review the Programme's targets.

The targets set under the Second Programme were abandoned in 1967 when it became clear that performance was falling far short of the targets. In particular, the relation between investment and output growth had been severely underestimated, while employment growth generated by output growth had been severely overestimated.

Third Programme for Economic and Social Development, 1969-1972.

Noting that the First Programme had aimed to increase public confidence and the second had defined maximum attainable rates of growth, the Third Programme intended to continue policies to attain an acceptable level of national prosperity as well as to think about how the fruits of progress would be distributed.

Targets set by the plan were based on a report by the National Industrial and Economic Council which established a 17% national growth rate over the four-year period. This growth rate is derived from growth rates of 8% in agriculture, forestry and fishing (2% annual average), 28% in industry (6.5% annual average), and 14 percent in service (3.3% annual average). This rate of growth was expected to produce a net gain of 16,000 jobs. The figure was based on predictions of a 36,000 loss of jobs in agriculture which was offset by 31,000 in industry and 21,000 in services. The plan noted that successful industrial expansion success in meeting foreign competition under new trade agreements and the success of the IDA in attracting foreign firms.

The targets of the Third Programme were not reached. The growth of output was about on target, but the compositions differed from predictions. Agriculture and services grew more rapidly than expected and industry grew more slowly. The projection on employment growth was way off; employment fell during the period. Employment in agriculture declined more rapidly than expected, and industrial employment fell far short of expected growth.

The failure to reach the plan's projections has much to do with the changes taking place in labor market structure. Foreign investment

created some jobs, but competition by imports marginalized the native owned sector. The distress of the small farm sector and demoralized condition of rural areas resulted in continued flight from agriculture. These changes will be analyzed in more detail later on.

In part, failure to reach targets also resulted from the tenuous nature of planning in free enterprise economies. Targets can be set and even agreed to, but little can be done to insure that they are implemented.

### Trade Integration

Anglo-Irish Free Trade Agreement. The Anglo-Irish Free Trade Agreement (AIFTA) was signed in July 1966 and represented a substantial movement toward free trade for Irish industry and a step along the way to joining the EEC. Ireland agreed to eliminate all existing protective duties on non-agricultural imports from the UK through a series of ten annual 10% tariff reductions. Import restrictions based on quantity and the 'protective' element of certain duties were to be eliminated before the 10-year period ended (McAleese and Martin; 1973). This agreement had particularly strong risks for domestic industry. If Irish industry was not strong enough to compete with the UK goods in the home market, firms would go under and jobs would be lost.

Membership in the European Economic Community. Ireland joined the EEC on January, 1973. The terms of the Treaty of Accession to the EEC stipulate that trade restrictions affecting industrial products would be abolished and farm prices would be adjusted to equal those of the Common Agricultural Policy (CAP). Both of these measures were to be phased in over a five-year period. EEC membership also involved accepting a body

of regulations concerning a variety of policies including free movement of labor, standardization of products, etc. The Treaty included a special protocol concerning the underdeveloped state of the Irish economy and the need to reduce the disparity of living standards in relation to other members. The treaty allowed Ireland to continue the industrial incentives offered by the government to foreign industry on a temporary basis.

Ireland's decision to join the EEC stems partly from dependent status. Ireland applied for membership following Great Britain's application in order to protect export markets. A variety of attempts to estimate the potential impact of membership revealed a mixture of benefits and costs. While some stressed the potential gain of export markets for agricultural products, others pointed out that Europe was close to sufficiency in the products Ireland produced. Some noted that higher prices for agricultural products would raise farm incomes, but others noted that the CAP for beef would hurt Irish farmers and accelerate agricultural employment losses. The removal of the common external tariff opened the path for increased Irish manufactured exports to the six original EEC member countries but ended Ireland's preferential position in relation to these countries in the UK market. More seriously, EEC membership opened the possibility of major losses on the home market to competing manufactured imports, with potentially severe impacts on employment (McAleese; 1975).

Kennedy and Dowling took the view that potential job losses could be offset if aggregate demand was high enough and looked to the EEC's Regional and Social Funds to help provide this. Overall, EEC membership

contained important elements for increased dependency. Ireland joined because dependent status as a producer of exports for the UK. Analysts predicted an mixed bag of benefits and costs, including likely employment losses in agriculture and native industry. Irish resources would not be sufficient to compensate for these losses, so an EEC bail-out was to be sought.

### Agriculture

Many of the trends discussed earlier in this paper in relation to agriculture continued after 1958. The numbers of workers in agriculture declined by 109 000 between 1960 and 1970 (Statistical Abstract of Ireland, 1978). The sectoral share of employment accounted for by agriculture declined from 35.7% in 1958 to 25.0% in 1973 (ESRI Paper No. 24:97). The continuation of this trend was rooted in a variety of structural factors, as well as in changes in the UK export market. With the acute post-war food shortages, the British adopted policies of subsidizing domestic output while paying lower prices for imported food. With Irish dependence on the UK as an export market, farm incomes were hurt and the decline in agricultural jobs was accelerated.

As was true for the earlier time period, job losses in agriculture affected the various categories of farm labor differently. Over the 20-year period from 1951-1971, the number of farmers dropped 22.6%, the numbers of relatives assisting dropped 69%, and farm employees dropped 65.4%. Farm employees and relatives assisting who left agriculture tended to be young, single people who either emigrated or sought work in

Dublin. While O'Rourke and McStay (1979) point out that some of the farmers' sons and daughters may return to inherit the farm, the literature reflects widespread agreement that the exodus of youths devastated the countryside.

The age imbalance in the rural population is reflected in data regarding the age of farmers. According to the 1971 Census of Population, only 51% of the farmers were under age 30, while 12% were between the ages of 30-39, 34% were between 40 and 54, and 48.6% were 55 and over. Estimates of whether the demographic structure is improving or worsening vary. A study by the NESC predicts that the proportion of farmers over age 65 will increase due to attrition (NESC; pg. 71; 1986 Population and Employment Projections, Appendix C). Conversely, O'Rourke and McStay find evidence of improving demographic structure. However quickly or slowly attrition takes its course, if the assumption made by most analysts that older farmers are less likely to work their farms to capacity is true, it is clear that in the present, the likelihood of reaching full output and employment potential is small.

Changes in size distribution of farms continued the pattern of losses in the under 30-acre farm size and gains in the 50-200 acre categories, as can be seen from the chart below.

Distribution of Holdings Over One Acre  
(Percentages)

Size (acres)	1949	1960	1970
1-15	27.9	24.4	24.0
15-30	27.3	25.2	23.5
30-50	19.6	21.4	21.5
50-100	16.1	18.7	20.1
100-200	6.8	7.9	8.3
200+	<u>2.3</u>	<u>2.4</u>	<u>2.4</u>
Total	100	100	100
<hr/>			
Number of Holdings	318,548	290,308	279,540

(Source: Kennedy and Bruton; 1978; 30)

Despite the continuing decline in small farms, 47.5% of all farms were under 30 acres in 1970. Kennedy and Bruton cite a study by the Committee on the Review of State Expenditure to Agriculture which estimates that 53% of the holdings over one acre, if equipped with average facilities for their line of production, had an employment requirement of 200 man-days. Thus, the small farm sector is unlikely to provide full-time employment for more than one person.

O'Rourke and McStay refer to a study which found growth of net product only on farms of greater than 50 acres which had the best soils and only on farms of over 100 acres which had group two soils. This growth resulted both from increasing livestock numbers and acreage and increased output per unit resulting from greater capitalization. The study also found that growth was also concentrated on farms with more

than one labor unit. On smaller farms with less than one full-time operating unit, growth declined.

The following chart displays the income inequalities on farms of different sizes and is also suggestive of a continuing surplus of workers. Income per family labor unit is about 10 times greater on the over 200-acre farms than it is on the 5-15 acre farms. The smallest size farms employ 1.10 labor units and the 15-30 acre farms employ 1.23 labor units. If the estimate that slightly over half the farms in Ireland require no more than 200 workdays with average equipment is accurate, then one would expect to find no more than one labor unit on small farms.

Family Farm Income on Full-Time Farms, 1972

<u>Size (acres)</u>	<u>Family Farm Income</u>	<u>Number of Family Labor Units</u>	<u>Average Income per Family Labor Unit</u>
5-15	345	1.10	314
15-30	627	1.23	510
30-50	1,066	1.24	860
50-100	1,876	1.41	1,330
100-200	3,077	1.51	2,038
200+	4,138	1.35	3,065
All Farms	1,513	1.31	1,555

Source: (Kennedy and Bruton, 1975; 43)

Not only was there substantial income inequality between farms of different sizes, but also inequality between farm and industrial incomes. The table below shows that the income differential between the farm and industrial sectors widened through the 1960's, but reversed between 1979 and 1973. This reversal was brought about by bouyant market and membership in the EEC.

Income Differences Between Farm Workers and Industrial Workers

	1960	1970	1973
Farm Work Force (number)	383,000	277,000	255,000
Farm income (L)	127m	204m	395m
Farm income per worker (L)	332	736	1,549
Industrial earnings per worker (L)	396	922	1,490
Income of farm workers as a% of incomes of industrial workers	84	80	104
Income Gap - absolute (L)	64	186	-59
Percentage	16	20	-4

(Source: Sheehy and O'Connor; no date; 172)

Since the introduction of farm machinery after World War II, mechanization has continued. O'Rourke and McStay cite evidence that the traditional tendency for net product per acre to decline with increasing farm size was reversing in the south, north and west by 1972-4. They conclude that this suggests that expansion of output is based on using machinery, fertilizers, and other products of modern technology rather than using additional labor to increase output.

According to OECD (1974) figures, government activity in support of farm modernization increased dramatically after the war and has continued to grow from a total expenditure of £26,289 in 1960/1 to £112,804 in 1972/3. Price supports continued to be a major source of aid despite the fact that they hurt small farmers, growing from 15% of total aid in 1960/1 to 28.9% in 1972/3. It is significant that capital aids of a long-term nature represented 24% of total aid in 1960/1 but declined to 12.5% in 1972/3. Undercapitalized farms have continued to be a problem in Irish agriculture; the problem is especially acute on small farms. The government clearly has not oriented its aid toward solving this problem.

#### Post-EEC

When Ireland decided to pursue a course of export-led growth, access to markets became critical. Ireland joined the EEC with the hope of retaining a substantial share of the British market and gaining new markets in EEC member countries. Policy makers also hoped that the higher prices for agricultural products paid by the EEC would help bail out the ailing sectors of the agricultural industry.

A variety of attempts were made to predict the impact of membership on the agricultural sector. Many focused on potential for growth of output and predicted a boon based on selling increased output at higher EEC prices. O'Rourke and McStay took a more realistic approach and looked at market demand as well:

However, even though our output growth projections are low relative to most other commentators, we find that at 1975 price levels, total demand, both export and domestic, is likely to grow less rapidly than output... In the next fifteen years the combination of slower income and population growth will mean that demand for food products is likely to grow at a slower rate than in the 1960-75 period (10).

Ironically, Ireland is the only country in the EEC expecting a high rate of population growth, but domestic producers are now forced to compete with imports for a share of this expanding market. According to the Central Statistics Office estimates, 42.8% of the farm value of agricultural output was sold domestically in 1975. While the sales of butter and milk products were close to this average, crop, pig and sheep products were sold predominantly in home markets, and over 80% of the cattle, calves and sheep were exported. About 90% of all output was sold within the EEC with Great Britain consuming over 25%, Northern Ireland about 7%, and other EEC countries consuming about 10%. In 1975, Ireland completed its third year of full Community membership and only cattle and beef had made significant inroads into the European Community. Further, higher prices within the Community diverted sales of Irish products from third country markets, thus tying the fortunes of Irish agriculture more firmly to those of EEC (O'Rourke and McStay).

It is probably too soon to undertake a detailed evaluation of Irish entry into the EEC, but the limited data that is available does indicate that membership certainly has not solved the problems of the Irish agricultural industry. A report by the NESI summarizes the performance as follows:

In agriculture, following four years of growth, there was a considerable fall in volume of net output in 1979. Nominal incomes in agriculture is estimated to have fallen by 12% during 1979. The price of agricultural imports rose much more sharply than did the price of agricultural output. (NESC; No. 53; 1)

In 1979 cattle prices fell, with the result that in Ireland output of cattle declined 3% that year. Prices stayed low in 1980 and farmers began de-stocking their herds. Incomes dropped again in 1980 as agricultural output prices fell by 2-3/4% while input prices rose by 14-1/2%.

In a special report on the crisis in agriculture last summer, the Irish Times noted that one of the obstacles to recovery in agriculture was farmer indebtedness.

Farm indebtedness has grown from a low of £188 million in 1973 (55% of farm income after interest payments) to a high of £1,130 million in 1980 (circa 250% of farm income after interest payments). Therefore indebtedness in 1980 has almost equalled £2.50 borrowed for each £ earned from farming after interest payments. (Irish Times, July 14, 1981)

After years of trying to convince Irish farmers that borrowing money to modernize and expand production was the way to end their problems, farmers found themselves caught between high debts, low prices and limited markets. Employment fell steadily during the last half of the 1970's from 283,000 in 1975 to 220,000 in 1980. (ESRI, Economic Review and Outlook)

The disappointing performance in agriculture after 1978 reversed the edge agricultural incomes had achieved over industrial incomes. In the period 1973-79, real incomes in transportable goods industries rose 31.6% compared to 12.2% in agriculture. This disparity more than wiped

out the 4% lead held in agriculture in 1973, making industrial incomes about 15% higher in 1979. The decline in agricultural incomes in 1980 dropped real incomes back to their 1974 level.

### Synthesis

Developments in agriculture between 1958 and 1980 are associated with a steady decline in the rural population accompanied by a severe imbalance in population structure and social demoralization in the rural population. Two sectors have emerged in Irish farming. One on larger farms in the East and South associated with modernization and production for export. The other, in Northern and Western areas, are small farms with low levels of productivity and mechanization. Both government and programs and EEC memberships increased the viability of the modern farm sector and exacerbated the difference between the two sectors.

### Industry

Economic planning in Ireland has been predicated on the belief that industrialization would solve the nation's employment problems. When policies of self-sufficiency via protection of small scale native industry failed to produce satisfactory results by the late 1950's, blame was laid on the policies of protection and native ownership. Conventional wisdom held that tariffs invited inefficiency and that reliance on native ownership and capital would not be able to produce either the necessary growth or expertise. Foreign-owned firms receiving

far more government support than native firms have ever received, and entry into the EEC were to usher Ireland into the modern world. Assessments of these policies follow.

### Protection

Dermot McAleese (1971) has studied the impact of protection in Irish industry by looking at tariffs on individual products and industrial groupings of projects. His methodology is based on calculating effective tariffs on final products by incorporating nominal rates as well as tariffs on intermediate goods, implicit tariffs on non-traded goods and services, the share of value added in output and other relevant factors. While admitting the difficulties in making comparisons across nations, the study concludes that both nominal and effective tariffs are very high. For example, the 1966 tariff on Irish industrial goods was 25%, compared to 15% in the UK and 12% in the Common Market.

These differences are due in part to higher nominal rates, but also to the less advanced state of Irish industry. Many Irish industries consist of processing or assembly operations where value added is very low. Under these circumstances, moderate nominal rates may bring very substantial effective protection. In addition, many of the input materials are duty-free imports, which again yield a higher degree of effective protection.

McAleese found large variances in effective tariff rates. Nine industries had effective rates of 200%, seven had tariffs of less than 50%, and 22 industries fell in the range from 50-200 percent. Although

nominal tariffs appear to have been based on a rational system whereby products involving a higher level of fabrication receive higher nominal tariffs, effective protection appeared to lack a rational basis. McAleese found no direct relationship between value added and effective protection.

McAleese also found no certain correlation between the viability of industry and degree of effective protection. He contends that inefficiency in Irish industry is not due to small size as much as to overdiversification of product ranges. He finds that with the exception of motor vehicle assembly, the issue is not that some industries are viable and others not, but that some firms are viable and others not. He speculates that if industry was rationalized, there could be almost as many firms, but they would specialize in a restricted range of products and keep costs down. He concludes:

Thus the role of protection emerges as protecting not particular industries, but rather certain firms and establishments within each industry; not each and every product of an industry, but only a specific range of products. Of course, the export product tends frequently to be manufactured solely by the export firm. Nuts and bolts for export, for example, differ quite radically from those produced for domestic use, and are manufactured by different enterprises. (31)

#### Grant Aided Industry

As IDA grants are available to export oriented firms, much of the growth in exports has emanated from these firms. Between 1960 and 1966, 60% of the increase in manufactured exports originated with new firms. The table shows the disparity in export ratios between new and other firms: 75% on the average for new industries and 18.3% for others.

Comparison of Grant-Aided and Other Establishments

Industry Group	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Grant-Aided Establishments			All Other Establishments			Grant-Aided Exports as Percentage of Total Exports
	Gross Output (Lm.)	Exports (Lm.)	Ratio (2)÷(1)	Gross Output (Lm.)	Exports (Lm.)	Ratio (5)÷(4)	
1. Food	10.9	7.5	68.8	235.7	72.1	30.6	9.4
2. Drink & Tobacco	--	--	--	81.4	8.7	10.7	--
3. Textiles	5.7	3.1	54.4	55.0	8.6	15.6	26.5
4. Clothing & Footwear	3.1	2.7	87.1	33.3	5.6	16.8	32.5
5. Wood & Furniture	2.6	1.7	65.4	13.4	--	--	100.0
6. Paper & Printing	1.7	1.4	82.3	33.7	3.1	9.2	31.1
7. Chemicals	5.1	4.9	96.1	31.4	1.7	5.4	74.2
8. Structural Clay & Cement	2.3	2.0	87.0	20.2	3.0	14.9	40.0
9. Metals & Engineering	12.7	9.9	78.0	100.3	5.7	5.7	63.4
10. Other manufacturing	5.1	3.5	68.6	45.0	8.4	18.7	29.4
11. Mining & Turf	0.3	0.3	100.0	18.5	4.7	25.4	6.0
Total Transportable Goods	49.5	37.1	75.0	663.9	121.5	18.3	23.4

Source: McAleese (1975)

McAleese's report finds evidence that exports tend to come from a small number of firms which export a major portion of their output. He cites evidence provided by Committee on Industrial Progress reports substantiating this view: 13 firms export 80-100% of women's outerwear and account for 62% of total industry output; 7 out of 64 firms in the metal trades produced 70% of exports in 1968; most fruit and vegetable processing firms export less than 5% of their output, while one firm dominates the export market; in plastics, 26 firms export 90% of their output and account for 25% of total output and 67% of exports; 11 hosiery and knitting firms account for 70% of the industry's exports. McAleese concludes:

That the exports of most industries can be traced to quite a limited number of enterprises which tend typically to concentrate almost exclusively on the export market appears as one of the most striking features of modern Irish industry... Coexisting with these firms are traditional firms whose exports tend typically to constitute a marginal proportion of their total output. The evidence, therefore, points strongly to a dualistic structure of Irish industry, this dualism being based not on inter-industry, this dualism being based not on inter-industry differences but on the distinction of an intra-industry level between export oriented and home market oriented firms. (30)

Kennedy and Bruton point out that the difference between traditional and new firms is much greater than who supplies which market:

...it has been argued that their (export firms) contribution is reduced by reason of their high import and low domestic value added content, the absence of backward or forward linkages and the rest of the economy, the low level of research and development in these firms, and their high level of capital intensity. It has also been argued that the industrial incentives may be excessively directed towards export development relative to the assistance available for modernizing the traditional industries... (55).

In 1980 the Telesis Company was hired by the NESC to evaluate industrial policy. The Telesis findings were reported in August 1981 and because of their controversial nature, have not been released. A summary of the findings was published in the weekly magazine, Irish Business and supports the continued presence of dualism.

The summary states that IDA aided industries have made a disappointing contribution to increased employment and raised living standards. Only 30% of the jobs approved by the IDA between 1970 and 1978 existed in 1981. The types of companies established in Ireland tend to be manufacturing satellites having little stand-alone potential, using few Irish inputs, providing jobs with low levels of skill, and experiencing high levels of job losses.

They conclude that foreign owned companies are not contributing to raising income levels significantly in the country. Neither are the companies increasing the sophistication of the Irish industrial base. (8)

The precis reports that despite the fact that the IDA controls over two-thirds of all direct aid to industry, it functions virtually outside the control of the government. Although the IDA was set up primarily as a marketing agency, it formulates its own plans for industrial development without supervision or approval of any other government agency. The report notes that IDA expenditures are unaudited and uncontrollable by other facets of government.

### Employment Changes in Industry

Within the industrial sector, employment in different sub-groups has undergone changes over time, although the rank ordering of contribution to employment remains unchanged, with manufacturing providing the most jobs, followed by Building and Construction, Electricity, Gas, and Water, and Mining, Quarrying and Turf Production.

#### Percent Distribution of Industrial Employment

	<u>1951</u>	<u>1961</u>	<u>1971</u>
Mining, Quarrying and Turf Production	3.5	3.7	3.2
Manufacturing	62.7	69.3	66.2
Building and Construction	30.4	23.0	26.1
Electricity, Gas, Water	<u>3.4</u>	<u>3.9</u>	<u>4.4</u>
Total	100.0	100.0	100.0

(Source: Kennedy and Bruton; 1975)

A discussion of employment issues within each sub-group follows. The discussion provides a rather impressionistic account of the issues because relevant data is very scarce in local collections. Nonetheless, it will be seen that the limited data that is available provides much evidence for the development of a segmented labor force proposed in this paper.

## Building and Construction

Building and construction assumed greatest importance as a source of employment in the immediate post war years when a program of infra-structural development was undertaken. It has remained second only to manufacturing as a proportion of industrial employment, although its contribution to industrial employment has fluctuated from its post war high of 30.4% to a low of 23.0% in 1961 and up to 27.6% in 1979 and 1980.

The construction industry may be the second highest contributor to unemployment. Unemployment rates diverge widely in occupational groups in Ireland. In 1966, one third of the non-agricultural workforce were in occupations with less than 4% unemployment. One half were in occupations with less than 7% unemployment. However, 28.9 percent of workers were in occupations with rates of 18-22% (Walsh, 1974). These occupations, which include coal miners (a declining industry), builder's laborers, contractor's laborers, laborers and unskilled workers, have been termed "depressed occupations" by Geary and Hughes (1970).

Geary and Hughes note that building and construction work is characterized by a high degree of seasonality with little work taking place during the wet months. They also note that a large portion of those in these occupations live in households with agricultural land: 29.4% of builder's laborers, 53.9% of contractor's laborers, and 22.8% of laborers and unskilled workers. These figures seem to lead to a hypothesis that construction serves as a sponge for agricultural underemployment. It could be that agricultural workers serve as a secondary labor market in this industry, being hired or fired depending

on fluctuations in market demand, but this needs to be verified empirically. Another aspect of this industry which bears investigation is that a high proportion, about 45% in 1977, of output is accounted for by the public capital programme. The differences between public and private contributions to employment ought to be investigated.

### Mining

Although mining has provided a small part of industrial employment, its importance could change in the near future if oil deposits off the Irish coast turn out to be large enough to be mined (and if Ireland is not forced by the EEC to consider the deposits Community property). While coal mining has virtually disappeared, turf production and bog development are traditional sectors which still account for much employment, 46.8% according to the 1971 Census of Population. The base minerals sector has accounted for much of the growth of output in mining since the war, but has had a much less significant impact on employment: by 1971 only 1,700 were employed in base minerals out of 5,538 in mining and quarrying. Mining in Ireland has been developed by foreign firms. As of 1975, no smelting was done in the country. With 20-year tax exemptions on mines, little employment, and no local processing it is possible for mines to open and close with barely perceptible results on the economy. The precis of the Telesis report states that companies approached by the IDA about building smelters would only agree to do so if they were provided with "huge grants". The report concludes that costs would be so high that construction would be unjustified.

## Manufacturing

The chart on Distribution of Employment in Manufacturing provides information about changes in percent distribution of employment over time. Actual numbers of people employed are available for 1971 but not for the other dates, so it is impossible to tell whether change in an industrial group's share are due to increases or declines in numbers employed or due to shifts occurring in other industrial groups. The data is thus of limited value, but it does give some sense of the increasing importance of Minerals, Metals and Engineering, and Chemicals and the declining importance of the traditional industries Drink and Tobacco, Wood and Furniture, and Clothing and Footwear.

### Distribution of Employment in Manufacturing

<u>Industrial Group</u>	<u>1946</u>	<u>1961</u>	<u>1971</u>
Food	22.9	23.1	21.9
Drink and Tobacco	8.9	6.3	5.1
Textiles	11.0	13.4	12.4
Clothing and Footwear	16.3	14.0	11.7
Wood and Furniture	6.3	4.4	4.1
Paper and Printing	9.0	9.3	8.6
Chemicals	3.2	3.6	4.1
Minerals	2.7	3.8	5.3
Metals and Engineering	14.0	16.8	19.7
Other Manufacturing	5.7	5.3	7.1
All Manufacturing	100.0	100.0	100.0

(Source: Adapted from Kennedy and Bruton)

Discussions of changes within different industrial sub-groups follow. In the case of food and drink, the data available locally is quite good, so the discussion is somewhat detailed. In other groups, the literature is scant and the presentations are highly undeveloped and rely heavily on the Irish Business precis of the Telesis Report. Some groups are not discussed because information is lacking.

### Food and Drink

Food processing has assumed increased importance on the Irish economy since World War II. Immediately after the war, 45% of the economically active population were engaged in agriculture, with 40% of output consumed on the farm. By 1972, direct consumption on the farm was down to 4.5% of output. Of the food which was sold, much went to the export market and was oriented to live animals, carcass meats and simply processed foods. The forms of food exports involved very little value added, but were required by protective policies of recipient countries. In the period between 1968 and 1973, the consumption of food products in the home market grew about 70%. This industry has remained an important source of employment. Direct employment in 1963 was 23% of the total for manufacturing industry and 22% in 1973. (Smith and Quinn; 1974; A.2.9) The following chart provides a summary of the sector.

Base Statistics, Food Sector (Lm)

Year	Gross Output	Exports	Competing Imports	Home Consumption	Volume of Output Index (1960=100)	Employment (avg.)
1960	161.5	44.9	2.5	119.1	100	34,900
1965	229.7	71.2	6.5	165.0	126	39,100
1966	246.6	76.6	6.8	173.8	134	39,400
1967	285.5	107.0	6.5	184.7	146	40,200
1968	313.5	114.2	8.4	207.7	152	41,300
1969	346.6	129.1	11.3	228.8	161	42,500
1970	379.5	141.9	13.1	250.7	168	43,500
1971	429.0	155.7	14.8	288.1	173	42,900
1972+	496.7	185.6	18.6	329.7	178	42,200
1973+	596.5	227.5	22.9	391.8	185	42,200
1974+	734.0	298.0	27.0	466.0	198	43,600

+ Estimate

(Source: Smith and Quinn; 1974)

O'Rourke and McStay (1979) have demonstrated that differences between sectors of the food processing industry are startling. Average employment per firm ranged from 30 in milling to about 474 in sugar. The average for malting was 20 but 648 in the associated industry, brewing. The authors cite a special CIP analysis for 1968 which showed that 52.8% of food establishments and 41.3% of all manufacturing establishments had less than 15 people engaged. Only 11 food firms employed more than 500 people. The report found that many industries had a dual character with one or a few large establishments and many small ones.

O'Rourke and McStay report that since 1953, the number of food establishments has fallen by over one quarter, but the average number of persons employed per establishment has risen by 63.3% and the output per person has risen by 47.9%, for a rise of 78% in total volume of

production. The larger size of firms has been accompanied by use of imported technology which uses continuous, mechanized, standard production processes.

Although no sector of the food industry experienced a decline in volume of production, baking, confectionery, sugar, margarine, bacon, and milling have grown more slowly than others. Employment actually fell in milling, sugar, confectionery and baking, and in distilling, malting and brewing, all of which include continuous, long runs of standardized products.

#### Ownership

Smith and Quinn (1974) have studied ownership and conclude that firms within the food industry fall into four categories of ownership: public companies, private companies, state companies and cooperatives. (The difference between public and private companies is the right of quotation on the stock exchange. Private companies are sometimes subsidiaries of public companies.) Information on public and private companies is limited, as government regulations require very little disclosure of information.

The state owns a small number of companies but they are important within the industry, handling 11% of all produce, in 1972. A number of state-owned companies became cooperatives when Ireland entered the EEC to satisfy EEC regulations. Those companies which are still state-owned include: The Irish Sugar Company, which took over private factories in 1927, Erin Foods, a vegetable processing subsidiary involved in a fifty-fifty marketing partnership with Heinz, Ceimici Teo, which manufactures

glucose from potatoes and Board Iasaigh Mhara which does not engage in productive activity but promotes fish processing and handling.

Cooperatives handle a sizeable share of agricultural produce. Irish cooperatives are particularly strong in dairying, livestock and fish. Traditionally, they are multi-purpose organizations buying produce, selling farm inputs and providing service. Over the years, cooperatives have merged, resulting in fewer but larger organizations. Information about type of ownership and numbers of employed is displayed below. This chart was prepared by Smith and Quinn, who warn that some discrepancies may exist due to difficulties classifying firms which may be food group firm firms with major non-food departments.

Employment in Foreign Firms, 1973

<u>No. Employees</u>	<u>Food Industry</u>	<u>All Firms</u>
500+	39%	25%
100-499	48%	27%
25-99	12%	14%

(Source: Smith and Quinn; 1974)

A major portion of Irish food firms are foreign or closely associated with foreign firms. Three-quarters of employment in new industry is in firms of foreign origin. Foreign ownership has been increased both by IDA grants and by the process of consolidation promoted in order to deal with free trade conditions. A number of Irish firms become subsidiaries to international firms with established export markets.

Within Ireland, foreign ownership dominates in the supply of the following goods: ice cream, margarine, confectionery, and potato crisps. A share of about 50% is found in fruit and vegetable processing, milling, baking and certain forms of milk processing. Less than 20% influence is exercised in biscuit making and meat processing.

O'Rourke and McStay warn that foreign domination of the industry means that expanded use of Irish agricultural products, decisions to add more value added in Ireland and control of new product development must fit the plans of multi-nationals, rather than the needs of the Irish economy. They point out that in many cases, the Irish subsidiary is not free to compete in UK or other markets and can export only where the parent company does not have an affiliated operation. This limitation inhibits the potential to create new jobs. It may also explain some of the failure of Irish firms to adjust to free trade conditions if foreign firms bought out the most viable Irish firms to prevent them to competing in export markets. This possibility ought to be investigated with reference to food processing and other industries.

One of the dangers of free trade policies is that competing imports would make substantial inroads into the domestic market. The value of competing processed foods increased from L4.6 million (3% of consumption) in 1963, before the AIFTA agreement to L23 million (6% of consumption) in 1973. Data are not available on import competition in the food industry since EEC membership, but it would be expected that imports would increase as a proportion of production.

O'Rourke and McStay make the following prediction for the future of the Irish food processing industry:

It is the author's belief that by 1990 multinational companies will dominate most sectors of the European food market. This is not to say that they will be the sole form of organization, but rather that other forms will only survive if they are compatible with the goals of multinationals... Irish processors can either gear themselves to compete directly with the multinationals as Erin Foods attempted, or settle for a foothold in those parts of the market where more limited forms of organization can still survive. (118)

O'Rourke and McStay find that the only major sectors which have the option of designing an independent organization to compete with multinationals are remaining cooperatives and private firms in the bacon, meat and dairy industries. They recommend amalgamation, which would result in an organization the size of a small multi-national and which might have collective resources great enough to retain, if not increase, market power.

#### Microelectronics

Despite the presence of 70 electronics companies employing over 10,000 people, the Telesis precis finds that it is an overstatement to claim that Ireland is in the electronics industry to any significant extent. Analysis of the products and types of production indicated that simple manufacturing, assembly, tests and packaging are the main activities. IDA projections that the microelectronics industry would provide high skilled jobs have been wrong and the potential to develop highly skilled jobs within the present firms is limited. The report finds limited opportunities for Irish managers to develop their skills in this industry and that engineering functions involve product adaptation and marginal improvements in the production process. No

sub-supply industry has resulted from the presence of the new firms because of the limited processes involved.

The report finds that the companies came to Ireland for tax concessions and other subsidies to enter the EEC market. The companies setting up in Ireland tend to be small ones with cash shortages and high profits. Of the 60 companies surveyed by Telesis, none had stand-alone capacity and only three had key elements in Ireland, the rest were manufacturing satellites.

The report warns that with low levels of fixed investment, low levels of skilled labor and without the key functions or sub-supplies, the firms are ripe for closeouts if market conditions change. It further warns that the industry is becoming increasingly capital intensive and will require a smaller rather than larger labor force.

#### Mechanical Engineering

Only 16.7% of the jobs projected in this industry have materialized. Seventy of the 78 firms receiving grants have closed down, and 35 have reduced their labor forces. Total employment peaked at 13,600 and was down to 6,000 by January of 1981. The report points out that tax havens are not good places to do engineering, marketing and R&D functions as costs for these activities can be written off taxes in places where taxes are paid.

#### Chemical and Pharmaceutical

About half of US investment in Ireland is in these industries, which the report finds will leave if tax incentives are withdrawn. The

proportion of job approvals in these industries that actually materialized was 36.7%, but represents only 5,335 jobs. Linkages in Ireland are very low, with less than 3% of raw materials purchased in Ireland.

#### Sustainable Job Creation in Foreign Firms

The chart below is adopted from the Telesis summary and shows the bleakness of IDA attempts to promote sustained job creation.

#### Sustained Job Creation in IDA Sponsored Firms (1981)

<u>Industrial Group</u>	<u>Jobs Approved</u>	<u>Created Jobs Still Existing</u>	<u>Ratio Sustained Jobs to Approvals, %</u>
Mechanical Engineering	24,665	4,124	16.7
Electrical Engineering	20,908	8,793	42.1
Chemicals	14,529	5,335	36.7
Plastics	5,449	1,668	30.6
Food, Drink, Tobacco	4,178	1,025	24.5
Fertilizer	15,901	6,682	42.0
Furniture, Print and Paper	2,654	817	30.8
Clay, Glass, Cement	1,452	776	53.4
Other	6,290	1,509	24.0
<b>Totals</b>	<b>96,026</b>	<b>28,937</b>	<b>30.1</b>

#### Indigenous Firms

The Telesis report finds the performance of indigenous industry to be highly disappointing. The native share of manufacturing employment

has fallen from 75% in 1973 to 66% in 1980. The report criticizes many firms for failing to adapt to free trade conditions and for failure to produce goods that can be exported. In 1980, foreign owned firms accounted to 75% of all exports. Native firms which do export, produce goods intended for the UK market and provide traditional products -- print, packaging and furniture, and provide on the proximity of the UK market. These firms have been hardest hit by the EEC membership.

The report also criticizes Irish owned firms for failing to provide intermediate goods for new foreign firms. In engineering, only 8% of intermediate goods were supplied to new firms in 1976. Overall, only 16% of intermediate goods purchased by foreign firms were purchased in Ireland.

For all the problems, job creation has been much more successful in indigenous firms than foreign ones. Although indigenous firms have received decreasing shares of IDA grant approvals (see chart below) they have created 21,000 new jobs since 1973 as compared to 28,937 for foreign firms. However, the impact of this increase has been wiped out by 22,000 jobs lost as native firms have gone under.

Grant Approval to Indigenous Industry (1980LM)

<u>Year</u>	<u>Total IDA Grants</u>	<u>Total Indigenous Grants</u>	<u>Ratio Indigenous to Total IDA Grants, %</u>
1971	56.6	24.3	43
1972	99.6	45.8	46
1973	198.0	53.5	27
1974	143.8	57.5	40
1975	135.8	39.4	29
1976	97.0	47.5	49
1977	173.4	50.3	29
1978	191.8	77.3	39
1979	258.5	84.2	33
Totals	1,354.4	497.8	37

Regional Distribution

Industrial employment is highly concentrated in the more prosperous eastern regions of the country, particularly in the Dublin area. The West, North-West and Midlands, have smaller industrial sectors, with less than 25% of the work force employed in industry. The fact that the same regions with the highest concentration of small farms and lowest concentration of industrial employment, says much about the regional unevenness of employment opportunity and the trend toward depopulation in these areas.

Distribution of Industrial and Total Employment  
by Region, 1971

IDA Regions	Share of Region in Total Industrial Employment, %	Share of Region in Total Employment, %	Industrial Employment as Share of Total Employment, %
East	45.8	36.8	28.1
North-East	6.7	6.1	33.4
South-East	9.7	10.6	28.0
South-West	15.1	15.2	30.2
Mid-West	7.9	8.8	27.5
Midlands	5.9	7.7	23.4
North-West	4.3	6.1	21.4
West	4.7	8.6	16.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Synthesis

Irish industry is characterized by a high degree of dualism, corresponding generally to export oriented, foreign-owned firms and home market oriented native-owned firms. Policy changes which have dismantled the system of protection have caused employment losses in native industry. Aggressive marketing by the IDA has brought many new foreign firms to Ireland, but their presence has increased dualism and had disappointing effects on the economy. Foreign firms produce goods which have high import content, little domestic value added, few linkages, and high levels of capital intensity. Job creation has been far below projected levels, averaging 30.1% of sustained job approvals. Overall,

the presence of foreign firms has done little to create a sustainable industrial base in Ireland.

The native sector of Irish industry tends to have low levels of capitalization and productivity. The native sector receives only about 37% of IDA grants but has been responsible for about 42% of sustained job creation since 1973. Unfortunately, this gain of 21,000 jobs in native firms has been offset by 22,000 jobs lost in the process of adapting to free trade. The native sector remains vulnerable to competition from foreign imports, although it is not yet clear how severe the impact of import competition will be.

Policy makers hoped that industrialization would alleviate regional disparity by creating jobs in declining agricultural areas. As a regional job creation strategy, industrialization has failed. Industrial employment is concentrated in the more prosperous eastern regions of the country, particularly Dublin.

## Services

### Employment 1961-1971

Detailed data on employment in services are available from a NESC report, Service-type Employment and Regional Development, which looks intensively at the years 1961-1971. Overall, service employment grew slowly but steadily during the interval. Increases occurred in all

industrial categories except Personal Services, which continued a decline evident since Independence, and is probably associated with breaking up the colonial estates. This decline is consistent with changes within each industrial group, demonstrating a continued trend away from old services and toward new and complementary services.

Service Sector Employment by Industrial Group, 1961-71

Industrial Group	Number Employed 1961	% Sector Share 1961	Number Employed 1971	% Sector Share 1971	Average Annual Change	Change in Employment 1961-71
Transport and Communication	54,167	13.0	60,122	13.1	1.06	5,955
Commerce	142,695	34.4	148,286	32.3	0.38	5,591
Finance, Insurance, Business Service	16,396	3.9	23,992	5.2	3.90	7,596
Public Administration and Defense	40,580	9.8	48,869	10.6	1.86	8,289
Professional Services	85,193	20.5	109,078	23.7	2.50	23,885
Personal Services	63,314	15.2	54,441	11.8	-1.50	-8,873
Recreational Services	10,986	2.6	10,851	2.6	-0.10	-135
Other Services	2,539	0.6	3,372	0.7	2.85	833
Service Sector	415,870	100.0	459,011	100.0	0.99	43,141

Source: ESRI Report No. 28, Table 2.7

Insurance, Finance and Business Services

This industrial group experienced the fastest rate of growth in employment and the third largest absolute increase in employment. Services provided in this group are complementary services and the expansion would be expected during times when the industrial sector expands. The number of clerical workers employed in this sector is striking, 59.14% of the total in 1971. The next largest occupational group was workers in Commerce, Finance and Insurance, representing 22.42% of the total and less than half the number of clerical workers.

Occupational Change within Insurance, Banking  
and Business Services, 1961-1971

Occupations	1961		1971		Change in Numbers 1961-71	% Change 1967-71
	Number	%	Number	%		
Production, Makers and Repairers	139	0.85	305	1.27	166	+119.42
Transport, Communications and Warehousemen	533	3.25	821	3.42	288	+54.3
Clerical Workers	9,579	58.43	14,189	59.14	4,610	+48.1
Workers in Commerce Insurance, Finance	4,178	25.48	5,379	22.42	1,210	+28.8
Service Occupations	474	2.89	402	1.68	-72	-15.2
Professional, Technical, etc.	318	1.94	872	3.63	554	+17.2
Other Occupations	1,175	7.16	2,024	8.44	849	+72.2
Total all Occupations	16,396	100.0	23,992	100.0	7,596	+46.3

Source: ESRI Report No. 28, Table 2.9.

### Commerce Services

These services include wholesale and retail distribution. While the growth rate in the sector was a low 0.4% per year, analysis of the two subgroups reveals distinctly different trends. The wholesale sub-group had an employment increase of 5,943 jobs for an average annual growth rate of 1.8%. The retail sub-group lost 352 jobs over the decade.

Within the wholesale sub-group, the greatest decline took place in live animals, followed by clothing, textiles and footwear, and others. These declines are highly significant because they are related to industries which form the core of the traditional manufacturing industries. In the categories showing increases, food and drink, builders materials, hardware, chemists and petroleum products are products associated with newer, multi-national development. (Although the food and drink industries are a traditional Irish industry, the 1960's brought an influx of multi-nationals producing these products. The effect of this influx was discussed previously.)

Employment Change within the Wholesale  
Sub-Group, 1961-1971

Occupations	Employment		Change		Percentage of sub-group in each category (%)	
	1961	1971	Number 1961-71	% 1961-71	1961	1971
Live Animals	3,255	2,131	-1,123	-34.5	10.5	5.8
Clothing, Textiles Footwear	2,028	1,576	-452	-22.3	6.6	4.3
Others	3,199	2,739	-460	-14.4	10.4	7.4
<b>Total Declining Categories</b>	<b>8,482</b>	<b>6,446</b>	<b>-2,036</b>	<b>-24.0</b>	<b>27.5</b>	<b>17.5</b>
Builders Material	2,869	6,145	3,276	114.2	9.3	16.7
Food, Drink	7,133	8,677	1,544	21.6	23.0	23.5
Hardware, Chemists Petroleum Products	5,189	5,568	379	7.3	16.8	15.1
Other Non-Food	7,240	10,020	2,780	38.4	23.4	27.2
<b>Total Growth Categories</b>	<b>22,431</b>	<b>30,410</b>	<b>7,979</b>	<b>35.6</b>	<b>72.5</b>	<b>82.5</b>
<b>Total Sub-Group</b>	<b>30,913</b>	<b>38,856</b>	<b>5,943</b>	<b>19.2</b>	<b>100.0</b>	<b>100.0</b>

Source: ESRI Report No. 28, Table 2.10.

Changes in the retail sub-group are also indicative of changing patterns of consumption. A decline of 34.3% or 10,606 jobs in the grocery category reflects a change in shopping patterns as department stores expanded. The increase in department store employment was 55%, but represented only 1,874 jobs, making department stores a far less significant source of jobs than the small grocery stores had been. This change has important implications for dependency based on the ownership of the new department stores. While data on ownership is not available, eye witness impressions indicate that this issue merits further study. Walking through the Dublin shopping district, the number of British department store is striking.

Changes in the goods sold also indicate changes in consumption patterns. Declines in toys, leather and sport goods and clothing, drapery and footwear, all traditional consumer goods are more than offset by increases in TV rentals, hardware and electrical goods, and motor vehicles, and reflect a higher standard of living and increased purchases of imported goods.

Employment within the Retail Distribution  
Sub-Group, 1961-1971

Sub Group Categories	Employment		Change		Percentage of Sub-group in each category, %	
	1961	1971	Number 1961-71	% 1961-71	1961	1971
Grocery and Provisions, Grocery and Public House	30,887	20,281	-10,606	-34.3	27.6	18.2
Toys, Leather and Sport Goods	4,531	3,143	-1,388	-30.6	4.1	2.8
Clothing, Drapery and Footwear	14,543	13,508	-1,035	-7.1	13.0	12.1
Others	14,537	13,663	-874	-6.0	13.0	12.3
<b>Declining Categories</b>	<b>64,498</b>	<b>50,595</b>	<b>-13,903</b>	<b>-21.6</b>	<b>57.7</b>	<b>45.4</b>
Motor Vehicles	14,466	20,345	5,879	40.6	12.9	18.3
Public Houses	10,091	12,037	1,946	19.3	9.1	10.8
Department Stores	3,375	5,249	1,874	55.5	3.0	4.7
TV Rentals, Hardware and Electrical Goods	6,176	7,641	1,465	23.7	5.5	6.8
Others	13,176	15,563	2,387	18.1	11.8	14.0
<b>Expanding Categories</b>	<b>47,284</b>	<b>60,835</b>	<b>13,551</b>	<b>28.7</b>	<b>42.3</b>	<b>54.6</b>
<b>Total Sub-Group</b>	<b>111,782</b>	<b>111,430</b>	<b>-352</b>	<b>-0.3</b>	<b>100.0</b>	<b>100.0</b>

Source: ESRI Report No. 28; Table 2.11.

### Professional Services

The Professional Services Group experienced the highest absolute increase in jobs (23,885) and the second largest average annual rate of growth, 2.5%. Increased employment in the Professional Group provided 55.4% of the employment increase in the service sector.

The ESRI report divides Professional Services into those servicing final and complementary demand. In 1961, 87.4% of the total employment was in final demand consumer services in the sub-groups, Religious, Educational, Medical and Other Services. By 1971, the share of final demand had been reduced to 85.2% of total, despite the creation of 18,470 jobs. Employment in complementary demand services, such as Consulting and Trade and Professional Associations increased from 12.6 to 14.8%, a growth of over 50%, involving 5,415 jobs.

Employment Trends with the Professional Services Group  
1961-1971

Demand Category	Categories of Employment	Number in Employed		Change Percentage		
		1961	1971	1961/71	Share (%)	
					1961	1971
Final	Religion	14,564	13,905	-659	17.1	12.7
	Education	29,584	39,424	9,840	34.7	36.2
	Medicine and Dentistry	30,331	39,620	9,289	35.6	36.3
Final Demand		74,479	92,949	18,470	87.4	85.2
Complementary	Accountancy	2,019	3,086	1,067	2.4	2.8
	Law	4,123	4,441	318	4.8	4.1
	Consulting Engineering, etc.	1,426	2,827	1,401	1.7	2.6
	Veterinary Surgery	853	983	130	1.0	0.9
	Trade and Professional Associations	693	890	197	0.8	0.8
	Planning and Research	1,600	2,070	2,302	1.9	1.9
	Other Professional Services		1,832			1.7
Complementary Demand		10,714	16,129	5,415	12.6	14.8
Professional Service Group		85,193	109,078	23,885	100.0	100.0

Source: ESRI Report No. 28; Table 2.15.

### Public Administration and Defense

Employment in this service group accounted for 10.6% of Service sector employment in 1971, after rising a rate of 1.86% per year. Employment grew most rapidly in Local Authorities, 4.0% and next in Other Government Departments, 2.4% per year. The skill composition within this group is quite varied, with white collar employment concentrated in Local Authorities and Government Departments, and far less white collar employment in the Defense forces.

#### Employment Trends in Public Administration and Defense Group, 1961-1971

Category	Numbers Employed		Change		Percentage Share	
	1961	1971	Numbers 1961-71	% 1961-71	1961	1971
Garda Siochana	6,663	6,415	-248	-3.7	16.4	13.1
Defense	9,924	10,073	149	1.5	24.5	20.6
Other Government Departments	14,695	18,641	3,946	26.9	36.2	38.2
Local Authorities (n.e.s.)	9,298	13,740	4,442	47.8	22.9	28.1
Total Group	40,580	48,869	8,289	20.4	100.0	100.0

Source: ESRI Report No. 28, Table 2.18.

### Employment Trends in Transport, Communications and Storage Group

Employment changes in this group reflect a shift to newer forms of transport and communication. With the exception of private haulage, most of the jobs in this group are in state or state-sponsored bodies.

Employment Trends within Transport, Communication  
and Storage

Group Categories	Numbers Employed		Change		Percentage Share of Group in Each Category	
	1961	1971	Numbers 1961-71	% 1961-71	1961	1971
<u>Transport Sub-Group</u>						
Air	2,554	4,570	2,016	78.9	4.7	7.6
Railway	11,624	8,680	-2,944	-25.3	21.4	14.4
Road Passenger	7,888	9,383	1,495	19.0	14.6	15.6
Road Freight	5,057	5,486	1,429	28.3	9.3	10.8
Sea	4,474	4,251	-223	-5.0	8.3	7.1
Harbors, docks and other water	4,569	3,940	-629	-13.8	8.4	6.6
Sub-Group Total	36,166	37,310	1,144	3.1	66.7	62.1
Postal, Telegraph and Radio	16,340	19,765	3,425	21.0	30.2	32.9
Others	1,661	3,047	1,386	83.4	3.1	5.0
Total Group	54,167	60,122	5,955	11.0	100.0	100.0

Source: ESRI Report No. 28, Table 2.23.

Personal Services and Recreation Groups

The decline experienced in this group is in the old services. Job losses in private and commercial domestic services represent 96.0% of the decline in the group. Laundries and Dry Cleaning make up the remaining losses. The greatest numbers of job increases are found in the Hotels, Restaurants and Cafes groups. The contribution of Recreational Services to total service employment remains small, only 2.6% of the total in 1971.

### Service Employment 1971-1980

The 1977 Labour Force Survey compiled by the Central Statistical Office provides information on service type employment based on a national sampling procedure. Service employment has steadily increased, with growth in all categories except personal services. Data are not yet available which indicate changes within each industrial group, so the discussion of changes from 1971-1980 will be more general than the previous one.

#### Service Employment Changes by Industrial Group, 1971-1977

Industrial Group	Number Employed 1971	% Sector Share	Number Employed 1977	% Sector Share	Average Annual Change	Change in Employment
Transportation and Communication	60,122	13.1	65,000	13.3	1.4	4,878
Commerce	148,286	32.3	152,300	31.2	0.5	4,014
Finance, Insurance, Business	23,922	5.2	29,100	5.9	3.5	5,108
Public Administration & Defense	48,869	10.6	61,100	12.5	4.1	12,131
Professional Services	109,078	23.7	135,400	27.7	4.0	26,322
Personal Services	54,441	11.8	45,500	9.3	2.7	8,941
Recreational Services*	10,851	2.6	--	--	--	--
Other Services*	3,372	0.7	--	--	--	--
Total	459,011	--	48,300	--	1.6	43,512

\*Figures not provided by 1977 Labour Force Survey.

Source: 1971 Census of Population; 1977 Labour Force Survey.

The greatest rates of growth were in the Public Administration, Professional Services, and Finance, Insurance, and Business. Extension of the latter two sub-groups would be expected in an economy with a growing industrial sector. Increases in Public Administration reveal continued growth of government activity and importance of the public sector in promoting employment. Service sector growth continued at an average rate of 3.3% from 1977-1980. (NESC, Economic Review and Outlook, 1981; 43) Details about which sub-groups accounted for this growth are not available.

Looking at the growth of the service sector from 1926, the proportion accounted for by public sector employment is striking. Exact figures are unavailable, but if the figure of 300,000 employed in the public sector provided by the Minister of Finance is applied to the total non-agricultural work force, the figure of 31.8% is obtained. Sufficient data to apportion public jobs between the industrial and service sectors are unavailable, but the concentration is greatest in services. (The calculations are based on figures from the Financial Statement of the Minister for Finance, 21 July, 1981 and the NESC's Economic Review and Outlook, Summer 1981.)

#### Regional Distribution of Services Employment, 1961-1977

In 1977 almost half of all service employment was in the East region, and most of this was in Dublin, echoing the pattern in industry. Service and industrial employment may provide some jobs for surplus agricultural workers, but not in distressed agricultural areas. The chart which follows illustrates this regional imbalance.



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Regional Distribution of Services Employment, 1971-1977

Region	1971 Services (%)	1971 Non- Agricultural (%)	1977 Services (%)	1977 Non- Agricultural (%)
East	47.2	46.6	49.7	46.7
North-East	4.8	5.6	4.4	5.1
South-East	9.4	9.5	8.7	9.3
South-West	14.2	14.6	13.3	14.1
Mid-West	7.7	7.8	8.2	8.5
Midlands	5.9	5.9	5.3	5.5
North-West	4.6	4.5	4.1	4.4
West	6.3	5.6	6.3	6.2
Total	100.0	100.0	100.0	100.0

Sources: 1971 Census of Population; 1977 Labor Force Survey

Policy Changes Relating to Service Sector Employment

Continuing growth in the service sector despite uneven performance in manufacturing caused policy makers to rethink the notion that service sector employment expansion would result only from manufacturing expansion. Because of this, the IDA mandate to expand manufacturing was broadened in 1970 to include making grants to support research and development by manufacturing industry.

The ESRI report on service-type employment lists a number of reasons why research and development and other service functions are carried out at only a minimal level by foreign firms. Reasons include

the small size of manufacturing firms located in Ireland. The median size is 55 employees, so few services are needed. The report also notes that the export profits Tax Relief Scheme encourages direct exports, so there has been little need to expand service-type jobs. In addition, the report cites a study of locational disadvantages perceived by grant-aided firms which revealed a high level of dissatisfaction from the office end of operations. Problems cited include poor telecommunications, and problems recruiting management and other suitable staff. (ESRI; No. 18; p 103)

In 1973, the IDA launched a pilot scheme to encourage service industries to locate in Ireland. A year later, a Services Industries Division was formed to attract foreign service sector firms to Ireland. Non-repayable capital grants for the purchase of buildings and equipment; rent reductions grants for period ranging from 5 to 10 years are available with leasing subsidies, and grants are available for approved training programs. The Export Profits Tax Relief Scheme was expanded to include "engineering services". These services and computer software development are regarded as the manufacture of goods.

By August 1976, 34 project applications had been approved by the IDA at a cost of L8,014.1 with projected creation of 2,778 jobs for a cost of L2,884 per job. A 1980 IDA brochure entitled "Ireland a Centre of International Services" lists the following types of service firms:

Type	Number	Ownership	
Software Development	16	USA - 7 UK - 3 Germany - 3	Sweden - 2 Denmark - 1
Data Processing	3	USA - 2 Switzerland - 1	
Engineering/Architectural Design and Technical Consulting	12	USA - 7 UK - 3	Canada - 1 Saudi Arabia - 1
Research and Development	6	USA - 6	
European Headquarters	7	USA - 5 Bermuda - 1	Japan - 1

No information is provided about job creation. According to the figures in the 1980 IDA Annual Report about 1.8% of the new overseas fixed asset investment was in services.

Providing grants to firms which specialize in industrial services does not solve the problem of manufacturing firms which do not engage in service functions such as research and development and marketing. The Telesis report notes that functions such as research and development and marketing are good tax write-offs and are therefore not likely to be performed in a tax haven (Irish Business August 1981; 8). The fact that services are not included in foreign business investment is indicative of a deeper problem, which is related to motivation for setting up any kind of overseas venture. High level functions are not provided because these firms may have no intention of locating permanently in Ireland.

They have come to take advantage of low wages and in the case of non-EEC countries for access to EEC markets without paying various tariffs on imports. They are likely to purchase business services from their own operations in the USA or major European business centers.

### Synthesis

The steady growth of Service Sector employment was the employment surprise of the post-war period. The skill composition of jobs was quite varied. Growth in Finance, Industry, and Business was heavily concentrated in clerical jobs, whereas the fast-growing Professional group was comprised of highly skilled jobs. Data about the skill composition of Public Administration and Defense jobs are unavailable.

Public investment failed to provide the hoped for increase in industrial employment but provided a larger than anticipated increase in service employment. This success has brought two related reactions. One is constant exhortation that public sector pay, which has risen faster than private, must be kept low so as not to lever up private sector pay and price Ireland out of the multi-national market. The other is an attempt to attract business services to Ireland. This policy is unlikely to be effective because of Ireland's status as a tax-haven and because of the nature of multi-nationals, who have their own business and sub-supply networks.

## Chapter V: Conclusion

### Assessment Based on Definition of Development

1. Individual and group self-esteem within the country have been enhanced in relation to each other, and national self-esteem has been enhanced in relation to the world at large.

From an employment perspective, the greatest enhancement of self-esteem has probably been the ending of emigration during the 1960's. For young people to grow up knowing they have a future at home, for families to stay together, and for the community at large to have access to the resources of their youth, puts to rest one of the most damaging chapters of Ireland's past.

Unemployment rates are still high and are a reminder of a problem that has not been solved despite massive infusion of resources into building an industrial sector. The labor force polarization which has accompanied integration into the EEC and the building of a foreign-owned manufacturing sector has given rise to serious social divisions. The depopulation caused by small farm distress and shortage of service or industrial employment in rural areas has been damaging to viability of rural areas and has increased the dominance of Dublin as a population and employment center.

Entry into free trade agreements has caused heavy losses in native-owned employment and enforces a long-term attitude which assumes that people from highly developed countries can do things better. The very

fact that government has been willing to provide far greater resource to the foreign sector than to the native sector is indicative of this attitude. The government could have supported increased industrial expansion without turning to foreign-owned firms.

2. The range of choice and participation available to people has expanded, freeing them from external and internal domination and dependence.

The opportunity to work, the most basic form of economic participation is still unavailable to the 10% of the population registered for unemployment benefits as well as an uncounted number who are underemployed. Other important aspects of this participation including the quality of available jobs and worker participation through unionization are beyond the scope of this paper but need to be evaluated.

Freedom from domination comes with control, and Ireland has given up the capacity to control the economy on a number of important fronts. Ireland's lacks strategic importance in the world economy both in terms of geography or resources. Within the EEC, Ireland is the second smallest (next to Luxembourg) and second poorest (next to Greece) country, and is also a newcomer. Ireland is, therefore, bound by the decisions of a community dominated by larger, more developed economies. Access to the nearly saturated EEC markets increased farm incomes on a short-term basis, but also exposed the home economy to import competition from products made in countries with more advanced technological processes. It is conceivable that multi-nationals who really wanted a

large share of the Irish market would be able to keep prices low enough to drive native firms out of business. Smith and Quinn cite evidence that in the food industry, native firms have been bought out by multinationals to prevent them from competing in export markets.

Reliance on grant aided foreign firms as the basis of employment growth has left the economy extremely vulnerable to forces beyond Irish control. Not only have the levels of sustained job creation been disappointing, but the types of operations locating in Ireland are extremely easy to close down if market demand or company policy fluctuates. Low wages are the chief attraction for many firms, so Irish workers not only pay taxes to provide grants to foreign firms, but they are expected to keep wage demands down so firms do not leave.

The attempt at economic planning was one positive step towards increasing control over the economy, but will be ineffective as long as forces outside government control continue to dominate the economy. One step towards increasing this control would be to bring the IDA under government control and to try and limit capital mobility, which might mean making more grants to native industry and stipulating that profits be reinvested in Ireland.

3. The strategies and methods for achieving development increase the capacity for self sustaining development.

The Telesis Report summary provides strong evidence that the capacity for self-sustaining development has not been increased by the

strategy of foreign investment. Ireland still has no meaningful industrial base. Production is based on consumer goods using low level production and assembly processes. Low skill levels, job losses in the native sector and high potential for instability in the foreign sector are not the stuff of which self-sustained development is made. Irish policies place no controls on the surplus generated in Ireland, and few backward linkages exist, so the spread effects of foreign presence are minimal.

Perhaps the ultimate test of any development strategy is whether it can reproduce itself over time. The Irish development strategy does not seem to meet this test. Agricultural development based on exports to the EEC is limited by nearly saturated markets. Industrial development based on grant-aided foreign firms has been tremendously expensive and ineffective as a way to create an industrial base or sustained job increases. The very nature of the appeal of less developed countries to multi-nationals -- low wages and give-away incentives means that if development as defined in this paper takes place, the country will no longer be an attractive site.

#### Summation

Dramatic changes in the structure of industrial production have transpired since 1921. Between 1921 and 1958, substantial groundwork was laid for development: infrastructure, credit, education, the beginnings of many new industries, and legislation attempting to insure native control of industry. Despite the progress, important elements of the legacy of dependence remained: the continued siphoning of Irish

youth to Great Britain, new industrial investment on only a small scale and based on import substitutes, growing polarization of the agricultural work force, lack of economic planning, and the lure of high consumption European lifestyles.

Poised amid the achievements of thirty odd years, the wealth of nearby countries with 100 or more years of industrial experience, and unsolved problems of poverty, emigration and unemployment, Ireland took a great leap backward into what was hoped would be a kinder future. Foreign firms allured by a low wage labor force, access to EEC markets and obsequious economic incentives became the basis for projections of rapid income growth and new jobs. Incomes grew, hopes were raised and the tide of emigration was stemmed; but unemployment remains a chronic feature of the Irish socialscape, and jobs created with government subsidies have not kept pace with those lost by the marginalization of the small farm and business sectors. Each year, millions of pounds of taxpayers' money is given to foreign firms who bring capital intensive production processes, a small numbers of low-skilled jobs and who are free to reinvest their profits elsewhere. So once again, foreigners feast upon the fruits of Irish labor, and leave famine in their wake.

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