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Introduction

If I had to pick one country as a harbinger of the coming shift in national economies, it would be Ireland

Kenichi Ohmae, 2000, 119

Ireland as a 'role model'

Ireland¹ has been transformed in the 1990s. From being one of Europe's economic and social laggards, performing well below potential since independence in 1922 and in decline relative to virtually all European states, east and west (Lee, 1989), it has in the 1990s become a showcase of successful development – Europe's Tiger Economy held up internationally as one of the few countries which has made it in the new global e-commerce economy (Ohmae, 2000). As official delegations from countries around the world beat a path to the doors of Irish ministers, their advisers and the country's development agencies,² Irish economists are holding Ireland up as 'a role model for development' (Bradley, 2000, 22), offering 'lessons for the periphery' (Fitz Gerald, 2000, 55) and predicting that, over the next 15 years, 'Ireland may achieve a standard of living among the highest within the EU' (Fitz Gerald, 2000, 54).

The essence of the case being made is that Ireland offers a model of successful adaptation to globalisation, a country which disproves the thesis that latecomers to development in a more globalised world economy can only survive (1) by undermining the steering capacity of the state; (2) by shedding jobs; (3) by making labour conditions more flexible; and (4) by allowing economic inequality increase (O'Connell, 2000, 59). As a country with a colonial past, Ireland has shared with most of the world's countries the developmental challenges associated

with the legacy of colonialism and the resulting retarded development (Munck, 1993). As outlined in Chapter 1 of this volume, it has also followed a development trajectory very similar to that of many developing countries with, from the mid-nineteenth century to the 1930s, a dependence on exporting largely unprocessed commodities (mostly live cattle), from the early 1930s to the late 1950s a period of inward-oriented, state-led and protectionist industrial development and, finally, since 1959 a period of liberalisation and export-led industrialisation (Kirby, 1997, 129–33). For many years regarded as a relative developmental failure with sluggish growth rates, high rates of emigration and growing social problems and indebtedness in the 1980s (Mjøset, 1992a, 5–24), the 1990s have seen it being hailed as a developmental success case. It has been described by the *Economist* as ‘one of the most remarkable economic transformations of recent years: from basket-case to “emerald tiger” in ten years’ (17 May 1997, 23). At a time of major restructuring of national economies under the impact of a more liberalised and globalised international economy, Ireland is therefore looked to as offering lessons, not least for countries emerging from long periods of protected economic development (for example, Eastern Europe and Latin America).

A second set of reasons that make Ireland interesting to study derive from the innovative policies it adopts to address poverty and social exclusion. This is characterised as a partnership approach (O’Donnell and Thomas, 1998) and it has been held up as a lesson for the countries of the Organisation of Economic Cooperation and Development (OECD) (Sabel, 1996). Linked to this is the National Anti-Poverty Strategy (NAPS), backed by successive governments, which marks the first time an Irish government has implemented a plan, coordinated across government departments and with set targets and deadlines, to combat poverty (Callan and Nolan, 1998). If, as a very open economy, Ireland manages to combine in a sustainable way economic growth with poverty reduction and greater equality, this would seem to confirm it as a case study with lessons of major relevance for both developed market economies and emerging economies.

Obviously, much attention has been devoted to identifying the means used to achieve these outcomes. The Irish success story, it is pointed out, is not a tale of the ‘forced withdrawal of the state and the promotion of neo-liberalism’ (Nolan, O’Connell and Whelan, 2000a, 1). Rather, it is a more complicated story of the successful adjustment to global market forces in which the ‘state has been deeply implicated . . . managing both economic development and the welfare state. The most dramatic

changes have taken place under the guidance of neo-corporatist arrangements' (*ibid.*, 2). This has resulted in significant increases in well-paid employment in the modern, high-tech economy, in an array of innovative programmes to combat social exclusion and in significant real increases in overall living standards (see Chapter 2). For one analyst, Ireland has emerged as a form of flexible developmental state, in contrast to more bureaucratic developmental states of East Asia, in this way responding to the challenges of Castells' network society in which the state becomes 'embedded in a variety of levels and types of governance institution' (Ó Riain and O'Connell, 2000, 314).

Three difficulties

While there are those who are severely critical of this analysis (most notably O'Hearn, 1998, 2000 and K. Allen, 2000), this is the dominant reading of the Celtic Tiger, exercising a strong influence on media coverage and public discourse and generating a widespread mood of self-congratulation as Ireland moves further into the new millennium (Mac Sharry and White, 2000). However, at least three major difficulties can be identified with the reading offered above. Firstly, fundamental questions have been raised about the validity of the assertions that the Irish economy has been transformed into a high-tech, high-growth economy. Secondly, economic success goes hand in hand with glaring social failures which again pose questions about whether the Irish case is a story of developmental success as distinct from a narrower story of an economic boom. Finally, the assertion that the Celtic Tiger is an example of how economic latecomers can adjust to the challenges of globalisation in a way that maximises the benefits for their society, rests on an inadequate understanding of the nature of globalisation and its impact on national states and societies. Each of these difficulties is briefly elaborated upon here and reference made in each case to later chapters where a fuller exposition of the critique is offered.

Economy transformed?

The first difficulty relates to the claims that the Irish economy has been transformed. Briefly, the mainstream case runs as follows: since the late 1980s, Ireland has progressed rapidly towards average European living standards after decades of little or no convergence. This is measured in increased per capita income and a growth in numbers in work, particularly in the most modern industrial sectors (chemicals, and metals and engineering) (F. Barry, Hannan and Strobl, 1999, 22–3) and in

middle-class employment positions (O'Connell, 2000, 74). This has been done through an upgrading of Ireland's industrial structure, particularly by means of attracting in a high share of foreign direct investment (FDI) which has 'affected every corner of the Irish economy' accounting by the end of the 1990s for about a half of Irish manufacturing employees and over two-thirds of gross manufacturing output (Bradley, 2000, 12). 'Ireland eventually succeeded in attracting sufficient firms in the computer, instrument engineering, pharmaceutical and chemical sectors to merit a description of sector "agglomerations" or "clusters"' (ibid., 13). Furthermore, in the 1990s, indigenous Irish industry has begun to expand (in employment, output and, more erratically, in exports) after decades of relative decline under the impact of free trade (M. O'Sullivan, 2000, 271). Thus, Fitz Gerald can claim that 'the Irish economy is truly undergoing something of a renaissance' and, in belatedly catching up with the rest of its Western European neighbours, it has, 'in a sense, come of age' (Fitz Gerald, 2000, 27, 30).

The critique of this reading rests on two main arguments. Firstly, as Bradley acknowledges, the 'dominance of the Irish manufacturing sector by foreign multinationals... [is] quite unique by OECD experience' (Bradley, 2000, 13), so that one leading Irish economist has characterised the Celtic Tiger as 'the US High Tech Tiger with the Celtic face' (A. Murphy, 1998, 3). Thus the question has been raised as to whether the 'Irish' success is not largely a function of the decade-long boom in the US economy, making it extremely vulnerable to a downturn in that economy (K. Allen, 2000, 28). Secondly, through a more detailed empirical examination, O'Sullivan has raised questions not only about the evolution of the microeconomic structure of the Irish industrial economy to more closely resemble a region of the United States, but also about the concentration of indigenous success in a small number of firms and sectors and about the fact that 'favourable developments are as yet of too recent a vintage to interpret them as firm grounds for forecasting continued success' (M. O'Sullivan, 2000, 283). The claims made for Irish economic transformation, therefore, seem to rest on insufficient evidence and on a failure to appreciate the vulnerability of Ireland's increased economic dependence on the United States in terms of FDI and of exports. The nature of Ireland's Celtic Tiger economy is more fully outlined in Chapter 2; the mainstream economic reading of Irish success and the theoretical assumptions underlying this reading, are discussed in Chapter 4.

On the first difficulty relating to the dominant reading of the Celtic Tiger, this book limits itself to reporting the key issues being debated

among economists. On the second and third difficulties, however, it goes further, interrogating the theoretical and empirical inadequacies of the mainstream view.

Economic success, social failure?

The second difficulty relates to the social impact of the Celtic Tiger economy. As will be detailed in Chapters 3 and 9, there is substantial social scientific evidence to show that Ireland's economic boom is resulting in growing social polarisation between those who are benefiting from it and those being marginalised by it. Furthermore, across a range of issues relating to social provision and quality of life – housing and homelessness, public transport and traffic gridlock, declining quality of care and growing inequality of access to health services, a crisis in services for young people in need, entrenched inequality in access to education, environmental pollution – there is growing evidence that the Irish case involves a 'complex mixture of successes and failures' (Nolan, O'Connell and Whelan, 2000a, 3), reflecting a stark contrast between economic success and social failure. Finally, as Chapter 7 shows, the Ireland of the Celtic Tiger has 'diverged from the European pattern of welfare effort'; the ratio of social security spending to GDP, for instance, fell markedly in Ireland while it was maintained or increased in most European countries (Ó Riain and O'Connell, 2000, 331).

The mainstream reading of Ireland's transformation fails to acknowledge sufficiently this ambiguity at the heart of the Celtic Tiger, preferring to concentrate on aggregate increases in living standards and employment rather than on how these are distributed. It therefore rests on a view of successful development which gives priority to economic growth over social equity and quality of life, though any discussion of what development might or should mean is remarkably absent from the mainstream literature. Indeed, as Chapter 4 will show, issues of distributional equity are largely ignored by the Celtic Tiger's mainstream theorists while, as Chapter 7 discusses, these have also largely slipped from the Irish state's policy agenda. This book will argue that such neglect of issues of social and economic equality not only undermines the claims made for developmental success but also runs the risk of endangering economic growth and social cohesion as distributional conflicts grow. As will be discussed in Chapter 7, growing inequality also challenges the significance given to Ireland's social partnership institutions as an innovative model of social and economic governance. This neglect of equality undermines the claims made for Ireland as a suitable model held out for other countries to follow. Overall, then, a

central theme of this book is to highlight the social impact of Ireland's economic growth and, based on the empirical evidence, to challenge the theoretical foundations on which the dominant reading of Irish success rests.

Adjusting to globalisation?

This links closely with the difficulty mentioned above, namely the basis for the claims being made that Ireland is an example of successful adaptation to globalisation. For example, Fitz Gerald claims that contemporary Irish success 'owes much to the enthusiasm with which Ireland has...approached the globalisation of its economy and the opening up of its society to outside influences' (Fitz Gerald, 2000, 55). However, just as with the issue of what constitutes 'development', any discussion of what might be meant by globalisation *vis-à-vis* the Celtic Tiger is absent in the mainstream literature. O'Hearn's discussion of the Irish case from a dependency perspective (O'Hearn, 1998) comes closest to offering an understanding of the global system and Ireland's place in it. However, it is largely ignored in the mainstream literature that relates to the Celtic Tiger. As a result, due to this lack of clarity about what is meant by globalisation, it is not at all clear what is being claimed for the Irish case.³ For example, Nolan, O'Connell and Whelan claim that 'the Irish growth experience and its distributional consequences is not a simple story of globalisation, forced withdrawal of the state and the promotion of neo-liberalism' (2000a, 1). The introduction of the term 'neo-liberal' here seems to imply that what they are arguing is that, through maintaining a strong state involvement in economic development and through innovative social partnership arrangements, Ireland has disproved the case that to succeed in a globalised world requires undermining the state and the social standards it may seek to uphold. Such a claim fails to appreciate that globalisation is forcing not so much the retreat of the state as the resituating of the state 'into a subordinate relationship with global market forces' (Falk, 1996, 15), a relationship which can result in 'concentrating the benefits of growth upon already advantaged sectors within and among societies' (Falk, 1997, 19). This more precise and adequate understanding opens the possibility that the Irish case could in fact serve to substantiate the claims made by some theorists of globalisation that economic success is achieved at the expense of social well-being (see, for example, Gill 1995, Cox, 1996a). To make any claims about how Ireland is adjusting to globalisation will require a more careful discussion of how the state, the market and society relate, with a view to identifying winners and losers, the sustain-

ability of the model and its prospects. This is the task undertaken in Parts III and IV (Chapters 7 to 10).

Outline

The principal contribution of this book to the social science literature on the Celtic Tiger and, more generally, to the literature on Ireland's development, is its theoretical approach. However, before discussing these theoretical approaches, Part I is devoted to chapters on the prehistory (Chapter 1), the nature and causes (Chapter 2) and the social impact (Chapter 3) of the Celtic Tiger. Part II, on understanding the Celtic Tiger, is devoted to challenging the adequacy of the theoretical lens through which the Irish case is interpreted and to outlining an alternative theoretical approach. Chapter 4 examines mainstream (neo-classical, new growth theory, modernisation theory) approaches, while Chapter 5 looks at critical explanations (Marxist and dependency theory and political economy approaches). Chapter 6 outlines a more adequate theoretical approach, namely the international political economy of development. This provides the theoretical lens for Parts III and IV. Part III maps out an international political economy of Ireland's development in the 1990s with chapters on state (Chapter 7), on market (Chapter 8) and on society (Chapter 9). Part IV, 'Futures', consists of a single concluding chapter which examines the options facing the Celtic Tiger and, in this context, returns to the discussion of globalisation introduced above.

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