

the 'flight from the land'. Despite these qualifications, Mulhern's argument about the centrality of the small-farming stratum is an important one. Moreover, it is one which the Irish labour movement singularly failed to address. The debates in the eastern and southern European left about alliances between social classes – especially between the working class and the peasantry – found little echo in the Irish left.

In their classic study of a small-farming community in Clare in the 1930s, *Family and Community in Ireland*, American anthropologists Arensberg and Kimball describe a world in which agricultural labour is still largely collective and cooperative. If these smallholders were culturally conservative – religious belief and seasonal patterns rhymed – they were not politically conservative, and their social outlook included a strong egalitarian streak. Nicos Poulantzas' description of the Jacobin mentality has close parallels to this:

in its 'social' content it is basically the ideology of the *smallholders*. Jacobinism projected as its social ideal a society made up of small-scale independent producers (both peasants and artisans), a society in which each man owns his field, his own shop or stall and is able to support his own family without recourse to wage-labour and without being exploited by the 'very rich'. (Poulantzas, 1978, p. 179)

Their relationship to landless labourers was very different to that found in regions dominated by large farming. The children of the smallholders would, for the most part, take the same boats to Britain or America as the children of the landless labourers and once there, do the same jobs (Newman, 1964).

The civil war also revealed significant tensions within the middle classes. These were not identical to a divide between 'upper' and 'lower' strata, though they overlapped with that divide. While the upper middle classes were overwhelmingly conservative, and pro-Treaty, the much more numerous lower middle classes contained a substantial socially radical element, which had imbibed an egalitarian republican philosophy and an equally substantial conservative layer that deferred to authority. The opposition to the Treaty among subaltern strata, urban and rural, was deeply rooted in people's social experience. The notion of an independent Republic was not simply about constitutional niceties, but expressed a radically different social ideal to that being proposed by the Treaty's advocates (Andrews, 1979; Greaves, 1971).

Writing shortly before his execution in 1922, the republican leader Liam Mellows noted the failure of the anti-Treaty forces to develop a clear social programme, but did not address its source (Greaves, 1971). Arguably, the political vagueness of Irish radicalism was in part a consequence of the lopsided development of Irish intellectual life. An Irish intelligentsia emerged in an intellectual context dominated by the dual forces of Catholicism and English empiricism, both deeply hostile to theoretical investigation. Intellectual discontent in Ireland sought to turn the English traditions on their head, but operated largely within their boundaries. Romanticism, the most radical current in English intellectual life, had an obvious attraction but it directed the intellectual radicals to seek a social alternative in the sphere of culture and to emphasise (or create if necessary) cultural differences from the ruling nation, rather than investigate the workings of social power.

Whether a different type of Labour leadership could, as Conor Kostick suggests, have brought about an egalitarian transformation of Irish society is an unanswerable question. What is worth noting though is that the state which did emerge was not a product of the victory of these forces, but of their defeat.

From an international perspective however, the picture is somewhat different. The crucial significance of Irish independence, for all its limitations and hesitations, is that it began the breakup of the British Empire, and was seen to do so. In India in particular – the jewel in the imperial crown – the Irish situation was closely watched, and Indian nationalists drew the conclusion that if imperial power could be broken in Ireland, it could also, with adequate organisation, be broken in India. The end of British rule in India in turn signalled the collapse of European colonialism.

THE LIMITS OF INDEPENDENCE

In the first decade of the Irish Free State, social and economic policy differed little from the era of British rule. The new government placed its main emphasis on stability and the maintenance of institutional continuity. The civil state institutions and the legal system were taken over intact from the British. In practice, institutional continuity meant continued subordination to the British market and the British state. Over 90 per cent of Irish exports went to the British market. The Irish currency was tied to sterling and Irish interest rates were determined by the Bank of England and the Treasury in London. The Irish banks were structured along the British joint-stock model

rather than the continental investment-banking system and kept most of their deposits in the City of London (Fanning, 1978; Lee, 1989; Ó Gráda, 1997).

The Free State government was dominated by ministers from the Catholic upper middle class, mostly from big farming backgrounds. They followed the British model of minimal public expenditure, low income tax and a conviction that prosperity would follow from fiscal rectitude. The government explicitly rejected any programme of attempting to industrialise through import substitution and state-led initiatives, and argued that national prosperity would arrive from focusing on agricultural exports, which in practice meant aiding the wealthy minority of big farmers and exporters. The best way of reducing farmers' costs was through reducing farm labourers' wages, which fell by more than 20 per cent during their stay in office. Kevin O'Higgins, the key figure in the Cumann na nGaedheal government, dismissed the Democratic Programme as 'poetry', and denounced its claims on national resources as 'communist'. In Lee's words they waged a 'coherent campaign against the weaker elements of the community' (Lee, 1989, p. 87).

Old-age pensions and pensions for the blind were reduced. Little effort was made to improve education or housing: as late as 1932 only 9 per cent of children received a post-primary education. Dublin remained one of the worst cities for slums in Europe (Lee, 1989; Ó Gráda, 1997).

The Cumann na nGaedheal government was already unpopular before the global depression that followed the Wall Street Crash, but this became accentuated afterwards. Unemployment rose and the emigration routes closed. The depression also led to falling agricultural prices. In the west, smallholders, led by republicans, began a campaign against the debt payment owed to Westminster over land purchase: the annuities campaign. Fianna Fáil – formed by anti-Treatyites in 1926 – came to office in 1932 with the conviction that national independence and socio-economic development were closely linked. They also began the process of dismantling the formal connections with Empire, beginning with the Oath of Allegiance (Rumpf & Hepburn, 1977).

The key to social development was the promotion of industrialisation, employment and self-sufficiency. Industrialisation was to be achieved through import-substitution. The introduction of protectionist tariffs did result in a significant rise in employment in manufacturing industry that continued up until the early 1950s (though falling off during the war). Fianna Fáil also sought to shift

agricultural production from export-orientated pastoral production to more labour-intensive tillage. The aim here was not merely to increase rural employment, but to make sure that the country was self-sufficient in food. Manufacturing industry was focused primarily on food and clothing, with little development of a capital goods industry. The most important structural advances occurred through the development of semi-state bodies in the infrastructural area, especially the gradual spread of electrification (Ó Gráda, 1997; O'Malley, 1989).

If the results of Fianna Fáil's industrialisation drive were modest, so too was the drive itself. In nineteenth-century continental Europe the rise of manufacturing industry was facilitated by the development of new systems of credit directly established by, or closely linked to, public authorities. Many European states made a concerted effort to generate a comprehensive industrialising programme. The development of an advanced system of technical and scientific education played a crucial role in the rise of industry, most notably in Germany. Transformations in these three spheres – credit, planning and education – were critical for continental Europe's efforts to catch up with and in many cases surpass Britain in the second half of the nineteenth century. In each of these areas, independent Ireland failed to make much headway (Chang, 2003; Gerschenkron, 1962).

Sean Lemass – Fianna Fáil's key economics minister – was aware of the need to transform the credit system and break the Irish banks' dependency on the City of London, and at one stage envisaged the development of a state bank to push economic development, but the idea never came to fruition. Opposition by Department of Finance officials partially explains the inaction. Finance officials also blocked moves towards planning which they thought smacked of communism. It seems likely that Fianna Fáil was divided on the adoption of radical measures. In the event, not only did Ireland not possess a publicly directed credit system to finance development, it retained its currency link with an overvalued sterling (Fanning, 1978). The currency link facilitated trade with Britain, but it acted as a significant obstacle to industrial advance because the Irish state deprived itself of the monetary tools crucial for a serious development strategy.

The protectionist programme, and Fianna Fáil's support for withholding 'annuities', led to an 'economic war' with Britain. The British responded with retaliatory measures aimed at Irish imports which were particularly painful to the more prosperous farmers who

dominated the export trade. This stratum provided a mass support base for the Blueshirt movement, led by veterans of the Free State Army and modelled on European fascist movements. The political life of the early and mid-1930s was dominated by battles between the Blueshirts and a popular coalition of Fianna Fáil, Labour and Republican activists, with the Blueshirts losing most of the street battles and the wider political contest (Strauss, 1951; Regan, 1999).

The Fianna Fáil government did introduce a series of measures to improve the living conditions of the working class and the poorer sections of the population. Their housing programme was especially important: 12,000 houses a year were built, on average, in their first decade in office. Some elements of a welfare state were gradually put in place. Trade unions were given greater legal protection and union membership rose throughout the 1930s and 1940s (O'Connell & Rottman, 1992; Smith, 2005).

The prospect of a European war concentrated minds at Westminster and in 1938 a settlement was made ending the 'economic war', which included the British abandoning three naval bases around the Irish coast that had been retained under the terms of the 1921 Treaty. Ireland adopted a policy of neutrality in the ensuing war, which also witnessed a huge exodus of emigrants seeking work in the cities of Britain.

Opening Ireland

Prolonged stagnation in the Irish economy in the 1950s stood in marked contrast to the 'economic miracle' occurring in Germany and most West European states. While the civil servants worried about a balance of payments crisis and a fiscal deficit, it was the scale of mass emigration that brought home to most people the extent of the state's failure to develop the economy. This situation encouraged a radical reassessment of the development strategy pursued by the Irish state since the 1930s. Officials of the Department of Finance, in close consultation with World Bank advisors, drew up a strategic programme advocating the abandonment of protectionism and the introduction of a system of economic planning; Ireland joined the World Bank and the International Monetary Fund (IMF) in 1957. The involvement of the World Bank was crucial in a number of respects. It overcame the resistance of the more conservative elements in the civil service who viewed planning as suspiciously close to Communism. More importantly perhaps, World Bank endorsement for the Irish programme for economic development opened up credit lines from the international banking system. For

the first time the Irish state could engage in a significant level of borrowing to fund growth (Fanning, 1978; Smith, 2005).

The shift in economic policy adopted by the Irish Republic in the late 1950s did not involve a wholesale endorsement of economic liberalism. The state remained committed to a development policy. Trade liberalisation, and encouraging an inflow of outside capital, was combined with a stress on developing infrastructure, both physical and cultural. The public sector – in particular the semi-state companies – remained an important part of the economy. While industry increased its share of the labour force from 26 per cent to 31 per cent between 1956 and 1971, the share of the services sector rose from 34 per cent to 43 per cent (McCarthy, 1990). Throughout the 1960s and into the 1970s, the Irish Republic experienced reasonably high growth levels. Some of this was a consequence of the setting up of foreign-owned manufacturing industries, but it was mainly a result of the growth of services, in particular the development of the public sector. Post-primary, and later tertiary, education expanded hugely over the following decades (Lee, 1989; Ó Gráda, 1997; Share & Tovey, 2003).

Agriculture's share of output and employment fell throughout the twentieth century. Farm sizes increased, though gradually. Mechanisation also occurred slowly. Agricultural productivity and farm incomes were among the lowest in northern Europe. Prior to Irish entry to the European Economic Community, virtually all agricultural exports went to the British market. While Irish economic history in the second half of the twentieth century is generally told in a narrative of a movement from 'protectionism to liberalisation', for agriculture, the key sector of the economy, the opposite was the case. The British market drew on global suppliers (mostly ex-colonies) and prices were low. The European Economic Community (EEC) operated a protectionist system and prices were high. In the first decade of Ireland's entry into Europe, real incomes in agriculture doubled. This new wealth was not all evenly shared; while the Irish countryside became a good deal more prosperous, a substantial degree of poverty persisted. Over a period of decades a huge number of small farms disappeared. While agriculture accounted for 53 per cent of the work force in 1926, by 2004 this figure had dropped to 6 per cent (Curtis et al, 1996; Lee, 1989; Ó Gráda, 1997).

Culture and Politics

The old alliance between the Catholic middle classes and the clergy had been given a new institutional grounding by the

Cumann na nGaedheal government following the Treaty. Divorce and contraception were banned, and a strict code of censorship introduced. This re-enforcement of clerical power represented more a continuity than a breach with previous British policy. Throughout the eighteenth and nineteenth centuries, Westminster had been happy to farm out education, health and social provision to religious and other voluntary bodies in both Britain and Ireland rather than have the state accept public responsibility for them. Practical and ideological elements were combined here. The state avoided the costs incurred, while social discipline of the population, especially the lower classes, was considered best left to religious bodies. Victorian liberalism and Catholic corporatism concurred (Ferritor, 2004; Lee, 1989).

This symbiotic relationship between Church and State was continued by the Fianna Fáil government, though in a modified way. De Valera was careful not to estrange the Protestant community. Protestant schools were subsidised, and Trinity College came back into favour (partially as a balance against the National University colleges, where Blueshirt elements were entrenched). The government resisted clerical pressure to support Franco in the Spanish Civil War. Clerical invective against 'Godless' communism was useful, however, for keeping socialist forces marginalised, and the state continued to enforce Catholic 'moral' codes in the sexual field (Lee, 1989).

The Vatican's Ecumenical Council in the 1960s opened up debate within the Irish Catholic Church, seeming to herald a less authoritarian relationship between clergy and laity. By 1968, with the publication of the papal encyclical against contraception, it became clear that conservative elements had regained the leadership of the Church. In Ireland it was the opening fusillade of a long battle between secular and clericalist forces across a range of issues including abortion, contraception, censorship, divorce and homosexual rights, in which the clericalist forces have been increasingly on the losing side. While urbanisation weakened the power of the Church, it is arguable that their greatest setback was the decline of clerical influence over women. The issues that these battles have been fought on have been precisely those questions associated with demands for sexual autonomy and gender equality. By the end of the twentieth century, female participation in the labour force increased hugely to the point that they outnumbered males (Ingilis, 1998; Share & Tovey, 2003).

The religious shift in Ireland has largely been a generational one, stretching across classes. Mass attendance has become very much a minority affair among younger people, and even those who still attend are mostly sceptical towards Church institutions, and selective as regards Church teachings. Aside from loss of influence, the Catholic Church has suffered from a massive loss of cadre. The numbers entering the priesthood have declined precipitously and many religious orders are facing extinction. The revelations that the Church (along with the state) has been involved in the systematic cover up of child abuse extending over decades, has further diminished an already gravely weakened organisation. Nonetheless the Church retains a significant institutional power, especially in the educational sphere, despite the fact that few members of religious orders are still involved in teaching.

Generations of Irish writers imagined that once the power of the Catholic Church was broken, a great intellectual awakening would occur. In the event, secularism coincided with the rise of new communicative forms, especially television, and a trend towards the diminution of literature. In its first phase, the publicly-owned Irish television station was a challenging institution, but this changed in the 1970s. Its board was dismissed in 1972 for permitting interviews with Republican leaders, and subsequently the public broadcasting organisation came to embrace censorship with enthusiasm. The formal restrictions on republicans mutated across the media into a blanket censorship prohibiting discussion on the roots of the northern conflict and questions related to national independence more broadly. To question such practices was to court 'terrorism'. Journalist Mary Holland described the atmosphere in the state broadcaster Radio Telefís Éireann (RTE): 'Self-censorship has been raised to the level of an art. Caution lay thick on the ground over everything' (quoted in Purcell, 1996, p. 257). In the conventional interpretation, the changes occurring in Ireland in these decades, urbanisation and secularisation, entering the European Union and becoming integrated into the circuits of North Atlantic capital, were all part of a single process of 'modernisation'. The wall of self-censorship that traversed the media – and much of the academy – inhibited critical engagement with the conventional verities. For the most part, the influence of Catholicism has been replaced by a deeply conformist consumerism: the 'liberalism' of the new elites rarely extends beyond issues of sexual mores.

The conflicts of the 1920s and 1930s shaped the later structure of Irish party politics. In subsequent decades Fianna Fáil retained

the support – in most elections – of a majority of small farmers and urban workers, while Fine Gael, for the most part, retained a majority support among larger farmers and the professional middle classes. Since the Second World War there were huge demographic shifts and structural changes, yet there persisted a remarkable continuity of electoral support for these parties, especially for Fianna Fáil. The poorest areas were those – roughly speaking – where Fianna Fáil polled highest. This needs some explanation, not least because Fianna Fáil has become closely associated, especially in recent decades, not with poverty but with wealth (Rumpf & Hepburn, 1977).

The most obvious explanation is that these votes are based on loyalty to electoral machines operating effective 'clientelist' systems. This is partially the case, but only partially. All the successful politicians, in all the parties, develop such machines, 'persecuting civil servants' in support of their constituents. Moreover, 'clientelism' is most important at the level of local government, whereas the continuity of party support is pronounced in national elections.

Fianna Fáil has won the largest number of votes, of any party, in every general election between 1932 and 2007. This electoral hegemony is a result of their success in projecting themselves as the party of 'national development'. In the 1930s, national development and national independence were seen as more or less synonymous. Through achieving greater political independence, Ireland could advance, socially and economically. This was often painfully slow, but it was real. Social conditions did improve, not least housing and welfare. The scale of Fianna Fáil's success here can be gauged from the extent to which other parties adopted their discourse. Labour supported most of the Fianna Fáil initiatives in the 1930s. Apart from some mavericks, all the key political forces supported Fianna Fáil's policy of neutrality in the Second World War. Fine Gael became increasingly marginalised in the 1930s and 1940s and only recovered by distancing themselves from more reactionary forms of discourse. New political forces that arose after the war, like Clann na Poblachta (a left republican current) or Clann na Talmhúin (a small farmers party), did not break with the dominant discourse, but rather complained that Fianna Fáil had moved too far from its roots (Lee, 1989; Rumpf & Hepburn, 1977).

The shift from a protectionist to an export-orientated economic strategy might have created a political rupture if it had occurred in a different socioeconomic context or been directed by other political forces. The fiscal crisis of the mid-1950s though was accompanied

by high unemployment and massive emigration, and a sense of national failure. The Whitaker report did not only advocate a switch to an exporting strategy, it also argued for national planning for development. The political figure guiding this strategic change was the same one who had directed the protectionist strategy in the first place: Sean Lemass. The changed direction was accompanied by an upsurge of economic growth and social spending (made possible by the World Bank's green light for private banks to lend to Ireland). The 1960s saw an unparalleled expansion of education and housing programmes. Once again, the other main political parties followed Fianna Fáil's shift without demur. Within Fianna Fáil itself, this changed orientation was greatly facilitated by the rise of a new generation of political figures closely linked to business (Lee, 1989; McCarthy, 1990).

Irish entry into what was then called the European Economic Community (EEC) was again led by Fianna Fáil, though a key argument in favour of entry was that membership would not only be economically beneficial but it would also diminish Ireland's dependence on Britain. Fine Gael supported Irish entry into the EEC, though it was opposed by the Irish Labour Party and most of the trade unions. The referendum to join was won overwhelmingly: the only areas registering significant opposition were the Dublin working-class constituencies, and even there most voted in favour. A subtle shift in political discourse had occurred. National development would now occur through a dilution of sovereignty but national development remained the central thread (Lee, 1989).

The most serious test for Fianna Fáil governance since the 1930s was their handling of the Northern Ireland crisis. Earlier campaigns against partition in the 1940s and 1950s had been suppressed easily enough. The Troubles of the late 1960s were different. This was a mass revolt and had a wide resonance throughout the island. A key objective – arguably *the* key objective – of all sections of the Irish elite in these decades was to insulate the southern state from the northern conflict. The IRA did have a significant degree of support in the south and in crisis situations, like the aftermath of Bloody Sunday or during the hunger strikes, these levels of support rose sharply. While the state always had the measure of the Republican underground, its strategic aim was to prevent any mass radicalisation which linked social discontent with support for the northern revolt. This necessitated ensuring that elements of a welfare system be maintained, and even expanded (at a time when the welfare state was being eroded in Britain). It also placed certain

limits on the coercive capacity of the state. In both areas Fianna Fáil proved more adept than their political rivals.

While Fine Gael never succeeded in gaining a majority or even a plurality of votes or seats, they remained the second largest party, and have maintained a substantial influence in the professions, the universities and in the media. In office, their instinctive response is one of fiscal rectitude and the promotion of stern measures against subversion. Labour, with whom Fine Gael has always had to share office, has generally acted as a foil to Fine Gael's conservatism, encouraging more generous social provision and moderating their authoritarian instincts (Lee, 1989).

The historical weakness of the Irish Labour Party and the social democratic tradition was related to Ireland's social structure but not reducible to it. High levels of unemployment and underemployment placed Irish labour in a position of objective weakness, but workers compensated with a tradition of militancy: the picket was sacrosanct. The Civil War revealed tensions within the Irish working class which were present for most of the twentieth century: a tradition of spontaneous rebellion existed alongside a leadership committed to political moderation, in actions if not in words. While the Free State victory in the Civil War was the occasion for breaking strikes, ending factory occupations and driving down workers' wages, the Labour Party had accepted the Treaty, and strove for neutrality in the Civil War, and the government could not risk pushing its advantage too far. The relationship between the Labour Party and the unions was tenuous with the largest union, the Irish Transport and General Workers Union, only affiliating with the Party in 1959 (Mitchell, 1974; O'Connor, 1992; Regan, 1999).

From the 1930s onwards, the trade union movement and Fianna Fáil maintained a *de facto* social pact. Fianna Fáil governments permitted high levels of unionisation and were slow to use state forces against the unions. This social compact, alongside a strong tradition of solidarity, enabled Irish workers to achieve a degree of employment security (O'Connor, 1992).

In the late 1960s the Labour Party briefly embraced the left, declaring the 'seventies will be socialist', and rejecting any coalition with 'right-wing' parties. A few years later, they were in coalition with Fine Gael, where Conor Cruise O'Brien, at that time the dominant figure in the Labour Party, surpassed his coalition partners in his zeal to curb sedition and impose censorship. The government introduced a range of measures restricting civil liberties. Fine Gael responded to the global crisis of the 1970s with policies

of fiscal austerity which the Labour Party somewhat reluctantly endorsed, while the Fianna Fáil opposition advocated a Keynesian expansionary approach. The trade unions distanced themselves from the Labour Party and in the 1977 elections working-class voters overwhelmingly deserted them (Lee, 1989). The fate of the 1973-77 Coalition government illustrates the limits of representing Irish party politics in terms of a left-right divide. All the major political parties in the Republic were conservative on fundamental political and socio-economic issues; the major differences between them flow from their degree of reliance on working-class votes. For their part, trade union leaders sought to play Labour and Fianna Fáil off against each other.

Union membership increased more or less continuously from the 1930s until the 1980s' recession/depression. Membership rose with the expansion of services and industry, but this period also saw the arrival of new employers resistant to labour representation. The 1960s and 1970s were the high point of labour militancy which became a source of concern not only to government and employers but also to much of trade-union officialdom (McCarthy, 1971).

Inflation in the 1970s resulted in large sections of workers paying very high rates of income tax and in the late 1970s and early 1980s this led to deep unrest expressed in huge demonstrations throughout the state. The trade-union leadership sought to direct these protests against farmers and the self-employed while emphasising the unity of all employed taxpayers. This approach disregarded huge income differences among farmers and self-employed while minimising those among employed groups. It also chimed with the emerging neoliberal discourse against the welfare state.

In 1987, the government introduced the first of a series of 'social partnership agreements' between employers, unions and government. The Irish partnership agreements had distinctive features:

in most corporatist wage deals, union moderation on wage increases was usually reciprocated by government increasing public expenditure or launching a new social programme. But in Ireland the *quid pro quo* was a sustained reduction in personal income taxes. (Donaghey & Teague, 2007, p. 21)

The social partnership agreements certainly led to a significant reduction in strikes. With the upturn in the 1990s union membership rose, but much less steeply than employment. Union density, the share of the Irish labour force which was unionised, fell throughout the

social partnership period despite the disappearance of unemployment. This pattern was particularly marked among industrial workers. The agreements provided little added institutional protection for workers; employers could easily disregard the mild penalties which the Labour Court might impose. Nor did the agreements attempt to create a Nordic style 'solidaristic' wage. The partnerships also weakened trade-union organisation at the shop-floor level, leading to a shift of power to the centre. Academic studies suggest that despite the agreements, a strong 'us' and 'them' polarity remained in the Irish workplace (D'Art & Turner, 2002; Donaghey & Teague, 2007).

While economists speak about the macroeconomic stability which the social partnerships provided, it is arguable that their greater significance lay in ensuring that the labour movement became part of a political consensus that accepted without question the beneficence of North Atlantic capitalism. The Labour movement's acceptance of the social partnership agreements followed a paradigm shift within the unions (and the Labour Party) in the 1970s. Historical experience had closely associated struggles for workers' rights and national independence. Trade-union opposition to the EEC was partially motivated by a belief that sovereignty was linked to the social advancement of labour. Once in government the Labour Party came to accept membership of the 'Common Market'. Support for Irish involvement in Europe quickly morphed into an uncritical endorsement of all its institutions and all its new ventures. The Labour Party had limited influence on the politics of the unions. More significant was the broader 'turn' against nationalism. Added to this, rising unemployment from the mid-1970s onwards shook the unions' confidence in the traditional culture of worker solidarity, and (especially after the collapse of the Soviet Union) the European project seemed to offer the only alternative avenue for social advance. From an uncritical endorsement of 'Europe', it was only a small step to accepting the mantras of neoliberalism. By the 1990s, the Irish Congress of Trade Unions was arguing that 'improved competitiveness is crucial for economic growth and job creation and must be protected from upward pressure on pay and inflation' (quoted in Derwin, 1995).

While the aggressive variant of neoliberalism espoused by the Progressive Democrats made little headway with the electorate, a milder version came to dominate virtually all political, social and economic discourse in Ireland. In this worldview, states have lost most of their salience and global markets are paramount. Societies, firms, communities or individuals who wish to survive have to adjust

to the rules of these markets and make themselves competitive and flexible. This outlook became codified by the European Union (EU) with its adoption of the 'Lisbon Strategy' in the 1990s. This intellectual environment contributed to the depoliticisation of Irish society that characterised the Celtic Tiger era. Party membership and voter participation both declined. If politics could not affect significant change, political involvement could only be useful for career advancement. One consequence of this has been that political parties, especially Fianna Fáil, have become easy prey to special interest groups, of whom property developers were the most active and influential (Cafunuy & Ryner, 2003; Mair, 2000).

The End of Neutrality

The adoption of neoliberalism coincided with the effective abandonment of an independent foreign policy. The Irish state had distinguished itself in the early decades of the United Nations by its opposition to colonialism and its refusal to participate in military alliances. Little of this spirit remains. The US has been permitted to establish a *de facto* air force base in Shannon which has been used to facilitate the invasion and occupation of Iraq and Afghanistan (Browne, 2008).

Irish compliance towards Washington in this area is closely connected to its increased subordination to Brussels' foreign policy which, like so much of the workings of the EU, is not subject to public scrutiny or democratic accountability (Storey, 2008). The EU has been portrayed as a paragon of virtue, an inspiration for the rest of humanity. Even before the North Atlantic financial crisis, this picture was increasingly at variance with popular opinion. Ireland is one of the few countries where its constitution guaranteed its citizens the right to vote on changes in the EU. In referenda on the Nice and Lisbon treaties, they voted down the proposed changes. The Irish elite were traumatised; the Brussels functionaries were incandescent with rage at the 'ingratitude' of the Irish. In both cases, the elite's response was identical. The popular decision was rejected and the referendum was held again. In the second Lisbon referendum, it was made quite clear that unless Brussels got the result it wanted, the country would be severely penalised.

The Wikileaks documents are revealing about the relationship between Washington and the Irish political elite, not least the Labour Party leader, Eamon Gilmore.

Gilmore, who has led calls against a second referendum, has told the embassy separately that he fully expects, and would support, holding a second referendum in 2009. He explained his public posture of opposition to a second referendum as 'politically necessary' for the time being, the Ambassador said in a 'confidential' dispatch sent to his colleagues in Washington and across the EU. (Irish Independent, 2011)

The US embassy is routinely notified of important government decisions before the Dáil gets informed. Aside from the deferential attitude of the Irish political elite towards Washington and Brussels, the Wikileaks documents also make clear that there is a significant disjunction between elite and popular opinion. The US ambassador noted that Shannon airport is 'a symbol of Irish complicity in perceived U.S. wrongdoing in the Gulf/Middle East' and that 'popular sentiment was manifest in the July 25 jury decision to acquit the "Shannon Five," a group of anti-war protesters who damaged a U.S. naval aircraft at the airport in 2003' (quoted in Browne, 2011). In recent years, the Irish elite has also made a valiant effort to relegate the British imperial militarist tradition through celebrating the role of Irish soldiers in the First World War – in the name of inclusiveness – though this too has had little popular resonance.

Miracles and Mirages in a Bridge Economy

After a decade of persistently high unemployment and mass emigration, the wave of growth that came in the 1990s appeared miraculous, with a huge expansion in the labour force that was unprecedented in modern Ireland. Unemployment fell from an official figure of 17 per cent – the actual rate was a good deal higher – to around 4 per cent. Not only did emigration cease, but emigrants returned in huge numbers and Ireland experienced a significant level of immigration. While the great majority of the new jobs were created in the service sector, few disputed that the decisive turn occurred in the manufacturing sector, with Ireland becoming a major hub of the information technology and pharmaceutical industries (Smith, 2005).

From being seen as an economic basket case, Ireland came to be portrayed in the financial media as a great success story, a model for 'emerging' economies to emulate. The Celtic Tiger arose at the high point of 'globalisation' discourse – between the fall of the Berlin Wall and the invasion of Iraq – and the Irish example provided

an instructive parable for other states, especially East European ones, of the benefits of pursuing neoliberal prescriptions. Ireland was successful because it had adjusted to become competitive in the global market. Corporations were free to transfer their profits home. Not only did Ireland have a low corporate-tax to attract transnational corporations, it also had a policy of low income-taxation which greatly benefited high earning professionals and executives. Moreover, its tax system was sufficiently flexible to ensure that many of its wealthiest citizens paid no tax at all. Meanwhile, the Irish trade unions had voluntarily accepted a code of wage restraint which ensured an environment of social and economic stability. Within the Irish media, neoliberal doctrine acquired canonical status (Allen, 2000; Smith, 2005).

In fact, foreign investment in Ireland rose *after* corporate taxation was increased from zero to 10 per cent. Wages within the transnational capital sectors of the Irish economy were, on average, *higher* than in the domestic sectors. This would suggest that neither Ireland's low corporate-taxation policy nor its (relatively) low wages were of primary importance in attracting foreign capital. In earlier decades, Ireland had attracted inward investment in textiles and other sectors as a consequence of its relatively low wages, but these firms had mostly moved on to greener pastures. Most of the foreign corporations investing in Ireland are from the US, and most of their products are sold to the EU. Rather than viewing the Celtic Tiger as a model of globalisation, it makes more sense to see it in the context of North Atlantic capitalism, with Ireland establishing itself as a bridge between the US and the European economies. The fact that Ireland was an English speaking member of the EU was probably at least as important a factor for attracting US capital as its tax or wage regime (O'Riain, 2004; Smith, 2005).

Some critics have suggested that the Celtic Tiger boom was a mirage, pointing to the divergence between the GDP figures and the GNP figures for Ireland, with growth in the 1990s looking much higher in the former than the latter. The discrepancy between the two figures can be explained by the huge amounts of profits repatriated by transnational corporations from Ireland alongside the more clandestine practice of 'transfer pricing', whereby companies can choose which country to pay taxes in by manipulating internal pricing (O'Hearn, 1998).

Nonetheless, even if one focused solely on GNP figures, it is clear that there was a very significant level of growth in Ireland in the 1990s. The increase in productivity was real as was the increase in

employment, but the actual growth rates were lower than the more widely advertised figures. O'Riain sums up:

Clearly, a boom in foreign investment did drive the rapid expansion in growth and exports in the late 1990s. But many of the best-known foreign firms were simply moving goods through their Irish operations to take advantage of low tax rates, creating an *entrepôt* economy that provided the illusion of growth and development. Significant elements of the Celtic Tiger were a mirage. (O'Riain, 2004, p. 36)

The notion that Celtic Tiger growth was a natural outcome of the workings of the free market is even less plausible when the expansion of manufacturing is scrutinised more closely. The key industries attracted to Ireland (IT and pharmaceuticals) were targeted by Irish development agencies like the IDA because they were 'high value-added': not only did they promise high wages but, by cultivating a programme of technical and scientific education, the Irish state could train a labour force that was 'fit for purpose' (O'Riain, 2004; Smith, 2005).

The downturn in the global computer industry after the crash of the 'dot com' bubble in 2000 had its impact on the Irish economy. Investment fell dramatically, unemployment grew, and it appeared that Ireland was heading back into economic stagnation. In Ireland, as in the United States, the situation was saved by a boom in the construction industry, facilitated by exceptionally low interest rates.

Finance and the Building Boom: The Celtic Bubble

The share of the Irish national income in house building in the 1990s was about 5 per cent. A decade later, at the peak of the boom, this share had trebled while other construction accounted for a further 6 per cent. The surge in house building was accompanied by a spectacular increase in house prices. Up until the mid-1990s, the banks were slow to lend to house buyers and the very gradual rise in house prices kept in tandem with incomes. While wages did increase in the later 1990s, house prices accelerated far more rapidly. Between 1995 and 2007 house prices increased five times faster than average earnings (Punch, 2009).

Morgan Kelly, one of the very few economists to predict the Irish financial crash, summarises:

In 1995, the average first time buyer took out a mortgage equal to three years' average earnings and the average house (new or second hand, in Dublin or elsewhere) cost four years' average earnings. By late 2006 (bubble peak) the average first time buyer mortgage had risen to 8 times average earnings, and the average new house cost 10 times average earnings, while the average Dublin second hand house cost 17 times average earnings. (Kelly, 2009, p. 2)

The bubble in house prices was partially driven by the state's withdrawal from the provision of public housing. In 1975 one third of all housing was built by local authorities; during the boom years this had been reduced to around 6 per cent. A rising population, especially of young adults, increased demand for houses. At the other end of the scale, the state introduced a series of tax avoidance schemes for builders and for others financing construction. It was the banks though, who were the major element driving the housing – and credit – bubble (Cooper, 2009; Punch, 2009).

The Irish banks had been notable for their conservatism, if not parsimony. In the 1990s, at the height of the manufacturing boom, the Irish banks were lending considerably less than their European or British counterparts: 60 per cent of GNP as opposed to an average of around 80 per cent. This shot up to over 200 per cent of GNP by 2008. By the time the credit bubble peaked, Ireland was building half as many houses as Britain, which had a population 14 times larger. There is a very clear correlation between the inflation of housing prices and the credit explosion. The domestic property boom was already ebbing by 2006; it was the international financial crisis of 2007/8 that turned into a full scale crash, and brought down the Irish banking system with it (Kelly, 2010a).

Throughout the credit bubble the government, aided and abetted by the Central Bank and the Financial Regulator, insisted that there were no difficulties with finance. The media maintained a helpful silence. Novelist Anne Enright summarises it well:

From 2001 to 2007 it was not possible to be off-message about the Irish economy or, especially, about the housing market. You would barely be published. Your article would end up in the middle of the supplement, unflagged. (Enright, 2010)

The property boom did not only involve banks and major developers. The 2006 Census showed that 15 per cent of Irish

houses were vacant (less than a fifth of which were holiday homes). Many, probably most, of these buy-to-rent houses were owned by middle-class professionals, ensuring a wider constituency for pushing the property bubble to its limits.

With 13 per cent of the Irish labour force and around 20 per cent of output, involved in construction, the collapse of the building boom was always going to cause major difficulties for the Irish economy. However, the government's handling of the crash hugely magnified the problems. After an extended period of denial, the government finally acted in the wake of the Wall Street crisis, providing a state guarantee not only for all Irish bank deposits, but for all the bondholders of the Irish banks. This action appears to have been taken at the behest of the European Central Bank (ECB). The Irish government poured huge sums into the banks, and a few weeks later, nationalised Anglo-Irish Bank, an investment bank which had close links with the political elite, especially with a network of property 'developers' around Fianna Fáil. Media reports suggest that over half of all Anglo-Irish loans were to ten individuals. When it became apparent that the Irish banks were, in effect, insolvent the government decided to create a 'bad bank', NAMA (National Assets Management Agency), to which the banks' bad loans would be transferred (Cooper, 2009; Kelly, 2010a & 2010b).

The credit bubble, in effect, operated as a state-backed scheme for the redistribution of resources from the general public to the propertied stratum. The Irish case gives us a vivid illustration of how the scheme operated. The banks and the property speculators made huge profits from inflating asset prices but once the bubble burst, the state stepped in to ensure that the financiers and the propertied elite kept as much of their wealth as possible. Someone has to pay of course. Sean Fitzpatrick, the chairman of Anglo-Irish Bank, grasped this principle well when, one week after the Irish state stepped in to rescue his collapsed bank, he proposed that old age pensions and children allowances be reduced to pay for the costs of the bank bail-out (Cooper, 2009; O'Toole, 2009).

Aside from bailing out the banks, the government introduced a series of measures cutting public sector pay, welfare benefits and public services. The effect of these pro-cyclical measures was to deepen the recession brought about by the construction and credit crash. The banks remain dysfunctional. National income has contracted by almost a fifth: the most extreme contraction of any west European country since the Second World War. By the summer of 2010, Ireland had the second highest rate of unemployment in the

EU, with nearly half a million people out of work. Mass emigration had returned by the autumn. The continuing fall in property prices ensured that banks' bad loans increased, and with them the public debt. The collapsing economy led financial investors to conclude that Irish state bonds were a risky bet, pushing up bond rates. In December, the ECB and the EU pressurised the Irish government into accepting what is in effect a takeover of the Irish state by the ECB and the IMF. In return for accepting a forced loan by the ECB and the IMF, the Irish state agreed to a programme of structural adjustment, involving massive cuts in social spending, privatisation of much of the public sector and a reduction in the minimum wage. The terms of the ECB/IMF takeover – its architects and the media prefer to designate it a 'bailout' – cemented the Irish government's commitment to ensuring that the Irish citizenry pay to protect the banks.

In discussing Ireland's spectacular boom and bust, most commentators distinguish between two booms, the 'real' Celtic Tiger boom of the 1990s and the bubble of the following decade. The first boom occurred in manufacturing industry, notably in electronic engineering and chemicals, based upon the import of foreign, mainly US, capital and was an integral part of the wider process of the globalisation of production that has been a feature of recent decades. The second boom was based on construction; it was a homegrown affair and was at least in part fraudulent, with the Irish state colluding in sharp practices. This narrative obscures as much as it clarifies.

If we look at Irish growth patterns over the two decades they are remarkably similar to those of the US, with a strong wave of growth in the later 1990s, led by the information technology (IT) sector, followed by a sharp contraction (the 'dot-com' boom and bust). This was followed by a construction boom, facilitated by low interest rates and 'easy money', which by the middle of the decade led to an over-supply of housing. The fall of house prices led to a banking crisis, which in turn resulted in a deep recession. This is not to suggest that Ireland is simply an 'offshore' part of the US economy – though it is partially that – or that its dynamics are overwhelmingly determined by developments in the US. The key to understanding Ireland's development over recent decades is to recognise its character as a *bridge economy* between the US and Western Europe. The conventional interpretation of the Irish Tiger economy as a product of 'globalisation' fails to grasp this, or its implications.

Irish membership of the EU was arguably a precondition for both booms. One of the articles of the Treaty of Rome – the founding treaty of European integration – authorised US corporations based in any of the member states to enjoy the same access to trade across European community borders as any indigenous firms (Gowan, 1999). Ireland's small domestic market would not have attracted very many of the US corporations that located there in the 1980s and 1990s. The most important attraction of Ireland for US corporations was that it permitted unfettered access to the European market. In the case of the pharmaceutical industry, a 'business-friendly' legal environment facilitated the arrival of US companies orientated towards the European market (O'Donovan & Glavanis-Grantham, 2008).

The huge surplus of money in the international money markets looking for investment was one factor inflating the property bubble. Another key determinant was the low interest-rates that flowed from membership of the European currency union. Research in Ireland shows that even though house prices rose enormously compared to income, the actual monthly payments to the banks, relative to income, remained in line with earlier periods. People took out higher mortgages because they could afford the interest payments. They assumed of course that the interest rates would remain constant, or that their income would rise (Kelly, 2010a; O'Toole, 2009).

Quite apart from low interest rates, the ECB played a critical role in encouraging the Irish credit bubble. The ECB has a central policy objective of preventing inflation, and a key part of its remit is to ensure that the national economies of the Eurozone do not adopt inflationary policies. Yet when it came to assessing what constituted inflation, the ECB did not include asset inflation in its calculations. Shares and property prices were free to rise without hindrance from central bankers, but wages and consumer prices had to be checked. The consequence of this approach – which followed the direction of the Fed (the US central bank) – was that instead of seeking to contain the banking bubble, the ECB encouraged it. The IMF was equally nonchalant about the build up of debt. The IMF report for Ireland published in July 2006 – the month before the global financial system began to implode – concluded that 'the [Irish] financial system seems well placed to absorb the impact of a downturn in either house prices or growth more generally' (quoted in IMF, 2006, p. 5). The regulatory bodies in Ireland – the Central Bank and the Financial Regulator – could use the imperator of the

ECB and the IMF to justify their inaction in the face of the starkly evident credit and property bubbles.

Both booms flourished under the banner of free market economics. If neoliberal ideas do not provide an adequate explanation for the Celtic Tiger boom, they certainly contributed to shaping some of the social consequences of that boom. The notion that a society worked best if the state played only a minimal role helped legitimise the government's reluctance to develop public services. While the Celtic Tiger era saw a significant increase in the average standard of living in Ireland, it also witnessed a deepening level of social inequality. The incomes of higher earners rose much more rapidly than those of lower earners. Across Ireland, gentry-style mansions were built while there was a virtual halt to the construction of public housing. The health system bifurcated into a modernised private system and an understaffed overstretched public one. The numbers attending fee-paying schools climbed. Sales of luxury cars trebled. Car ownership in general increased, and a motorway system was greatly amplified while, with a few exceptions, public transport stagnated. By almost every index of inequality, Ireland was located near the bottom rung for OECD countries, slightly above the US, slightly below the UK. Celtic Tiger Ireland had become a land of private wealth and public squalor (Allen, 2000; Kirby, 2002; Wickham, 2004).

To argue that there exists a continuity between the two booms is not to suggest that one was the inevitable consequence of the other. The Irish state could, in principle, have used the taxation system to redistribute wealth to the poorer sections of Irish society and to expand public services. In practice, during the boom era, the government actively restructured the taxation system to redistribute wealth towards the rich. The highest rate of income tax was reduced from 48 per cent to 42 per cent and was extended to over half the labour force. Capital gains tax was halved. A raft of measures was introduced which enabled the wealthy to evade tax altogether. A significant section of the country's top earners paid less than 5 per cent of their income in tax. The government sought to raise most state revenue through high consumption taxes, which hit the poor disproportionately (Cooper, 2009).

Though officially Ireland paid fealty to notions of free markets and global competition many, if not most, of the state's economic policies had little to do with making Ireland more competitive in the global market. Inflated property prices clearly made the country less competitive. The same applied to the privatisation

programme. Ostensibly it was to make the companies concerned, and the economy as a whole, more efficient. In practice it often had the opposite effect. The privatisation of the Irish telecom company, Eircom, was a major setback to the state's declared aim of providing Ireland with an effective nationwide broadband network. Likewise, notions of Ireland as a developmental state need to be treated with caution. If the state was seriously concerned about national development it would seek to maximise public returns from potential natural resources. The case of Corrib Gas, where the government handed over a huge area of gas resources for free to a consortium led by Shell, illustrates the extent of the Irish state's commitment to national development. The minister responsible, Ray Burke, had private meetings with energy companies against the advice of civil servants. Despite the fact that Ray Burke was later found by a public tribunal to have received corrupt payments, neither the Fianna Fail/Green government nor the Fine Gael/Labour coalition have moved to revoke this decision. Instead the new coalition government has handed over more maritime areas for gas and oil exploration – for free – to corporate investors (Connolly & Lynch, 2005; Siggins, 2010).

The rise in inequality in Ireland during the boom years led many to contrast the 'American social model' to the 'European' or 'EU social model', with the former stressing individual social mobility and the latter social cohesion. While there is some validity in this contrast, the notion of an EU social model is seriously misleading. Neither the EU, nor its predecessor bodies ever sought to design a social model. The 'social models' in Europe are all *national* models, created by Christian Democratic or Social Democratic governments at the level of individual nation-states, not at a pan-European level. Agriculture is probably the only area where the EU sought to establish a common social model, and even this has been greatly diminished as the EU has expanded eastwards. Conversely, US social practices have not simply been based upon economic liberalism; the Social Security system remains an important vehicle of social protection, despite attacks from economic liberals.

No less importantly, the EU as an institution has, since the 1980s at least, acted as a spearhead for neoliberal policies across the continent. The EU has quite explicitly focused on *markets* rather than on *societies*. The formation of a currency union has accentuated this trend, with the creation of a set of tight rules prohibiting individual states running budget deficits beyond very narrow limits. No such parsimony applied to the expansion of private debt. This point needs

stressing because the fiscal crisis in Ireland and Spain is precisely not a product of these states running high public debt. The fiscal crisis of these states is a direct consequence of the private debt – accumulated under the auspices of the ECB – being taken over by the individual states (Cafruny & Ryner, 2003; Storey, 2006).

If the ECB followed the US Federal Reserve in facilitating the buildup of private debt, once the financial crisis broke in 2008 the ECB's response was similar to the Fed's – to pour in public money to protect the private banks: profits get privatised, losses get socialised. One cannot explain this behaviour by reference to free market ideology. The money markets were clearly broken, and the public institutions were intervening to rescue them. Private debt was turned into public debt. In both the US and the EU, it seems clear that the financial regulators service the financiers.

A crucial difference between the two central banks is that the Fed represents a unified federal state, the ECB does not. The euro created a currency union, and not a fiscal union: the European nation-states raise their own finances. This discrepancy was always likely to cause difficulties for the Union, but these problems have been greatly magnified by the ECB's monetary policies. These monetary policies were driven by the needs of the core European states, but the rules applied to the whole Eurozone. Artificially low interest rates helped the German economy recover – it was still struggling to incorporate East Germany – but resulted in wild property booms in the Union's peripheral states. The ECB did nothing to prevent this property bubble, or even to warn of its dangers. Once the property bubble crashed, the ECB has sought to impose extreme austerity measures on the EU's periphery.

Ireland's *nominal* income would need to grow at a rate higher than the interest being charged by the ECB and the IMF if it is to escape the current debt trap. (The relevant index here is GNP not GDP for reasons discussed earlier.) This can only happen if there is a huge increase in foreign direct investment in Ireland or if the rate of inflation in the EU is higher than the interest being charged. In the context of a protracted downturn in the North Atlantic economies, where investment has effectively collapsed, it seems most unlikely that Ireland will experience a major influx of foreign investment. Reducing the debt through inflationary measures is also unlikely. Preventing inflation is the ECB's central policy. They will not permit a high rate of inflation, and if inflation increases interest rates will be raised, effectively blocking any further economic growth. While the Greek popular upsurge against austerity (with the implicit threat

of default) forced the EU into lowering the interest rate being demanded from over 6 per cent to 3.5 per cent, the scale of the austerity measures is such that the real economy in Ireland continues to shrink, while the ratio between debt and national income (GNP) continues to grow. Added to this, the state continues to pour money into the banks and which remain insolvent with overvalued assets. If the debts of NAMA are added to those of the banks, Ireland is facing a debt ratio of 140 per cent to GNP by 2012, a figure comparable to Greece. Such an amount will be impossible to service (Kelly, 2010b).

The widespread media reports of an Irish recovery are so much wishful thinking, based upon the same erroneous GDP figures that we used over the last couple of decades to exaggerate Irish growth rates and prosperity. Any fall in unemployment rates is due to rising emigration. The Central Statistics Office figures show that total *employment* has continued to fall while the numbers of companies going bankrupt continues to rise (Slattery, 2010).

Ireland is being, in effect, driven into a debt-deflation spiral where the national debt keeps rising, the productive economy keeps declining and the government keeps cutting public spending. The consequence will most likely be further economic regression and the corrosion of the social fabric. The only viable alternative to the destruction of public services is the repudiation of the bankers' debt.

The Troubled State of Northern Ireland

The state of Northern Ireland occupied, from its inception, an anomalous role within the United Kingdom. Prior to 1998 it was the only region of the United Kingdom to possess devolved government – 'home rule'. Ironically it was the one region of the United Kingdom where a mass movement had mobilised *against* home rule. This peculiarity shaped the state from the beginning. It owed its existence not to a desire for self government, but from its opposition to being part of a self-governed Ireland.

The boundaries of the state had been problematic even before its foundation. Insofar as Ulster had a spatial identity it included nine counties, not six; the population of the other three, Donegal, Cavan and Monaghan, retain a strong sense of an Ulster regional identity. Two of the six counties in Northern Ireland, Fermanagh and Tyrone, had small 'nationalist' majorities (Lee, 1989).

Politically Northern Ireland was dominated by the Ulster Unionist Party, the regional branch of the Tory Party (officially titled the Conservative and Unionist Party) from its inception to its demise. The party enjoyed the support of all classes in the Protestant community:

landed aristocrats; industrialists and financiers; professionals, higher and lower; workers, skilled and unskilled; farmers, big and small. The great majority of Unionist MPs were members of the Orange Order, an exclusively Protestant mass organisation which facilitated communication across classes in the Unionist community. Northern Ireland's rulers saw their state as a centre of advancement; not only was it the most industrialised part of Ireland, but it was an integral part of the United Kingdom and the British Empire, the heart of industrial progress and global civilisation. In separating from the rest of the island they had escaped not only the threat of Roman domination, but also economic backwardness. Westminster for its part expected Northern Ireland to contribute to the upkeep of empire (Bew, 1979; Farrell, 1976).

From the very beginning though, Northern Ireland faced economic decline. Unemployment remained high throughout the 1920s and was higher in the 1930s: 19 per cent of the insured workforce was unemployed between 1923 and 1930; 27 per cent between 1931 and 1939. After the First World War, the North's shipbuilding industry faced competition from the US, Scandinavia and Japan, all of which used the opportunity of the war to develop their own shipbuilding industries, and had benefited from state subsidies. Linen too was in decline. While linen had always been more expensive than cotton, in the twentieth century it became less fashionable, and suffered as well from the overvaluation of sterling (Johnson, 1985).

The North's industrial decline was consistent with the wider British pattern in the twentieth century, though more extreme. Britain's industrial decline over the course of the century has occasioned a great deal of commentary. Geoffrey Ingram has argued in *Capitalism Divided* that the source is to be found in the divide within British capitalism between the 'City' and industry. The commercial and financial interests based in the City of London carried greater weight within the political order, and successive governments in Westminster were willing to allow industry to stagnate because they were unwilling to adopt policies which, though necessary for industrial resurgence, might damage the interests of this commercial and financial bloc (Ingram, 1984).

Industrial decline and the accompanying high levels of unemployment and emigration did not have the effect of significantly eroding Protestant working-class support for Unionism. The scarcity of employment seems to have made Unionism's patronage system more important. Unemployment rates were always higher among Catholics than among Protestants. Most skilled work was

monopolised by Protestants. Catholics were also massively under-represented in large areas of the public sector, especially in higher and technical grades. Emigration rates among Catholics were more than twice those of Protestants (Farrell, 1976; Lee, 1989; O'Dowd et al, 1980; Rowthorn & Wayne, 1988).

In the post-war period, the reforms initiated by the Labour government at Westminster did have a positive effect on Northern Ireland. The public sector was expanded – especially health and education – and an effort was made to attract industrial firms from outside the region. Though Unionist MPs had voted against these measures at Westminster, it was the Unionist government at Stormont that implemented them, which had consequences of its own. Inward investment and public-sector expansion were refracted through the sectarian structures of the Northern Ireland state (O'Dowd et al, 1980; Rowthorn & Wayne, 1988).

Most new inward investment was located in the predominantly Protestant areas of Antrim, Down and North Armagh. Very little investment went to Belfast and even less to southern and western regions. Coleraine, rather than the larger town of Derry, was chosen as the location for Northern Ireland's second university. The Belfast-Derry railway line was closed. 'As late as 1971, male unemployment among Catholics was 17.3 per cent compared to 6.6 per cent among Protestants' (Lee, 1989, p. 413). Public housing was allocated through the local councils. These councils were virtually all controlled by Unionists, even in areas with Catholic majorities, through a system of creative electoral organisation known as 'gerrymandering'. Many of the councils were resistant to housing Catholics, which compounded the inequalities created by discriminatory employment practices (Farrell, 1976; Rowthorn & Wayne, 1988).

Historians debate the origins and causes of the Northern revolt. A more puzzling question is why Northern Ireland took so long to explode. The size of the repressive apparatus of the Northern Ireland state was one factor. The distinctive character of the Northern Irish Catholic community was another. Whereas elsewhere in Ireland the national struggle overlapped with class conflict, in the North it also took place *within* the popular classes. The Catholic Church also played a significant role in dampening down resistance to the Northern state. The traditional Catholic teaching that the appropriate response to oppression is resignation, because this world is a vale of tears, carried some weight, especially among the Catholic middle-classes. Catholic schools and hospitals were one

of the few areas where educated Catholics could find employment and as result middle-class Catholics had a particularly close, not to say dependent, relationship to the Church.

The major political party in the Catholic community was the Nationalist Party, the direct heir to the Home Rule Party. Even during the War of Independence, the West Belfast constituency returned a Home Rule MP. Republicanism remained a minority current within the Catholic community. The IRAs 'border campaign' in the 1950s was ineffective and they made no attempt to build a mass resistance. The trade union movement did little or nothing to end discriminatory practices in the workplace. A Northern Ireland Labour Party was formed and won a good deal of support in the 1950s and 1960s, but it was not willing to engage with the issue of communal discrimination and rapidly became marginalised once a civil rights movement emerged in the late 1960s (Farrell, 1983; O'Connor, 1992; O'Dowd et al, 1980).

If Northern Ireland by the late 1960s appeared a static polity, the world which had formed it was less immutable. The Northern Ireland civil rights movement itself was directly inspired by the US example – this was the age of television – and images of police repression could no longer be contained. Britain itself had been greatly changed by the two world wars, the egalitarian impact of the welfare state, its relative economic decline and not least by the loss of empire.

The state violence (and state-backed loyalist violence) which greeted the civil rights movement had the predictable effect of radicalising civil rights supporters and encouraging a full-scale confrontation with the Northern State. The arrival of British troops on the streets of Derry and Belfast in 1969, and their increasingly antagonistic relationship with the nationalist community, led many to conclude that the Northern State was beyond reform, and that the abolition of partition and the ending of the Union was a precondition for democracy. This situation led to republicanism, which up until then had been a marginal force, acquiring a pivotal position among the radicalised youth (Bowler Bell, 1993).

The killing of unarmed civil rights protestors in Derry on Bloody Sunday 1972 was a defining moment in the conflict. The killings radicalised a generation of activists who concluded that a sustained armed campaign against Britain was necessary. The massive protests both in Ireland and internationally taught Britain that there were significant limits to the use of military power in the Irish context. The decision by Britain to close down the Northern Ireland government