

ECONOMIC CHANGE AND  
THE NATIONAL QUESTION  
IN TWENTIETH-CENTURY  
EUROPE

EDITED BY

ALICE TEICHOVA, HERBERT MATIS  
AND JAROSLAV PÁTEK



CAMBRIDGE  
UNIVERSITY PRESS

PUBLISHED BY THE PRESS SYNDICATE OF THE UNIVERSITY OF CAMBRIDGE  
The Pitt Building, Trumpington Street, Cambridge, United Kingdom

CAMBRIDGE UNIVERSITY PRESS  
The Edinburgh Building, Cambridge CB2 2RU, UK <http://www.cup.cam.ac.uk>  
40 West 20th Street, New York, NY 10011-4211, USA <http://www.cup.org>  
10 Stamford Road, Oakleigh, Melbourne 3166, Australia  
Ruiz de Alarcón 13, 28014 Madrid, Spain

© Cambridge University Press 2000

This book is in copyright. Subject to statutory exception  
and to the provisions of relevant collective licensing agreements,  
no reproduction of any part may take place without  
the written permission of Cambridge University Press.

First published 2000

Printed in the United Kingdom at the University Press, Cambridge

*Typeface* Monotype Baskerville 11/12.5pt. *System* QuarkXPress™ [SE]

*A catalogue record for this book is available from the British Library*

*Library of Congress Cataloguing in Publication data*

Economic change and the national question in twentieth-century Europe / edited by Alice  
Teichova, Herbert Matis and Jaroslav Pátek

p. cm.

ISBN 0 521 63037 1 (hbk)

1. Europe – Economic conditions – 20th century. 2. Nationalism – Economic  
aspects – Europe – History – 20th century. I. Teichova, Alice. II. Matis, Herbert.

III. Pátek, Jaroslav

HC240.C272 2000 330.94'05-dc21 00-024474

ISBN 0 521 63037 1 hardback

## Contents

<i>List of figures</i>	page viii
<i>List of tables</i>	ix
<i>Notes on contributors</i>	xi
<i>Acknowledgements</i>	xvi
Introduction	1
<i>Alice Teichova, Herbert Matis and Jaroslav Pátek</i>	
1 Nationalism and the economic question in twentieth-century Ireland	9
<i>Alan O'Day</i>	
2 Economic aspects of the nationality problem in nineteenth- and twentieth-century Belgium	33
<i>Erik Buyst</i>	
3 The economy as a pushing or retarding force in the development of the German question during the second half of the twentieth century	48
<i>Jörg Roesler</i>	
4 Lusatian Sorbs in Germany before the Second World War: the influence of the economy on the national question	72
<i>Eduard Kubů</i>	
5 Unequal regional development in Switzerland: a question of nationality?	85
<i>Bruno Fritzsche</i>	
6 The Portuguese national question in the twentieth century: from Spanish threat to European bliss	111
<i>Nuno Valério</i>	

- 7 From autarky to the European Union: nationalist economic policies in twentieth-century Spain 127  
*Gabriel Tortella and Stefan Houpt*
- 8 The economic background to the Basque question in Spain 150  
*Montserrat Gárate Ojanguren*
- 9 Economic change and nationalism in Italy in the twentieth century 173  
*Luigi De Rosa*
- 10 National integration and economic change in Greece during the twentieth century 196  
*Margarita Dritsas*
- 11 National identity and economic conditions in twentieth-century Austria 229  
*Herbert Matis*
- 12 Economic, social and political aspects of multinational interwar Czechoslovakia 248  
*Jaroslav Pátek*
- 13 Nationality and competition: Czechs and Germans in the economy of the First Czechoslovak Republic (1918–1938) 262  
*Christoph Boyer*
- 14 Economic aspects of Slovak national development in the twentieth century 277  
*Roman Holec*
- 15 Economic change and national minorities: Hungary in the twentieth century 295  
*Ágnes Pogány*
- 16 Economic background to national conflicts in Yugoslavia 310  
*Neven Borak*
- 17 Economic differentiation and the national question in Poland in the twentieth century 338  
*Jerzy Tomaszewski*
- 18 Economy and ethnicity in the hands of the state: economic change and the national question in twentieth-century Estonia 357  
*Anu Mai Kõll*

*Contents*

vii

- 19 Changing structure and organisation of foreign trade in  
Finland after Russian rule 382  
*Riitta Hjerppe and Juha-Antti Lamberg*
- 20 Economic change and the national question in twentieth-  
century USSR/Russia: the enterprise level 404  
*Andrei Yu. Yudanov*
- Index* 425

## *Figures*

2.1	Gross value added at factor cost per inhabitant: relative figures, 1955–95	<i>page</i> 41
2.2	Belgium: regions and provinces, 1990	42
5.1	Languages by districts	87
5.2	Migratory balance, 1910	91
5.3	Distribution of major branches, 1910	96
5.4	The Swiss cantons	101
5.5	Economic performance, 1950–1980	102
5.6	Cantons. Income per capita	104
5.7	Economic performance, 1980–1990	106
10.1	The growth of Greece since 1832	198
11.1	Gross domestic product, 1920–1995 (1913 = 100)	243
16.1	Yugoslavia's nationalities 1991	312
16.2	Divergences of per capita social product across Yugoslav federal units, 1953–1990	321
16.3	$\sigma$ -divergences of social product per capita across Yugoslav federal units	322
17.1	The Polish Republic, 1931	344
18.1	The Baltic nations	358
19.1	The volume indices of GDP, imports and exports of goods, 1890–1938	384
19.2	The distribution of exports by country, 1890–1938	385
19.3	The distribution of imports by country, 1890–1913	386

## *Tables*

3.1	Regional structure of SOZ/GDR foreign trade in 1936 and 1946–1952	<i>page</i> 51
3.2	Trade between GDR and FRG between 1952 and 1990	62
3.3	Monthly net income per employed person in the new and old German Bundesländer in DM, 1991–1997	66
5.1	Native language of the Swiss population in percentage share, 1880–1990	92
5.2	Foreign trade in percentage shares of total value, 1892–1913	93
5.3	Occupational structure by districts, 1910	95
5.4	Occupational structure, 1880–1941	100
6.1	Main financial flows between Portugal and its colonies, 1875–1974	118
6.2	Average rates of growth of Portuguese per capita gross domestic product, 1837–1995	121
8.1	AHV's production expressed as a percentage of total Spanish production for the year 1905	161
8.2	Working population by sector	162
8.3	Unemployment rates, 1982–1999	166
8.4	Evolution of migratory balances	167
8.5	Family income per inhabitant	169
11.1	Economic performance of OECD countries, 1900–1997	244
12.1	Territorial division of the Czech and Slovak branches of the Czechoslovak nation, 1921	249
12.2	Industrial employment of the Czechoslovak and German population in 1921	255
12.3	Occupational distribution in Czechoslovakia, 1930	256
15.1	The occupational structure and the rate of literacy of various Hungarian nations in 1910	298

15.2	The population of Hungary according to mother tongue, 1910–1990	300
15.3	The population of Hungary according to nationality, 1941–1990	304
15.4	The occupational structure of the Hungarian nation by nationality, in 1990	306
16.1	National structure of Yugoslavia and its federal units in 1981	311
16.2	Cross-units regressions	320
17.1	The ethnic structure of the population in Poland, 1931	339
17.2	The agricultural population and the main minorities by province in Poland, 1931	345
17.3	Nationality of owners of estates above 50 hectares by province in Poland, 1921	346
17.4	Nationality of owners of estates above 50 hectares by size in Poland, 1921	347
17.5	Selected indices of living standard by province in Poland, 1931	348
17.6	The town population and Jews by province in Poland, 1931	350
17.7	The German population by province in Poland, 1931	351
18.1	Ethnic composition of Estonia in the twentieth century, 1897–1989	364
18.2	Occupational structure of Estonia in the twentieth century, 1916–1994	371
20.1	Inter-republic trade as a percentage of foreign-trade operations of republics (countries) of the USSR and CIS, 1988 and 1995	415
20.2	Migration of population between Russia and former USSR republics, 1980–1993	416

## CHAPTER ONE

# *Nationalism and the economic question in twentieth-century Ireland*

*Alan O'Day*

We believe that Ireland can be made a self-contained unit, providing all the necessities of living in adequate quantities for the people residing in the island at the moment and probably for a much larger number. (Séan Lemass, 1932)<sup>1</sup>

## INTRODUCTION

It is commonly suggested that the white-hot flame of Irish nationalism has abated gradually since the earlier part of the twentieth century. If so, this at least fits part of E. J. Hobsbawm's controversial declaration that nationalism at the close of the twentieth century is on the verge of redundancy.<sup>2</sup> Certainly it is true that nationalism in Ireland, especially in economic policy, has different contours now from a generation ago. Nationalism in Ireland has four significant ingredients: it is shaped by the archipelago's history, including its political and social structure as well as economic factors during the great age of capitalist development; it is contingent upon Britain's position in the pre-1914 era as the centre of international trade and finance and its continuing role in exercising these functions since then; it is formed by Britain's situation as a world empire at least up to the 1960s; and finally England, more specifically London, remains the hub of a multinational internal economy to which Ireland belonged even after 1921 and arguably down to the present day.

The experience of the area now incorporated as the Republic of Ireland – which is less than the island of Ireland, it is maintained – falls within the contending frameworks of current theories of nationalism. Because Northern Ireland, the area comprising the north and eastern part of the island, remained part of the United Kingdom, it did not have the option of running an economic policy distinct from that of the British government at Westminster. It is therefore given less attention in the present analysis. Ireland has gone through four stages: a modified

economic nationalism of a variety inherited from pre-statehood leaders of the national movement from 1922 to 1932; more complete adoption of protectionism within an ideology of self-sufficiency after Eamon de Valera's government assumed power, 1932 to 1958; planned capitalism accompanied by more open trade and foreign investment, 1958 to 1973; and partial protectionism within the capitalist framework of the European Union, post-1973. None of the eras were self-contained, nor were the predominant strategies within any of the time-spans pursued exclusively; opportunities and constraints of a post-colonial economic reality had an impact on the options available. The goal of policy makers at all times is aptly expressed by Séan Lemass, quoted at the beginning of this chapter; the outcome was often different.

A theme examined here is one suggested by Liam Kennedy, who implies that broadly the economic policy of the Republic of Ireland has been consistent since the creation of the new state. He observes, 'mirroring its role in the nineteenth century as part of the British Empire, Ireland today is an integral part of the developed world. Through its involvement in various international treaties and frameworks, it defends its own interests *against* Third World countries.'<sup>3</sup> 'The Irish state', Kennedy insists:

through its membership of the European Community actively promotes policies of agricultural protectionism which discriminates strongly against Third World imports. It also participates in schemes to dump European surplus output, produced under conditions of EC subsidy, onto world markets, thereby undercutting the prices of Third World producers.<sup>4</sup>

Coming from a younger economic historian, born in the Irish Republic but a member of the faculty at The Queen's University of Belfast, his thesis merits careful consideration for it takes issue with the predominant strain of thinking about Ireland's approach to economic development since 1958, most notably the presumption of a wider perspective and internationalism.

#### IRELAND: PRECONDITIONS OF ECONOMIC NATIONALISM

Irish nationalism has been a dynamic ideological movement for attaining and maintaining the autonomy, unity and identity of Ireland and her people; it was a vehicle for activating people and creating solidarity among them in the common quest for a cherished goal. Three ideas are fused – the collective self-determination of the people, an expression of national character and individuality, and the vertical division of the world into unique nations, each contributing its special genius to the

common fund of humanity.<sup>5</sup> It rests on what Elie Kedourie describes as the assumption that a nation must have a past and, no less fundamentally, a future and, of course, that future must be attractive economically.<sup>6</sup> What constitutes the state, territory, people and culture has various and far from consistent definitions. This semantic and ideological indecision has an economic dimension, leading to a far from clear-cut set of national priorities. John Breuilly points to the way nationalism fudges distinctions between the cultural and political community:

The demand for statehood is rooted in the national spirit, even if inarticulate and repressed, and the nationalist simply speaks for that spirit.

The identity of the nation is provided in arbitrary ways. The leap from culture to politics is made by portraying the nation at one moment as a cultural community and at another as a political community, whilst insisting that in an ideal state the national community will not be split into cultural and political spheres. The nationalist can exploit this perpetual ambiguity. National independence can be portrayed as the freedom of the citizens who make up the (political) nation or as the freedom of the collectivity which makes up the (cultural) nation. Nationalist ideology is a pseudo-solution to the problem of the relationship between state and society but its plausibility derives from its roots in genuine intellectual responses to that problem.<sup>7</sup>

His assessment is amplified in a rephrased form by a sociologist, Liah Greenfeld, who sees structural, cultural and psychological aspects as part of the same nationalist phenomena.<sup>8</sup> If economic identity is added to constructs proposed by Breuilly and Greenfeld, their descriptions fit Irish circumstances. As a popular political ideology concealing complexities of purpose, Irish nationalism succeeded in the necessary simplification, repetition and concreteness of its message in order to appeal to a mass clientele. By reducing complex emotions to simple expressions, it was able not merely to influence Ireland's politics since the eighteenth century but also to shape the frame of reference within which Anglo-Irish affairs are discussed. Nationalism's success in Ireland, though, was achieved at a heavy cost to the dream of uniting all the peoples of Ireland under one sovereign government and the outcome was narrowed, albeit reluctantly, to a relatively homogeneous state for the twenty-six county area of the island, something depreciated in the derisory republicans' ballad:

God save the southern part of Ireland  
Three quarters of a nation once again.<sup>9</sup>

On a positive note, Kennedy points out, however, that the 'vanishing Protestant' population 'brought ethnic and sectarian confrontation to a close over much of Ireland'.<sup>10</sup>

A second casualty has been an inability to define a coherent and distinctive long-term economic purpose for the community, especially for its relationship to the former colonising power, at least until after 1973 when the European Union provided a partial alternative rationale. Mary Daly comments on the interplay of the Anglo-Irish legacy, nationalist ideas and practical economics:

The fledgling Irish state [in 1922] therefore inherited a confused baggage of ideals: a desire to protect rural society and its values and to stabilize the rural population; a vision of industrial development minus the evils of capitalism, materialism, and urbanization; a desire to redress previous disadvantages suffered by Irish businesses; an expectation of material progress without the state provisions; the restoration of the Irish language and culture; and, though not explicit until the 1920s, the enshrining of Catholic social teaching. Other issues were not clearly addressed, in particular the nature of future economic relations with Britain, how exporting industries would coexist with a protected sector and how to reconcile cattle farmers and the restoration of tillage. Except for hopes that electricity and motor cars would help to create this economic idyll, no account was taken of the dictates of the market economy.<sup>11</sup>

Her rather jaundiced assessment can be qualified in three respects: it was not fundamentally distinguishable from the inheritance and outlook of most new states in post-1918 Europe; the confusion of the Irish leadership was not so far removed from that of British policy makers faced with the problems of the interwar economy; and there was more consistency in the approach of the new state than she acknowledges.<sup>12</sup> Always there was a reality, as the Fianna Fáil election manifesto stated in 1932, that 'the people of Britain and ourselves are each other's best customers. Our geographical position and other factors make it unlikely that this close trade relationship will rapidly change.'<sup>13</sup> Even in April 1939 an official acknowledged 'we are very largely at the mercy of other countries and particularly of the United Kingdom, in respect of our external trade and the economic activities of this country could in such circumstances be completely paralyzed'.<sup>14</sup> This paralysis, induced by British national needs during the Second World War, did strike hard in Ireland, leading to a substantial overall reduction in the standard of living, economic activity and social welfare provision. Nationalists scored much better in influencing the outlook of posterity about their political efforts than they have over the economic development of the country. Historians and economists generally have been critical of the nation's economic performance and policy until the close of the 1950s. In *Programme for Economic Expansion*, superintended by an Irish official, T. K. Whittaker, published

in 1958, it was observed, ‘after 35 years of native government people are asking whether we can achieve an acceptable degree of economic progress’.<sup>15</sup>

Ireland was fertile soil for an outburst of nationalism.<sup>16</sup> Progression from people to nation to state is seen as a natural, legitimate and inevitable course of Ireland’s history. Nationalists demanded self-determination and statehood as a historic right. In 1907 John Redmond voiced the nationalist postulate:

That national demand, in plain and popular language, is simply this, that the government of every purely Irish affair shall be controlled by the public opinion of Ireland, and by that alone. We demand this self-government as a right . . . The demand for national self-government is therefore, founded by us, first of all, upon right, and we declare that no ameliorative reforms, no number of land acts, or labourers acts, or education acts, no redress of financial grievances, no material improvements or industrial development, can ever satisfy Ireland until Irish laws are made and administered upon Irish soil by Irishmen.<sup>17</sup>

Michael Collins spoke for another vision of the nation: ‘I stand for an Irish civilization based on the people and embodying and maintaining the things – their habits, ways of thought, customs – that make them different.’<sup>18</sup> But over the long haul, Irish nationalists devoted far fewer words to questions of abstract rights, to idealised visions of the future, to the historic basis of the nation or the uniqueness of Irish culture – though, to be sure, these ideas feature in their rhetoric – than they did to expressing themselves in the language of ‘historical wrongs’. Emphasis upon ‘wrongs’ had the strategic virtue of offering the widest common denominator, providing a unifying principle capable of binding together peoples, including potentially a significant segment of Protestants. Its limitation was that such appeals were primarily materialistic, focusing heavily on supposed economic deprivation and exploitation. This sense of disadvantage received ample expression in the common rhetoric of the national movement, though the objective basis for these complaints has been subjected to modern criticism. Kennedy, for instance, deflates the tendency of some commentators to compare Ireland with contemporary Third World nations, pointing out that in 1911 the country had much the same living standard as Spain, Norway, Finland and Italy.<sup>19</sup>

A second strand of the deprivation or ‘grievance’ theme revolved around the sense of a section of Ireland’s peoples, namely Protestants, benefiting from the British connection at the expense of Catholics. For the Irish it was not continental communities but Great Britain and

America that was the point of comparison. Irish standards of living might be comparable to Spain but such comparisons were wide of the mark. Yet even the differentials between Great Britain and Ireland narrowed significantly between the mid-nineteenth century and 1914.<sup>20</sup> Additionally, Donald Akenson shows that if income from rentals is excluded, the economic differential between Irish Protestants and Catholics is quite narrow.<sup>21</sup> It is not, however, what the cold statistics demonstrate so much as what Irish Catholics at the time believed. Greenfeld makes the important observation that feelings of resentment polarised around an ethnic or national cause are likely when a people believes that it is equal to the dominant group but is denied equality because of artificial barriers maintained by the state or the ascendant society.<sup>22</sup> Despite limitations in their strategic vision, nationalists proved remarkably capable of mobilising and retaining the loyalty of most Catholics for the patriotic platform. For the reasons outlined by Greenfeld, they were able to override regional, economic, class and cultural distinctions in spite of British concessions that conceded the substance of their material claims.

Several theoretical insights aid understanding of the emerging nationalism and its economic dimension in Ireland. Miroslav Hroch notes that national movements postulate three demands: political aims centring on self-administration; cultural claims in which they try to establish and strengthen an independent culture; and social and economic goals, asking for a just division of national income along with a full social structure, corresponding to the stage of capitalist transformation of the dominant state.<sup>23</sup> Also, Hroch points out that:

conflicts of interest between classes and groups whose members were divided at the same time by the fact that they belonged to different linguistic groups [in Ireland, religious affiliation] had indisputable significance for the intensification of the national movement. The polarity of material contradictions therefore ran parallel to differences of nationality and as a result of this conflicts of interest were articulated not (or not only) at the social and political level appropriate to them but at the level of national categories and demands.<sup>24</sup>

The situation in Ireland in the nineteenth century conforms to cases of peasants belonging to the non-dominant ethnic group and landlords to the dominant nation, of an ethnic differentiation between the 'centre', that is England, and 'province', that is Ireland, and where a substantial section of the new intelligentsia (he uses the term 'academics') belong to the non-dominant group and the old elites stem from the ruling nation.<sup>25</sup> By the same token he notes, 'where the national movement . . . was not

capable of introducing into national agitation . . . the interests of specific classes and groups . . . it was not capable of attaining success'.<sup>26</sup> To this Ernest Gellner affirms that 'conflict of interest and cultural difference are politically effective if, and only if, they are *jointly* present'.<sup>27</sup> Michael Hechter and Margaret Levi suggest that ethnic solidarity arises in regions developed as internal colonies where there is a hierarchical cultural division of labour determining life's chances.<sup>28</sup> Solidarity increases when members interact within the boundaries of their own group. The movement's durability, however, depends on the ability to deliver on its promises. They distinguish between regional and ethnoregional movements: the first couches claims solely in terms of material demands; the second bases its case on ethnic distinctiveness. Greenfeld's analogous point has been examined already.

In the battle for 'hearts and minds' in the late nineteenth and early twentieth centuries, national propagandists scored another huge triumph, stigmatising opponents as bigots, reactionaries or at best well-meaning but misguided dubs; and at the same time engaging their critics to a debate within the parameters defined by themselves. Much of that discussion centres on the two traditions within nationalism – the constitutional and revolutionary – both seeking the same ends by different paths. Redmond's statement above is an example of this dichotomy. A difficulty of the literature on Irish nationalism is that it is politically focused; the economic dimension is typically omitted or given a low priority. It is misleading to break it into political or economic segments. More appropriately, following Daly, it must be viewed as a total process. Nevertheless, Irish nationalists themselves, it must be admitted, often did engage in precisely this sort of myopic analysis at the expense of minimising economic factors.

Ireland exhibits characteristics found elsewhere.<sup>29</sup> National movements everywhere had to locate and then persuade people whom they wish to mobilise that distinctions between themselves and the dominant state were fundamental and more important than any common bonds. Also, they needed to pinpoint the dominant state as the enemy. As in other cases, advance of the national movement in Ireland was complicated by a triangular relationship, which in an ethnic phase found the threatened mainly Protestant minority choosing to identify with, and seek the protection of, Britain, associating themselves culturally and, even more completely, economically with it rather than with Ireland. In other respects, the country differed from the European norm where the more economically advanced regions tended to adopt nationalism for,

excepting the north-eastern corner, it was an economic periphery to Great Britain. Language played a much weaker role in Ireland; religion, which was frequently less important as a catalyst elsewhere, was a substitute.<sup>30</sup> While the language question was not wholly absent, because Ireland has been integrated into the Atlantic economy since the eighteenth century, nationalist priorities and more fully those of Irish commerce declined to place it above the clear advantages of being part of a transnational economic community.

The Irish national ideal has three fundamental components – a historic territory, a population ‘entitled’ to live in the historic territory and an aspiration to establish a separate state coterminous with the island and people. It was least effective in devising a satisfactory definition of what constituted the ‘Irish people’ for, as George Bernard Shaw observed, ‘we are a parcel of mongrels’.<sup>31</sup> Despite a language resplendent with the terminology of ‘race’ nationalists never developed a ‘blood’ definition of what constitutes being ‘Irish’. Religion was a partial and incomplete substitute. Instead, divisions were horizontal between Protestants and Catholics and laterally within the two groups with the first proving easily the more influential. In Europe lateral divisions within ethnic communities were a more typical feature. Early attempts to include all creeds and classes dissolved ultimately in a national movement, focusing on uniting Catholics alone no doubt because forging a common secular identity proved discordant with Irish realities. In the years before 1922 southern Protestants tended to be owners of tenanted land (a declining but still significant feature in 1914), industrialists, professionals, mercantile folk or they were engaged in other occupations that appeared to be vulnerable under a Catholic-dominated regime. Protestants were an endangered economic group; their social and economic stations were eagerly sought by an aspiring Catholic *petite bourgeoisie*, which, as Greenfeld notes, saw their aspirations of equality blocked by artificial constraints.

As in other cases, the Irish were fragmented into numerous localised subcultures. The emergence of national identity owes much to modernising forces. Literacy, education, communication, the centralising bureaucratic state, a more organised and disciplined Catholic Church and the market economy, were factors facilitating the growth of a common culture of which the intelligentsia were its prime agents. This is labelled ‘high culture’ by Ernest Gellner.<sup>32</sup> The cultural dimension by the twentieth century was reinforced with a modern or modernising economy derived from Britain, which paradoxically gave Catholics a

common purpose but, as noted already, tended to alienate the two religious communities on the island who increasingly were competing for the same opportunities. Daly suggests that the primarily agrarian and *petit bourgeois* base of the Catholic community derived the greatest benefit from the economic policies of the 1930s, a reminder that national movements are never neutral concepts in any of their manifestations.<sup>33</sup>

Problems of timing and of who participated remain to be untangled. Nationalist appeals did not meet with unqualified acceptance even from Catholics, who did not fully adopt them before the 1880s. Even then, as the civil war of 1922–3 demonstrated, there was a substantial differentiation along class lines about the content of the national movement as well as economic distinctions between those who supported or opposed the Anglo-Irish Treaty signed in December 1921.<sup>34</sup> As the appeal of one or other variety of national identity increasingly became popular with Catholics, nearly all Protestants took up an oppositional posture. This is hardly surprising as Catholic rhetoric sprouting from all patriotic camps appeared antagonistic to Protestant interests, not least to their economic security. Rational-choice theorists emphasise that individuals identify with a particular community because this serves their interest.<sup>35</sup> Identification may bring returns in the form of employment, physical comfort, or merely emotional satisfaction. Cultural nationalism, as John Hutchinson and Greenfeld note, is complementary, reinforcing objectives and thereby elevating the return on investment in patriotism.

Finally, the question of who benefits from patriotic activism has been receiving considerable attention. There is a recent trend to see in it a bourgeois effort to strengthen a class position against the existing dominant state and also as a means to exert authority over the masses below. Economic theorists provide a means to resolve the question, pointing to psychology and prestige as nationalism's 'value-added' for groups receiving fewer of the direct material compensations. In practice the benefits to individuals cannot be measured in terms of concrete material advantages, a point long articulated by nationalists but the modern formulation of this argument is quite different from theirs.

#### THE ECONOMIC LEGACY

When the Union of Great Britain and Ireland came into existence on 1 January 1801 the neighbouring islands had already been increasingly linked economically. Previously, Ireland had been under the suzerainty

of the British crown and controlled by the government in London. However, prior to incorporation, Ireland was subjected to a number of trade restrictions. Under the Union these limitations were removed gradually and Irish goods obtained free entry into the British market. This should have aided Ireland's economic development but the Union had a reverse effect.

Nineteenth-century nationalists were adept at propagating the idea that Irish economic and especially industrial development had been thwarted by British interests that sought to destroy competition. During the first half of the nineteenth century, agriculture in Ireland responded to the opportunities of the British market. Wheat-growing boomed during the Napoleonic wars but contracted afterwards. During this period and throughout the century there was a move away from tillage towards livestock and dairy production. In the hard times of the post-1815 years, manufacturing outside Ulster stagnated and declined. Ulster's economy moved in another direction. Linen production, ship-building and engineering geared to the British and overseas market boosted the importance of Belfast.<sup>36</sup> These trends were accentuated after the Great Famine (1846–9). In the second half of the nineteenth century the Irish economy was characterised by a highly industrialised north, especially north-east, an east dedicated to livestock and dairying for the British market, a subsistence western region and an excess population that migrated to areas of demand (Britain and overseas) for unskilled labour. By 1914 the agricultural share of the labour force was 43 per cent, while industry had 25 per cent; both were in line with European norms.<sup>37</sup> Regional concentration of economic specialism is also typical. Industry elsewhere tended to be located in certain areas and not distributed evenly, a pattern that applied with equal force to Great Britain. This 'normal' economic pattern disguises crucial ethnoreligious differences. Land ownership and industrial proprietorship were overwhelmingly in Protestant hands, while this group also tended to be dominant in the professions and upper echelons of the state bureaucracy (for example, a cultural division of labour). The skilled workers in northern industry were generally Protestants as well, though Catholics were present in lower remunerated employment.

By 1914 Catholics had made considerable inroads into land ownership (peasant proprietors of their previously tenanted holdings) and had gained an enlarging share of bureaucratic employment, though were still over-represented in the lower grades. They were aided by the growth of a service sector, school teaching and clerical work. Nevertheless, they

continued to feel disadvantaged. This perception has been analysed by Hutchinson, who points to 'blocked mobility'.<sup>38</sup> Ireland had a bloated but static state bureaucracy (Gladstone in 1886 argued for Home Rule, in part, as a way to curb this inflated sector) and teaching positions were stagnant due to a decreasing population while the numbers of qualified Catholics seeking these posts rose. Nationalist economic ideas were hammered out on the anvil of perceptions that viewed Ireland and Catholics as the deliberate victims of discrimination. Although the north was industrialised heavily, this was not part of the 'mental' picture that most nationalists (though not Arthur Griffith) held of 'their' Ireland. Greenfeld's observation is germane to the situation. She notes where nationalists seek to emulate a model that makes their own situation appear to themselves as inferior (Great Britain and the Protestant north), the consequence is *resentment*.<sup>39</sup> From this resentment comes an emphasis on elements of indigenous traditions and a rejection of the dominant culture and the original principles of nationalism. This formulation affords context for Daly's estimate of the economic policies of the new state already cited.

Ireland had a number of liabilities in the race for economic development, though these must be kept in perspective. These can be expressed simply as a limited natural resource base, a small domestic market, low incomes for a considerable portion of the population, weak traditions of skills and transport deficiencies due to location disadvantages. Such constraints were not a product of British policy. Manufacturing in the north was able to circumvent these obstacles by producing for an international market. Ireland, at the same time, had an abundance of natural grass along with a mild climate, facilitating livestock rearing. From a Catholic national point of view, the problem with more modest industrialisation in the southern provinces combined with growing dependence on grazing was that pasturage was not labour intensive and there was no alternative employment locally available; therefore the people (Protestants emigrated in only slightly lower proportions) left the country in large numbers. The disappearing Irish were a central theme in national rhetoric and are reflected in the citation from Lemass at the beginning of this chapter. These trends predated the famine. Set against this picture was a rising standard of living that rapidly converged towards the United Kingdom level by 1914. Much of this admittedly is attributable to the decline in labour supply. Between 1861 and 1911 the male labour force fell by 25 per cent; real wages for agricultural workers in the sixty years to 1911 rose 72 per cent while for builders the shift

upwards was a remarkable 101 per cent, both considerably higher than the average for the United Kingdom.<sup>40</sup> Also, Ireland experienced a significant growth of productivity as a consequence of improved technology and capital accumulation.<sup>41</sup>

The Union was accomplished for political reasons but it soon had economic repercussions. Isaac Butt in 1846 outlined the case for Irish tariffs as the means to aid his country's economic development. At this juncture he was a Conservative in politics and Butt wrote just when protectionism was being abolished in the United Kingdom. He saw that his country was so seriously in arrears to its industrialised neighbour that it required insulation from competition. Butt's arguments found only a limited audience. Modernisation, however, soon bore out Butt's foreboding. Between the 1850s and the 1870s Ireland was equipped with a comprehensive rail network. The impact was swiftly felt. In the 1860s Joseph Chamberlain, then a Birmingham manufacturer, traversed the country by rail, selling the nails his firm produced. This was multiplied many times over as superior and cheaper goods penetrated local Irish markets, which previously were isolated from competition. Subsequently, the efficiency of the transport and distribution systems would press hard on Irish farmers, driving down incomes and increasing the attraction of the national agenda. The chief radical-national movement of the late 1850s and 1860s, Fenianism, was composed of urban artisans threatened by displacement.<sup>42</sup> Hroch, comparing recent developments in post-Soviet Europe with nineteenth-century national movements, sees the first as a response to short-term depression and decline, the latter as arising from the general trend towards economic growth joined to social improvement.<sup>43</sup> If his view is correct, Irish circumstances in the nineteenth century more accurately approximate to present-day national movements in the former Soviet bloc rather than they do those of the earlier epoch, for the growth of national sentiment was a response to perceived decline not improvement. Greenfeld and others point to the psychological function of national identity because of its utility to solve a crisis, and Ireland was certainly in the midst of economic turmoil.<sup>44</sup>

Two other factors enter into the discussion – capital deficiency and economic theory. The former had a double-barrelled explanation. First, the Irish landowners (and some others) lived in London and/or spent their rentals there (buying goods, etc.), depriving Ireland of much-needed investment. Secondly, from the 1870s nationalists argued vigorously that the country was overtaxed. Both had some substance though

there is little objective evidence to suggest that Ireland suffered from a shortage of available capital. The argument conveniently ignores reverse expenditure, repatriated funds from overseas investments, remittances from the Irish overseas and similar sources of capitalisation. That the country was overtaxed may have been true – a Royal Commission reporting in 1896 adopted this view. L. M. Cullen estimates that there was a net out-flow of capital between the 1870s and 1900 but thereafter a huge in-flow caused by improved prices for agricultural produce, more direct government expenditure and social welfare programmes such as old age pensions created under legislation enacted in 1908.<sup>45</sup> While it is doubtful that the argument about capital shortage is strictly applicable to Ireland's case, there is some reason to accept a core-periphery explanation for the thirty years up to the turn of the century.

Irish nationalists were not notably interested in economic theory. Isaac Butt was something of an exception and his views were expressed mainly before he espoused self-government. Another partial exception is Parnell, leader of the national party from 1880 to 1890 and a member of parliament between 1875 and 1891, when he died. Parnell was one of the rare advocates of protectionism in the movement.<sup>46</sup> Like Butt, he reasoned that only through some form of tariffs could Irish manufacturing be developed, overlooking the industries of the north-east. As linen, engineering and ship-building depended on access to overseas markets, protection posed a threat to these industries. Parnell, a Protestant, nevertheless had little sensitivity for the north-east. Curiously, though a landlord, he was not concerned about agricultural tariffs in spite of abundant evidence that Irish farmers were being swamped by cheap American imports. He gave voice to his protectionist views on several occasions in 1885 but his ideas were promptly repudiated by most nationalists. In 1886 the British Liberals, a free trade party, adopted Home Rule for Ireland and Parnell shelved his advocacy of protection. The mainstream of the national movement was hostile to protection for two reasons – most were imbued with liberal economic thinking and identified themselves with the traditions of the Liberal party; also, home rulers were responsive to the tenant-farmer interest, especially after the electoral changes of 1885, which expanded the rural electorate and redistributed parliamentary constituencies to the advantage of farmers. As they would be obliged to pay more for goods, agriculturists saw in tariffs a threat to their own standard of living. Enthusiasm for protection, then, remained confined to a small section of bourgeois home rulers.

An Irish unionist, Sir Horace Plunkett, introduced another vital strand to national economic ideas.<sup>47</sup> He spearheaded the modernisation of agricultural production and the marketing of its output. His impetus had several facets: government-sponsored research and training, improved quality of Irish goods, construction of creameries, and he fostered the co-operative movement. Plunkett's economic approach was professedly non-political, though in Ireland politics inevitably intruded. The underpinning theme was self-help and greater self-sufficiency. Plunkett's economic ideas were in harmony with the cultural revivalism that began to flourish in the last decade of the century. In 1904 Plunkett's *Ireland in the New Century* emphasised the Gaelic League's contribution to promulgating the doctrine of self-reliance, observing:

in the course of my work of agricultural and industrial development I naturally came across this new intellectual force and found that when it began to take effect, so far from diverting the minds of the peasantry from the practical affairs of life, it made them distinctly more amenable to the teachings of the dry economic doctrine of which I was an apostle.<sup>48</sup>

That revival, which had two wings, modernising journalists and professionals and romantic nationalists, stressed the virtue of rural culture and of self-help.

Cultural revivalists were not distinguished for their economic thinking but in the new century protectionism did find a fresh advocate in Arthur Griffith, a moderniser and founder of Sinn Féin. Griffith saw in cultural revivalism a route to induce the rapid economic development of the country.<sup>49</sup> His economic ideas were inspired by the German, Frederick List's, *The National System of Political Economy*, first published in 1842 and available in translation in English in 1885, which advocated national tariffs. Griffith linked economic development with the other aims of nationalism, also making the case for the necessity of a nation fostering both agriculture and industry:

With List I reply: a nation cannot promote and further its civilization, its prosperity, and its social progress equally as well by exchanging agricultural products for manufactured goods as by establishing a manufacturing power of its own. A merely agricultural nation can never develop to any extent a home or foreign commerce, with inland means of transport, and its foreign navigation, increase its population in due proportion to their well-being or make notable progress in its moral, intellectual, social and political development . . . A mere agricultural state is infinitely less powerful than an agricultural-manufacturing state . . . We must offer our producers protection where protection is necessary.<sup>50</sup>

Following List, he believed that civilisation progressed naturally from pastoral economy to agriculture and then onwards to agriculture, industry and commerce. Griffith shared the hostility of traditional nationalist economics to grazing and asserted that it would have to give way in some considerable degree to a restoration of tillage. Under Griffith's influence Sinn Féin advocated protectionism and self-sufficiency as the economic strategy of the nation in waiting. The Sinn Féin constitution in 1917 adopted a number of measures for economic advancement, including 'the introduction of a protective system for Irish industries and commerce'.<sup>51</sup>

Neither Sinn Féin nor cultural revivalism generally made more than modest headway. Irish politics was in the hands of the National Party, which to the extent it considered the future economic course of the nation, remained wedded to liberal orthodoxy. In the normal course of events this leadership would have taken control of Irish government on the creation of Home Rule. However, between 1916 and 1921 the old leaders were displaced by radicalised successors, including Griffith. This new elite was more committed to the aspirations of the cultural revival than to nationalist economics but the second should not be discounted. Moderating the visible triumph of the new order, though, was its realisation that its rapidly widening popular appeal brought in train old home rulers who shared few of the radical pretensions.<sup>52</sup> If the old elite was virtually wiped out politically speaking, at local level the levers of power remained in the hands of a bourgeoisie that had little sympathy for radical notions of property rights, reversal of the trend toward livestock production and any vast application of protectionism.

Finally, the new state founded in 1922 had three important constraints. First, the Anglo-Irish Treaty signed in December 1921 made Ireland a dominion rather than a fully free-standing state; secondly, the most industrialised region, Northern Ireland, was severed from the state, leaving the southern leadership even more politically beholden to a socially conservative *petite bourgeoisie*; and, thirdly, the civil war that erupted between the victors over the terms of settlement, affected the stability of the regime and increased its reliance upon the entrenched respectable classes.

In sum, the new state found that it had to function within perimeters defined by present circumstances and also by the past. These necessitate a pragmatic course, especially on fiscal matters, but it is no more appropriate to label these a jumble of confused ideas than a similar description would fit interwar Britain. The minority views of Butt,

Parnell, Plunkett and Griffith, with the partial exception of the latter, tend to be ignored but, placed in a longer perspective, they, more than the orthodox economics of home rulers generally, have guided future approaches.

#### IRELAND, 1922-1932

The problem of the interwar Irish economy confirms the observation that the later the industrialisation, the greater the need for state involvement. As noted, the new regime inherited a dual legacy – colonial dependence and associated British economic ideology along with the doctrine of self-reliance. Three other problems were present as well – partition cut off much of the industrial base, the Great War caused substantial dislocation and disruption (5 per cent of Ireland's adult males were killed), and the civil war in 1922 and 1923 exacerbated the task of establishing stability. The years between 1914 and 1920 had seen unprecedented prosperity in Ireland;<sup>53</sup> the new regime would be assessed against this standard. It pursued a strategy that downgraded industrialisation, pinning its policy on a booming livestock and dairy sector.<sup>54</sup> The sagging world economy injured economic expectations. By 1923 the price of arable produce was 57 per cent below 1920 levels; the value of animals fell by 38 per cent, with store cattle declining in value by 40 per cent, whereas the cost of living dipped by merely 10 per cent.<sup>55</sup> Under the Land Purchase Act of 1923 the government signalled an intention to complete the traditional national programme on land ownership. It allowed for compulsory purchase of all remaining leasehold land. In the following year legislation was enacted to raise the quality of agricultural produce, again building on Plunkett's earlier vision. Also, the state fostered economic development. Beet sugar production rose from zero in 1925 to 24,000 tons in 1930, falling again to 5,000 tons the next year.<sup>56</sup> In 1926 an independent Tariff Commission was established; it had a marginal impact, not least because many of the newly protected industries were either owned by British interests or the necessary machinery was used under licence from British firms. In 1928 50 per cent of confectionery was produced by British firms in Ireland, while the manufacture of shoes was dominated by British interests.<sup>57</sup> Economic gains continued in spite of the Currency Act of 1927, attaching Ireland's currency to British sterling, causing it to be overvalued and tied to British monetary policy.<sup>58</sup> Yet Ireland maintained a sound currency and a balanced budget; unlike many of its continental counterparts it did not

resort to printing money, enjoying a good credit rating as a consequence. Some customs duties were implemented, which Daly characterises as a 'rag bag'.<sup>59</sup> Between 1925 and 1930 agricultural prices rose in money terms by 12.4 per cent in the south as against only 5.8 per cent in Northern Ireland. David Johnson concludes that probably both parts of Ireland benefited from partition. Northern Ireland received British subsidies while the Free State escaped the costs of supporting the north's high unemployment.<sup>60</sup> The first years of the Free State saw slow economic progress, some efforts to apply nationalist solutions and a general caution in an atmosphere of political discord at home and weak international trade. In 1931 the Customs Duties Act attempted to prevent dumping of foreign goods on the Irish market. Overall, however, the pre-existing Anglo-Irish economic relationship remained largely untouched. The United Kingdom in 1931 absorbed over 96 per cent of Irish exports; Ireland purchased the bulk of its imports from Great Britain.<sup>61</sup>

The regime, though, did not go unchallenged. Eamon de Valera formed a new party in 1926, *Fianna Fáil*, which offered many of the same economic recipes but, drawing upon a more radical clientele, it called for the redistribution of land 'so as to get the greatest number possible of Irish families rooted in the soil of Ireland' and to make Ireland 'as self-contained and self-sufficient as possible – with a proper balance between agriculture and the other essential industries'.<sup>62</sup> In the following year he linked unemployment to protectionism:

Work can be got if we concentrate on protecting and keeping for ourselves the home market, instead of allowing the foreigner to dump their goods upon us, as at present. To concentrate on the diminishing of imports will more quickly reduce the adverse balance of trade than to concentrate on an increase in exports (though there is no reason why we should not endeavour to increase our exports as well). The difference is that in one case we have to face the intense competition in an outside market which we cannot control. In the other case we have the power of control and exclusion.

I have said repeatedly that our guiding principle will be to make Ireland as self-contained and as self-supporting as possible.<sup>63</sup>

With the sharp downturn in the country's economy, a condition resulting chiefly from external factors, the *Cumann na nGaedheal* government lost public confidence after 1930. A general election was held in February 1932. *Fianna Fáil*'s election manifesto urged that the country should be made as 'independent of foreign imports as possible' and 'to preserve the home market for our farmers'.<sup>64</sup> De Valera's party

won the election, beginning a continuous run in office until 1948. Cumann na nGaedheal had pursued nationalist objectives within the narrow band of possibilities available; its successor would extend this approach.

#### ECONOMIC NATIONALISM, 1932-58

The new government quickly reinforced the economic nationalist disposition of the state. Erhard Rumpf and A. C. Hepburn note that Fianna Fáil's concern to disassociate Ireland politically and socially from Britain was less pronounced than the efforts to sever the economic links.<sup>65</sup> According to them, the party's main thrust was to drive the economy in a direction that corresponded to nationalist political aspirations, though their assertion should be treated with caution with respect to outcomes if not intention.<sup>66</sup> In May de Valera asserted, 'we saw that the economy of this country had in the past been dictated not for the advantage of the people here, but for the advantage of people across the water'.<sup>67</sup> He promised the introduction of more rigorous tariffs. Fianna Fáil sought to direct balanced growth and push agriculture towards tillage.<sup>68</sup> There was a short-term rise in government spending, expanding from 24 per cent of gross national product in 1932 to over 30 per cent by 1933. This was accompanied by efforts to speed up development of the mixed economy. During the next few years state-owned companies were created for several sectors, including beet sugar, industrial alcohol, credit and some other enterprises. Also, the numbers and levels of tariffs rose considerably. By 1936-7 more than 1,900 articles (against 68 in 1931) attracted impositions and on average these were one third higher than similar duties in Great Britain. Some business, though, such as insurance, remained heavily dominated by foreign, usually British, interests. However, there was a limit to self-sufficiency. It completely failed to reduce dependence on imports from Great Britain; further state control was unacceptable to Irish society; a corporatist movement lacked popular support; and it was not pursued with unrelenting commitment.<sup>69</sup> The perceived fall in imports concealed royalty payments to British firms.<sup>70</sup> Moreover, the advent of the de Valera regime had brought about a dispute with Britain over continued payment of the land-purchase annuities, with the resulting trade war between the two countries. Britain retaliated against the withholding of the annuities with a bevy of restrictions on Irish trade, the most irksome being the controls on coal exports. From 1935 the fuel situation eased with a series

of Coal–Cattle Pacts. The trade agreement of 1938 ended the dispute,<sup>71</sup> marking the closure of an attempt to secure pure or nearly complete self-sufficiency, though in theory the state as Séan Lemass reaffirmed that year continued to adhere to it as an ideal. The trade war had a mixed impact on Ireland, resulting in both losses and gains, the latter in the form of lower welfare costs from higher levels of domestic employment.<sup>72</sup> It caused a reduction in gross national product by only 2 to 3 per cent. In the north, however, economic growth during the 1930s comfortably exceeded its southern neighbour's.

Self-sufficiency was replaced by a modified form of economic nationalism acceptable to middle-class Irish opinion until the late 1950s. Settlement of the trade war did not herald an improvement for, ironically, the conflict in Europe enforced a degree of economic self-reliance beyond the wildest nationalist anticipation. Between 1939 and 1945 the economy was virtually isolated from world markets. From the beginning of the war to 1943 there was a 30 per cent drop in real wages and then a slight rise thereafter.<sup>73</sup> Most goods were in very short supply.

After a brief recovery at the close of the 1940s and start of the 1950s, the economy stagnated. Ireland remained tied to Great Britain. In 1946–7 de Valera called for 'a dovetailing of the two economies' but this made little impact on British leaders.<sup>74</sup> Instead of rebuilding industries that had been destroyed in the conflict, he advocated that British firms be transplanted to Ireland where there was a surplus of labour; British leaders preferred that the labour migrate to where the rebuilt industries were in the United Kingdom. As Daly observes, the Anglo-Irish relationship was reshaped by British not Irish politicians, something that remained a reality until the 1970s.<sup>75</sup> By the mid-1950s there was widespread disillusionment with aspects of the traditional economic formula. The balance of payments position fluctuated, reaching crisis point in 1951.<sup>76</sup> Internal competitiveness was so limp that the Restrictive Practices Act in 1953 attempted to foster efficiency. Emigration rose with an average of approximately 40,000 people annually leaving the country. The average annual increase in gross national product was only 1.1 per cent for the five years to 1955, leaving Ireland near the bottom of the league table of the Organisation of Economic Co-operation and Development (OECD). A vigorous debate on the Irish economy took place at official level between 1956 and 1958. In January 1957 the economic and political consequences of closer harmonisation with other western European nations were outlined. This same report suggested, in addition, that:

The setting up of a free trade area in which both the Six Counties [Northern Ireland] and ourselves participated would lead to the removal of such economic barriers to the reunification of the country as are related to the vested interests on both sides of the Border in the trade protection which would be abolished by the free trade area . . . if we should remain outside the free trade area while the Six Counties go in, the economic disparities between the areas would tend to increase, with a likely strengthening of vested interests opposed to reunification . . .<sup>77</sup>

This was a pertinent reminder that economic policy was never wholly detached from the wider nationalist political agenda.

#### PLANNED CAPITALISM, 1958–73

Coming out of the concerns about economic stagnation, a state-sponsored reassessment emerged in November 1958 as the *Programme for Economic Expansion*. It pointed to the inherent economic defects in Ireland, calling for the application of market principles, an end of strict self-sufficiency, the opening up of the internal economy and encouragement of foreign investment. De Valera's retirement in 1959 brought the succession of Lemass, facilitating the shift in economic approach. During the 1960s the Republic of Ireland moved to forthright capitalist economics, though the continued dependence on agriculture with the prime destination of the nation's goods still being Great Britain left the position looking outwardly similar to what it had been earlier. It was also the case that the volume of agricultural production did not rise, being virtually the same in 1963 as it was in 1957.<sup>78</sup> Moreover, foreign firms investing in the country were to direct their efforts to exports and not compete directly with protected firms producing mainly for the home market.<sup>79</sup> In a sense, nationalist rhetoric was remoulded to conform to an already existing reality, though it would be misleading to say that nothing consequential had changed.<sup>80</sup> Nevertheless, Lee's pithy appraisal that for Lemass by 1959 self-reliance had been transformed into meaning not self-sufficiency but an economy sufficiently viable to enable all the Irish to live in their own country encapsulates the position.<sup>81</sup>

#### IRELAND AND THE EUROPEAN UNION SINCE 1973

A fourth stage of economic nationalism emerged when Ireland along with the United Kingdom on 1 January 1973 joined the European Community. The price of membership negated certain political precepts