

Europe: the Irish Experience

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Institute of European Affairs, Dublin, 2000

ISBN 1-874109-48-6

Chapter 12

THE NEW IRELAND IN THE NEW EUROPE

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The profound change is being made possible essentially by the new method of common action which is the core of the European Community. To establish this new method of common action, we adapted to our situation the methods which have allowed individuals to live together in society: common rules which each member is committed to respect, and common institutions to watch over the application of these rules. Nations have applied this method within their frontiers for centuries, but they have never yet been applied between them. After a period of trial and error, this method has become a permanent dialogue between a single European body, responsible for expressing the view of the general interest of the Community, and the national governments expressing the national view. In the European Communities, common rules applied by joint institutions give each a responsibility for the effective working of the Community as a whole. This leads the nations, within the disciplines of the Community, to seek a solution to the problems themselves, instead of trading temporary advantages.

Jean Monnet. 'A Ferment of Change', 1962.

1. INTRODUCTION

In this overview, I synthesise the political, economic, social and administrative dimensions of Ireland participation in European integration. The Community Ireland joined in 1973 changed dramatically since the mid-1980s. The Single Act, the internal market and the transition to EMU have greatly increased the salience of the EU. The process of embedding the national in the European and the European in the national accelerated in the mid-1980s. A series of enlargements have altered the Union. This chapter take particular account of this

deepening of European integration, in presenting an interpretation of the effects and meaning of membership.

Rather than address the political, economic, social and administrative dimensions separately, I adopt a broadly narrative approach, dividing the first 25 years into two periods, 1973 to 1987, and 1987 to 1999. I believe a narrative approach brings out the main arguments.

- European integration and governance have been centrally important in the economic transformation of the past decade;
- The alignment of state strategy with the action of economic and social interests is the critical determinant of success or failure in the new Europe, despite the central role of the state in the formulation and implementation of EU policy and law;
- The question of accession or membership is dwarfed by the changes in the nature of the EU since we joined;
- The state of the Union—and a correct understanding of its nature—are of critical importance to Ireland;
- In managing membership there is a complex relationship between strategy and action, between strategic thinking and pragmatism;
- There is little sense in discussion of whether we are ‘real Europeans’ or in counter-posing Ireland’s relationship with America and Europe.
- There are some important, if subtle, surprises in our experience in Europe

Section 2 reviews Ireland’s motivation, preparation and expectations concerning membership of the EC. Section 3 describes and analyses Ireland’s first period of membership, from 1973 to 1987. This reveals a movement from confident adjustment to crisis and despair. Section 4 outlines the dramatic advance of European integration since the late 1980s and its impact on Ireland. An overall interpretation of the role of Europe in Ireland’s development is offered in Section 5. Section 6 considers the implication of this interpretation for Ireland’s future orientation with regard to European integration. A concluding evaluation is presented in Section 7.

2. MOTIVATION, PREPARATION AND EXPECTATIONS.

Background

The background to Ireland's membership of the EC was the switch in strategic orientation made in the late 1950s and early 1960s. The switch to an outward-orientated strategy was prompted by the severe balance of payments difficulties, recession and emigration of the 1950s. Ireland's decision to switch from protectionism to outward orientation, was a highly conscious one. It was intended to achieve an exporting economy by modernising and re-orienting the indigenous economy and attracting inward investment. Meticulous studies were undertaken and new public organisations and policies were created to address the perceived weaknesses. In Chapter 9, Garret FitzGerald argues that these studies had a very important educational effect on indigenous industries. They alerted both management and unions to the scale of the adjustment that would need to be made in order to survive under conditions of free trade. In the context of these pessimistic studies, Lemass's 1961 decision to apply for membership was a 'great surprise'. It was motivated, in part, by the emergence of economic growth, and in part by the difficulty of creeping unilateral tariff reductions. FitzGerald's account suggests that Lemass's action—negotiating the Anglo-Irish Free Trade Area Agreement in 1965 and pushing for early membership of the EC—had the same bold pragmatism as the founding fathers of the European Community. In addition, Miriam Hederman-O'Brien points out that Irish membership of the UN and consequent role in Congo 'had a significantly positive effect on public opinion as far as Irish involvement in international affairs was concerned'.

Motivation

In some respects, Ireland's motivation in seeking EC membership is relatively obvious. Membership offered the prospect of access to a large, high-priced, heavily subsidised market for the country's food surplus. In addition, as FitzGerald points out, the fact that Britain was the slowest-growing industrial market in Europe, was undoubtedly a factor in the decision to seek access to the more dynamic markets of the continent. Yet an account which is confined to these material motives is unsatisfactory. The papers in this volume bring out two other factors: Ireland's desire to find a more satisfactory set of external relationships and the drive to overcome the limits of closure and isolation. The point is not to counter-pose these to the material concerns, but to see how the material and other motivations were interwoven.

In seeking an accurate view of how these were combined, it is important to recognise that the motivation for EU membership differs in each member state. In Chapter 4 Garvin, identifies the diverse security, cultural and political reasons which motivated France, Germany, the Benelux countries, Spain, Portugal and Greece to participate in integration. It follows that the effects of membership, and ultimately the meaning of membership, varies from country to country and, indeed, within countries. This point is frequently missed by the critics of European integration, who correctly see the difference between countries, but see 'Europe' as an entity (or putative super-power), rather than Europe as a set of relationships. The difference between countries is real. But it cannot be assumed that nationality is a primordial reality which sets limits to European integration. It might as easily result in diverse motives *for* integration, and diverse experiences of integration. Indeed, part of the genius of the project has been its ability to place European integration within the vocation of each member state, even within each modern European nationalism. As Garvin emphasises, the diverse motivations for participation are not purely economic. Yet integration can only meet countries' diverse cultural and political needs, if it meets the members' shared need for economic prosperity and security.

As Garvin says 'All joined Europe in what they each see as their own interest, not because of some vision of an ideal, visionary united Europe'. Some think this implies that a focus on the over-arching constitutional framework of the Union—and the creation of institutions to express and protect the European interest (such as the Commission and the Court)—just cloaks the underlying reality of selfish diplomacy. But that is precisely the wrong reading. The constitutional and institutional architecture are the very condition in which it is possible for diverse states and societies to see that their interest is advanced by integration. Note that although Garvin provides a graphic account of the diverse motivations for integration, he opens his paper with a clear rejection of the journalistic view that EU membership consists mainly of a new version of pork-barrel politics (see Section 6, below, for a further discussion of this view).

Garvin argues that Ireland's involvement in European integration should be understood in terms of her long-term relation with Anglo-Saxon and Protestant civilisation, represented in the past two centuries by Britain and America. Ireland faced the cultural predicament of marrying 'together cultural systems which many looked upon as antithetical: Tridentine authoritarian Catholicism of an isolated and besieged type and Anglo-American liberal

democracy'. He argues that there is an extraordinary cultural continuity, since the time of O'Connell, in Irish attempts to create what might be described as a foreign policy. Irish leaders have, over a very long period, attempted to achieve a link with foreign powers which might alleviate or counter-balance the overwhelming cultural and socioeconomic embrace of Britain. As Brendan Halligan shows in Chapter 3, even in 1972 Ireland 'was a politically independent region of the British economy'. Garvin suggests that the true pre-history of the modern Irish engagement with Europe is 'a half-remembered but very deep longing for an alliance, a friendship, that was non-imperial and psychologically satisfying, combined with a culturally determined wish to be self-sufficient and to be true to no one but one's collective self'.

An important part of this argument derives from the limits of nationalism, independence and, particularly, isolationism, as means of escape or self-realisation. What Garvin describes as the 'alliance of Priests and patriots' had, by the mid-20th century, achieved a kind of independence and a cultural defence against the English-speaking outside world of disbelief, scepticism, anti-Catholicism and greed. But the result was not only economic failure and continued emigration, but a stifling political and civic culture dominated by an authoritarian Catholic church. A striking feature of the papers in this volume, is their uniformity in describing Ireland before EC membership as having an under-educated population, 'a rural ethos and a monolithic culture based on Catholicism', 'a hatred of independent thinking', 'a fear of authority', as being 'cosy, insular, world', 'male dominated, authoritarian, unequal and much given to public expressions of piety not always reflected in private life', 'less than a totally free country'. Garvin's central argument is that 'What Europe has done is offer everyone a way out of the historical trap in which Ireland was caught'. This captures well the Irish understanding of what involvement in Europe means. Ryan emphasises that among the motives for membership was a desire 'to transcend the bounds of geographical insularity, post-war isolation and the confines of protectionism'. He notes that 'There was an acute awareness that a nation that was left behind economically would most likely be left behind socially and culturally also'. Indeed, Halligan cites Jack Lynch's 1967 statement as providing the best insight into the motivation within political and official circles for membership: 'Our future lies in participation in a wider economic grouping. Failure to achieve this objective would result in economic and political stagnation'. It is this instinctive rejection of political and economic stagnation which has driven Irish support. It has over-

ridden technical arguments, orthodox economic doctrine and the ideology of national sovereignty.

Garvin's argument has a number of implications which might be noted. One, which he highlights himself, is that given the long historical emergence of a form of democratic Catholicism, 'the republican versus home rule division was by comparison superficial'. A second implication is that the period of closure, from the 1930s to the 1960s, and the characteristics and values it incubated, can now be seen as exceptional, rather than definitional, in the long development of Irish society and politics. When we fully apprehend this fact, we will have re-defined what it is to be Irish and re-invented Ireland. A third important aspect of his argument is the adoption of what might be called an 'agent view' of Ireland's external relations. The dominance of the imperial relation with Britain can lead us to see Ireland as passive, acted-upon but not acting—a habit that some continue in studying Ireland's experience in Europe.

Preparation

Ireland's preparation for EC membership poses a difficult issue of interpretation. It is widely agreed that Ireland's overall preparation was thorough. Irish officials, especially in the Department of Foreign Affairs, developed a sophisticated understanding of the EEC, created a network of contacts with the institutions and member states and arrived at detailed conclusions about the national interest. While Halligan suggests that they were 'unrepresentative of the body politic and were left free from vulgar interference', he notes that 'the capacity of the Irish political system to respond to new challenges was greater than had been believed'. Indeed, he suggests that by 1972 the Government's 'internalisation of the European project' was such that the accession White Paper summarised the two fundamental considerations underlying its policy in seeking EEC membership as, 'firstly, European unity and, secondly, the national interest'. This important aspect of Ireland's approach to the Community, before accession and since, is well captured in Halligan description of Ireland as 'a psychological insider within the integration process'.

At a formal level, this thorough political and psychological preparation was mirrored in economic policy. Indeed, the delay between the initial application in 1961 and accession in 1973 gave the country time for significant modernisation of the economy. Yet, as discussed

in Chapter 8 and Section 3, below, the first fifteen years of membership saw the decimation of indigenous manufacturing industry. Does this mean that Irish preparation was inadequate, particularly that government failed in its preparation? The argument developed below suggests that, if policy failure is to be cited, it was primarily policy after accession which was at fault, rather than the preparation—although FitzGerald does argue that the Department of Industry and Commerce ‘failed to adjust to the prospect of free trade’.

Debate and Decision

The most important aspect of the debate on accession was the opposition to membership advanced by the Labour Party and the trade union movement. Their fear of job losses in manufacturing industry was not sufficient to counterbalance other arguments, but was to prove well-founded. Both Hederman-O’Brien and Garvin note that the labour movement was the element of Irish society most influenced by British ideas and practices. It should not be forgotten that in the 1960s and much of the 1970s, Britain stood for things that seemed progressive. It will be shown in Section 4, that the emergence of a positive and sophisticated view of Europe among Irish trade unions in the late 1980s is one of the most important developments in the first 25 years.

There is some difference of interpretation concerning Irish attitudes and understanding during the accession debate and in the early years of membership. In Chapter 3, Halligan presents what is probably the dominant view, that the accession White Paper, and hence the debate, displayed an awareness and acceptance of the political and security dimensions of the European project. By contrast, in Chapter 2, Hederman-O’Brien argues that some Irish people accepted British political and media assumptions about the scope and remit of the European Communities. Although she acknowledges that the majority of the Irish took a more positive view regarding membership, she considers that ‘there was no great appetite in either country for exploring fully the political implications’. She argues that the Irish Council of the European Movement was almost alone in pointing out that the Community was a unique political structure, designed to achieve peace and social and economic security in Europe, ‘which carried political obligations’. Instead, it was the inclusion of agriculture which created most favourable reaction in Ireland.

These viewpoints can be synthesised, if we note the nature of the EC and reject an excessive distinction between material, political, social and cultural motivations. While the CAP offered the prospect of direct transfers, the wider economic motivation should not be cast as rent-seeking. Indeed, Hederman-O'Brien makes the important point that 'The limitations of national sovereignty in matters of trade, commerce and the financial markets were well known to the Irish sectors which were thus involved'—adding that this 'understanding was also found throughout the general population, particularly among those whose children had been forced to emigrate through lack of opportunities in Ireland'. Given this healthy scepticism concerning national autonomy, most of the Irish population were, and remain, part of the Europe-wide 'permissive consensus' which has allowed European integration to proceed so far in the past forty years. Those that needed to, explored the wider political implications. The sophistication and wisdom of that pragmatic position should not be underestimated. If people sensed that membership created open-ended political and security implications, they also sensed that it would be slightly ridiculous to try to visualise the context in which these obligations would become concrete and to agonise over them. Furthermore, we should not imagine that this was a purely Irish phenomenon, marking us off as more material, and 'less European', than other member states. The CAP—often cited as clinching proof of the EC as about material interest pursued through inter-state bargaining—was not, after all, an Irish invention. More importantly, it is the very nature of the EC that it advanced by creating an initial over-arching agreement, making implementation of many principles and policies the subject of subsequent negotiation.

In Chapter 3, Halligan uncovers a contrast which is of current interest. He reminds us that the strong argument for membership was based on the expectation of modest enough Community financial transfers, certainly no firm anticipation of significant Structural Funds, and an expectation that membership would result in an end to neutrality. With apparent irony, he says it is 'intriguing that such admissions did not deter the electorate from voting yes'. This opens two interesting questions. First, how did it come about that Irish membership could be summarised—as it is in much of the media—as support for Structural Funds (or other financial transfers) but reservations on security? Is it true that Irish support for European integration would evaporate if financial transfers ceased and European security policy developed? These questions are addressed in Section 6, below.

3. FROM ADJUSTMENT TO CRISIS, 1972 TO 1987

The background to the success of the past decade, is the more painful adjustment to EC membership experienced between 1973 and 1987, particularly in the 1980s. Despite the slowdown in the world economy and initial adjustment to EC membership, the Irish economy performed relatively well through most of the 1970s. However, this apparently strong performance masked fundamental problems in the country's economic, social and political adjustment to European integration and internationalisation. In this Section, I summarise the impact of EC membership on the economy, society, politics and administration in the years from 1973 to 1987 and offer an interpretation of the profound economic, political, social and cultural crisis of the 1980s.

Economy

The first fifteen years of EC membership saw dramatic change in the Irish economy. As noted below, much of that change, in both agriculture and industry, was positive and much of it was directly related to Ireland's place in the EC. Yet by the mid-1980s the overall economic position had deteriorated. This raises important questions about the impact of membership, which are addressed throughout this chapter.

By and large, the expected benefits to Irish farmers materialised (as outlined by McAleese in Chapter 8). Between 1970 and 1978, agricultural product prices rose 35 per cent in real terms and real incomes per head in agriculture more than doubled. The qualification to this positive experience was some increase in the volatility in farm incomes. He explains how the benefits from the CAP consist of both 'budget transfers' and 'trade transfers', and suggests that over the period 1979 to 1986 the combined gain amounted to around 6.5 per cent of GNP.

Indeed, McAleese argues that 'the scale and duration of the CAP transfers vastly exceeded expectations'. Consequently, it provided a long breathing space in which adjustment in agriculture could take place. As he says, from an historical point of view 'the question is how well this breathing space has been used'. While livestock and dairy output have undoubtedly increased, 'whether Irish food has also established the hoped-for brand image

and selling position in the European market is a matter of some debate'. He cites the NESC's observation that while the CAP had much to recommend it, it had one unfortunate consequence:

It could conceal the need for a range of long term national policies concerning the role of agriculture in the overall development of the economy, and the need for national policies to achieve agricultural objectives which were not, and probably could not be, addressed by the CAP

Indeed, in Chapter 9, FitzGerald argues that in the early years, and since, there has been a notable lack of forward thinking in agriculture. Instead of being satisfied with the huge accession price increases, Ministers for Agriculture succumbed to the short-sighted pressure for increases in the EU price itself. He reports that his own attempts to argue this case, as part of the overall EU policy co-ordination process, fell on deaf ears. 'As so often happens in politics, short-termism prevented any serious discussion of long-term strategy'.

A fundamental and enduring feature of Irish policy since accession was the judgement that, given the exportable surplus of food, Ireland's national interest lay in maximising CAP prices and agricultural supports. For a variety of reasons, this goal was seen as over-riding, or not fundamentally at odds with, possible countervailing concerns: the input prices facing Irish food-processing, the long-term development of the agricultural and food sectors or the prices to be paid by Irish consumers. This has attracted some criticism, as discussed in Section 5, below.

In discussing the experience of industry in the first fifteen years of membership we must distinguish between foreign-owned and indigenous firms. As FitzGerald notes, the potential growth of manufactured exports to Continental Europe 'was grossly under-estimated during the run-up to membership'. There was an unexpected increase in foreign direct investment by American companies, which sustained high growth of both exports and employment in chemicals, pharmaceuticals and engineering.

The experience of indigenous industry was more difficult. While manufactured exports to Continental Europe increased faster than expected, many sectors suffered import penetration. While there was a high rate of investment and new job creation, there were significant closures and job losses. The net outcome was positive in the 1970s, but it turned sharply negative in the 1980s, when international recession was reinforced by Irish fiscal correction.

As McAleese explains in Chapter 8, ‘Few indigenous firms (or foreign subsidiaries established under the protectionist regime) succeeded in making the necessary adjustment’. The collapse of indigenous industry, and the prolonged recession in the Irish economy in the 1980s, drove unemployment to unprecedented levels and created a new wave of emigration.

This radical adjustment in the structure of the Irish economy was interpreted as the response of firms to European integration. The removal of inefficient practices (the cold shower effect) and an element of product specialisation (intra-industry specialisation) offered some breathing space to indigenous manufacturers. But it did not, as in other countries, complete the process of adjustment. Because Irish firms’ basic scale was too small relative to their new competitors, and because they suffered a range of other competitive disadvantages, that breathing space was only temporary. Competitive pressure for further adjustment built up, forcing contractions of output and employment. In industries where economies of scale exist, contraction of employment and output tends to raise costs rather than lower them. Consequently, such ‘adjustments’, rather than re-establishing Irish competitiveness on a new basis, were the start of the process of long-run decline, inherent in specialisation between industries. The experience of Irish manufacturing between 1973 and 1987 can be seen to be consistent with a modern and realistic understanding of how trade and integration work where there are initial differences in levels of development, technology and scale of production.

The appalling experience of the 1980s, and its analysis as a failure to handle economic integration, had a significant influence on the approach of policy-makers and social partners to the dramatic deepening of European integration initiated by President Delors in the mid-1980s. However, as shown in Section 4, it did not prompt a retreat from European integration or internationalisation.

Society

The period of adjustment to European integration, from 1972 to 1987, was one of profound change in Irish society and Irish identity. Ryan observes in Chapter 6, that ‘Irish society has changed more over the past 25 years than at any time in its history’. Furthermore, ‘what took over 100 years in Britain and much of western Europe has all happened in Ireland in the space of a generation’. As in the economy, politics and public administration, there was a

complex combination of positive change and modernisation, on the one hand, and severe crisis and disorientation, on the other.

While the emergence of population growth in the 1960s—after a century of population decline—halted the erosion of national self-confidence, problems of dependency soon emerged. Economic dependency, the number of dependants per hundred workers, reached exceptionally high levels in the mid-80s. This rapid demographic transformation from population decline to population growth was an important source of the economic, social and political difficulties experienced in the first fifteen years of EC membership. It exacerbated the historical shortage of jobs, and called for greatly increased public spending in health, education, housing and welfare. Despite the emerging crisis in public finance, participation in second and third level education rose steadily, reflecting a strong Irish policy commitment.

Ryan shows that the social impact of EC membership has come from five main sources: legislation, funding, the EU administrative system, EU language and terminology, and the smaller programmes aimed at poverty, disability and gender equality. In the first period of EC membership, the most significant of these was legislation.

EC directives, combined with a new level of consciousness and organisation among Irish women, lead to significant legislative changes on gender equality. When an attempt was made to postpone implementation of Equal Pay Directive in 1975, Irish feminists appealed to the Social Affairs Commissioner, Patrick Hillery. His decision, that the directive must be implemented, provided an early demonstration of the significance of membership. Not only was a new political arena emerging, but its legal and political force was sufficient to transform participants, both Commissioner Hillery and Irish feminists and trade unionists, from national actors into players in a wider European political forum.

It can be argued that the good social effects of Europe, such as the legislation on women's rights, were 'double-edged'. O'Toole observes that instead of working through profound changes in our collective attitudes, we were presented often with a *fait accompli*. The Directives happened to us, we didn't make them happen. 'This is why so many of the changes in Irish values seem to have such shallow roots' This may underestimate the role of Irish feminists and trade unionists in the emergence of gender equality legislation, and their

role in seeking to have the law enforced. It may also underestimate the speed with which values can change, and the fact that institutions and laws can re-shape values.

I want to focus in a little more detail on one social change which is directly related to the EC and which is, in my view, critical in understanding modern Ireland. In an important paper, Damian Hannan and Patrick Commins have analysed the significance of small-scale landholders in Ireland's socio-economic transformation. They show that small-scale landholders, undoubtedly a disadvantaged group as Ireland joined the EC, devised a remarkably successful set of survival strategies in the subsequent decades. While the numbers in Irish farming fell steadily, the number of landholders has been stable. A range of EC and national policy measures and economic opportunities encouraged them to retain their land. They adapted their farm production, took off-farm employment, diversified their sources of family income and availed assiduously of the increasing educational opportunities. The result was that total disposable income increased faster than that on larger farms. More importantly, the educational participation and attainment of children from small farm backgrounds surpassed those of children from unskilled manual backgrounds. This is critical, given the role of education in determining access to occupational position in the new economy.

Hannan and Commins point out that these findings raise doubts about the image of cultural and socio-psychological 'demoralisation' which has dominated Irish rural anthropology, and indeed, political discourse. If we add to this, the experience of those larger Irish farmers who received much greater support from the prices and markets elements of the CAP, then we reach important additional conclusions about Ireland's experience. For all its faults, and important effect of the CAP (and the other policies which favoured rural Ireland relative to cities of the East and South) was that the project of Irish modernisation and European integration did not become divisive along urban-rural lines. Rural Ireland was, and remains, an enthusiastic participant in the integration project.

Hannan and Commins's analysis, combined with this wider observation, has, in my view, important implications for the interpretation of Ireland's experience in the EC. In particular, it knocks a major hole in that interpretation, developed by John Waters and Desmond Fennell, which identifies, indeed advocates, a conflict between urban and rural Ireland, 'blues' and 'greens', 'natives' and 'native settlers'. It is doubtful that dividing Irish society in

these ways makes sense. But, even if it did, the interpretation involves a gross misreading of the evidence of who has won and who has lost.

To the social economic and changes in the first period of EC membership—inward investment, industrial closures, mass unemployment, widened consumer choice, a new wave of emigration, increased rural prosperity, changing gender roles and rights, increased dependency, a fall in fertility—must be added a profound cultural and political crisis. The most striking example of this was the phenomenon of moving statues. To this can be added the Kerry babies case, the tragedy at Granard and the debate on the 1983 referendum on abortion. A nation which prided itself on its political tradition—whose citizens had for over a century survived, and often prospered, in the most advanced counties, whose political elite had skilfully negotiated a place in the world's most benign international regime—seemed happier to tear itself apart over abstractions, rather than look its problems in the face and act to solve them.

Politics and Administration

Ireland was scarcely in the Community when it had to assume the Presidency. The 1975 Presidency produced an accelerated learning process in the procedures and principles of the EC, and effectively transformed the Department of Foreign Affairs. The main elements of Ireland's administrative and political style in Europe, described and analysed by Brigid Laffan in Chapter 10, were established in the early years.

The high level of support among the Irish public for membership and the absence of splits in the political parties on Europe, facilitated an easy fit between Ireland and the Union. As Halligan says, 'Ireland slid effortlessly into the new role that awaited it in the EEC'. Ireland's policy style in Europe is agenda-driven, reactive and informal. European policy is managed much like domestic policy. The style is pragmatic, with a marked emphasis on those areas of Union policy that are regarded as vital to Ireland—agriculture, the EU budget, Structural Funds and EU regulations that might affect Ireland's competitive position. Like other small states, Ireland places a high value on the right to the Presidency and would strongly reject any idea that small states are less effective in that role. Irish participants in the Brussels process have a reputation as good networkers, a useful skill in a highly fragmented and complex policy process.

Ireland's administrative and policy adaptation to membership was shaped by the evolution of the Union itself. The elaboration of the Council of Ministers, following the Luxembourg compromise, both enhanced the role of civil servants and technical experts in the overall EU system and burdened them with heavy workloads. The emergence of the European Council increased the role of the Department of the Taoiseach in the management of EU business.

In addition to the relatively smooth adaptation of the political and administrative system to EC membership, some historically important decisions regarding Ireland's place in Europe were made in the first 15 years. One was the decision of the Fianna Fail government that Ireland would participate in the European Monetary system (EMS) and, particularly the Exchange Rate Mechanism (ERM), on their establishment in 1979. While the creation of the EMS was a significant step for Europe, for Ireland it was a radical departure, economically, politically and psychologically. It involved renunciation of our 150 year-old link with sterling, and therefore a redefinition of Ireland's economic and monetary relationship with Britain. As well as having immediate and on-going effects on the functioning of the Irish economy, it expressed the different approaches which Britain and Ireland would take to Europe in the following 20 years.

A second critical decision was that of Taoiseach FitzGerald, leader of the Fine Gael/Labour coalition, at the Milan European Council in 1985. Ireland supported the vote to convene an Intergovernmental Conference on the internal market and institutional reform. The use of the vote itself was historic and the outcome was historic, the Single European Act. Through that decision, and the subsequent Irish chairmanship of the Dooge Committee, Ireland placed itself firmly on the side of the re-launch of the Community led by President Delors (see Section 4, below).

Interpreting the First Fifteen Years of Membership

Ireland's new economic and political strategy had four significant successes from 1960 to 1987. First, after a century and a half of virtual stagnation, the country achieved relatively strong economic and demographic growth. Second, the country had achieved membership, on good terms, of the European Communities and become what Halligan calls a 'psychological insider' in the European project. Third, there was a dramatic structural

adjustment of the economy. In 1960, agriculture forestry and fishing accounted for almost 37 percent of all employment. By 1987, this had fallen to 14 per cent, reflecting rapid productivity growth. Fourth, these achievements were accompanied by a distinct modernisation. The period after 1960 saw a strong increase in living standards and expectations. Incomes, wages and welfare provisions converged with those in the UK and the quantity, quality and range of consumer goods increased strongly.

However, these successes were qualified in important ways. The development of viable, employment-generating, businesses outside of agriculture was in doubt. The adjustment of indigenous enterprises to international competition failed more often than it succeeded. By default, Ireland's economic strategy came to rely heavily on inward investment. While Ireland proved an attractive location, it was not clear that this was a basis for development. This raised questions about the adequacy of the industrial policy and prompted arguments for a greater focus on building strong indigenous enterprises and sectors.

Ireland's late baby-boom yielded an increase in social needs and labour force at a time of acute international and domestic difficulty. Growth and international comparison created increased aspirations, distributional conflict, new social needs and intensified political competition. Despite strong economic growth, inconsistent claims on Irish output were allowed to develop and were resolved in ways which created major economic problems. Ireland's strong recovery from the recession of 1974-75 was largely driven by increased public spending and borrowing. Buoyant domestic growth in the 1960s and 1970s postponed the day of reckoning for much indigenous manufacturing industry and cloaked the problems of Ireland's political economy. However, in the 1980s the underlying weaknesses were cruelly exposed.

At a national level, the severity of the experience of the 1980s altered perceptions of the Irish economy and society. The failure, once again, of indigenous development, and the emergence, once again, of emigration as the best option for the young, gave rise to a number of major studies of Ireland's 'economic failure', in which Ireland's position within the EC figured prominently. Crotty argued that Ireland should be compared with third world countries, in which the social and political structures established under colonialism are used by the state in ways which favour entrenched elites. O'Hearn traced Ireland's long-run

failure to its outward-looking free market strategy, which made Ireland a ‘classic case of “dependent” relations: slow growth and inequality caused by foreign penetration’.

From the current vantage point, it is possible to interpret the experience from 1960 to 1987. Despite the enthusiasm for EC membership, the approaches adopted reflected insufficient awareness of international competition. Inevitable adversities were allowed to become divisive and produced delayed and insufficient responses. The inconsistent claims on Irish output were resolved by inflation and public borrowing. Although Ireland handled certain aspects of EC membership relatively successfully, particularly the CAP and Structural Funds, and although it was instinctively supportive of new European initiatives, such as the EMS and the 1995 InterGovernmental Conference, these were allowed to occlude the wider policy and behavioural requirements of internationalisation. The common factor in each of these failures would seem to be insufficient appreciation and acceptance of the interdependence of the economy and society interdependence: between the indigenous economy and the international economy, between the public and the private sectors, and between the economic and the political. Organisational and institutional arrangements capable of identifying and mediating these mechanisms and pressures were not in place, and seemed beyond the capability of Ireland’s political, administrative and interest-group system. By the mid-1980s—with the national debt rising towards 120 per cent of GDP, unemployment at 17 per cent of the labour force and emigration returning towards the levels of the 1950s—Ireland’s economic, social and political strategy was in ruins, and its hope of prospering in the international economy was in considerable doubt.

4. EUROPE RELAUNCHED AND IRELAND TRANSFORMED

The turnaround achieved in Ireland in the late 1980s involved both intense reflection on the experience of European integration and a re-launch of the integration process at European level. From within the traumatic experience of the 1980s, there emerged a new perspective on Ireland’s position in European integration and a globalising economy. This Section summarises the main developments in the period since 1987. It begins by noting the major innovation, the social partnership approach to economic and social management, and discussing the role of Europe in its emergence. Attention then turns to the remarkable

advances in European policy—the internal market programme, the doubling and reform of the Structural Funds and the transition from EMS to EMU—and an assessment of their impact on Ireland.

Social Partnership

A major development during the period of transformation since 1987 was social partnership. In a context of deep despair in Irish society in the mid-1980s, the social partners, working through the National Economic and Social Council (NESC), hammered out an agreed strategy to escape from the vicious circle of real stagnation, rising taxes and exploding debt. The NESC's 1996 *Strategy* report formed the basis upon which a new government and the social partners quickly negotiated the Programme for National Recovery to run from 1987 to 1990. This was the first of four agreements which have recently brought Ireland to a more than a decade of negotiated economic and social governance.

The partnership programmes enlisted trade union support for a radical correction of the public finances. In return, the government accepted that the value of social welfare payments would be maintained. Each programme outlined agreement on wage levels in both the private and public sectors for a three-year period. In addition, they established agreement on a wide range of economic and social policies—including tax reform, the evolution of welfare payments, trends in health spending, public sector reform, measure to combat social exclusion, enterprise-level partnership, exchange rate policy and the Maastricht criteria. New institutional mechanisms were created to monitor implementation and ensure ongoing dialogue between government and the social partners on economic and social policy. An important feature of the recent Irish approach is the attempt to widen partnership beyond the traditional social partners (unions, business and agricultural interests)—to include the community and voluntary sector, women's groups, the unemployed and the disabled.

Social partnership can be seen as related to Ireland's deepened involvement in Europe. There were a number of definite, if indirect, European influences on the development of partnership after 1987. The intensification of international competition, Ireland's disastrous competitive performance in the 1980s, and a new shared understanding that competitiveness was the precondition for achievement of all other economic and social goals, was the central motivation for the partnership experiment. The need to adhere to the disciplines of the

EMS—in both wage bargaining and public finance—was both a motivation and concrete goal of the partnership programmes. This way of achieving low inflation—a hard currency peg (or independent monetary policy) combined with co-ordinated wage setting—was typical of the most successful continental European countries, and contrasted with that of the UK. Social partnership shifted Irish economic policy, and particularly Ireland’s political economy, from a British towards a European model.

More directly, involvement in Europe had exposed Irish union and business leaders to the models of consensus-based ‘social partnership’ in many European countries. Fintan O’Toole exaggerates only slightly when he says ‘The language of consensus and partnership, derived directly from the EU, became the new political vernacular’. This is certainly true in the area of industrial relations. Ireland had inherited the adversarial British approach, and had followed Britain in moving towards industrial conflict in the 1960s and 1970s. This contrasted with institutions and methods used in the more successful European countries during the post-war period. Irish unions gradually became aware of alternative approaches, and by the late 1980s several union leaders cited the German ‘social market economy’ as a desirable model, and a reassurance that the new emphasis on fiscal correction and market conformity was not the same as the low-road, neo-liberal, model emerging in Britain.

While the emergence of Ireland’s social partnership is undoubtedly part of its Europeanisation, this should not be seen in reductionist terms as Irish adoption of single, superior, ‘European’ approach. The integration process seldom works like that. There is no single European model of ‘social partnership’. For many years, the most conspicuously neo-corporatist countries—Sweden, Norway and Austria—were not participating in European integration. The Irish version of social partnership has turned out to differ significantly from other European models, particularly that of Germany. As Ireland moved towards social partnership, many European countries seemed to be moving away from it. Nevertheless, it remains true, as Peter Cassells emphasises in Chapter 7, that in a critical period important Irish actors saw partnership as validated in continental Europe and necessary for success in the emerging European economic and monetary union. Indeed, the 1990s have seen a re-emergence of tripartite, consensus-based, public policy in many member states. The social pacts emerging across the Union are similar to the partnership programmes in place in Ireland since 1987 (see Sections 5 and 6 below). A European process is undoubtedly underway in the area of social concertation, although it remains to be adequately analysed and

characterised. Study of the wider integration process warns us not to expect simple convergence towards a single, pre-existing, European model.

A New Perspective On European Integration And Internationalisation

It is notable that those studies that saw Ireland's engagement in European integration and the international economy as the source of ongoing economic failure, were never seen as offering a guide to practical action. Indeed, the significant development in ideas and policy in the late 1980s involved a new recognition of the link between domestic policy (and action by non-state actors) and international developments. Far from accepting the analysis of Crotty or O'Hearn, there emerged a view that internationalisation, and European governance, while they had exposed critical weaknesses in Ireland, were no longer the *cause* of those weaknesses. Indeed, even deeper European integration and internationalisation, when properly understood and managed, came to be seen as a route to success.

This widely shared new perspective was reflected in Irish approaches to the key dimensions of integration. While membership allowed the country to achieve one of its agricultural policy aims—access to a large, high-priced market—attention turned to problems in agriculture which remained despite, or because of, the CAP. The loss of so many indigenous businesses was traced to failure of industrial policy and the uneven growth of domestic demand. Considerable advance was made in the understanding of economic and monetary union and there was greater recognition of the constraints which interdependence, particularly the EMS, places on domestic monetary and fiscal policy. It was noted that the effects of integration can take considerable time to work themselves out, adjustments to membership of the EC being experienced in the 1980s as well as the 1970s. Indeed, it came to be recognised that internationalisation is an ongoing process which throws ever greater sections of the economy and society into international competition.

While Ireland's approach to the Community continued to focus, to a considerable extent, on the cohesion question and the Structural Funds, an attempt was made to put cohesion in the correct perspective. The continuing importance of domestic policy was emphasised, and a perspective sustained on how the cohesion question relates to the wider set of EU goals and policies.

The political dimension of European integration was more deeply and, importantly, more widely, understood in the late 1980s. This was reinforced by the SEA, the analysis and implementation of which undermined the element of opposition to European integration which had developed within Fianna Fail during the early 1980s. Economic actors came to recognise what Irish officials had long understood: that small states generally benefit from the formal, legal, supranational elements of integration, whereas larger and more powerful states can work intergovernmental negotiations to much greater effect.

NESC summarised its detailed study of Ireland's experience in the EC with the general lesson that 'membership of the Community does not reduce the need for clear Irish policy aims and methods. In particular, membership of the Community does not diminish the need for a national ability to identify solutions to national problems—even where those solutions require Community policies and action.

The European Internal Market Programme

Perhaps the most significant aspect of Ireland's first twenty five years in the EC has been the completion of the internal market. At EC level, there was a growing recognition in the mid-1980s that the common market in industrial goods remained incomplete and the common market in services, capital and labour was scarcely begun. This was because cross-border business activity was hampered by a range of non-tariff barriers, such as state aids to business, national technical standards, nationalistic government procurement, national professional qualifications and national regulatory regimes in sectors such as banking, insurance, telecommunications, transport, energy and postal services. As explained by McAleese in Chapter 8, President Delors used an ambitious programme to remove these non-tariff barriers as the flagship for his re-launch of the Community. The internal market programme consisted of three hundred legislative measures to deepen the internal market in goods, establish an internal market in services, make real the free movement of workers and enforce Community principles in public procurement, state aids and competition. In many sectors—such as transport, energy and telecommunications—the creation of an internal market required the formulation of a sectoral policy by the Community.

Given the decimation of indigenous Irish industry in the earlier phase of integration, it would not have been surprising if Irish leaders were resistant to the internal market programme. Attention did focus on the possible effects of deeper economic integration on the regional pattern of economic activity in Europe. This suggested that while there was no determinate trend, there was a risk of greater concentration of economic activity in the core of Europe. Irish and Spanish articulation of this possibility, and the Commission's desire to balance market deepening with greater economic cohesion, were important factors in the doubling and reform of the Structural Funds which accompanied the internal market programme.

Industry-specific analysis suggested that in many areas of manufacturing, the fragmentation of the European market was of more advantage to the large member states than to the small. While the creation of international competition in services—such as banking, insurance, telecommunications, energy, and transport—created some risks for Irish firms, many of these sectors had consolidated and achieved scale. In any case, the long term competitiveness of Ireland's overall economy required more competitive service sectors.

From intense study and deliberation, there emerged a recognition that the '1992' program must be seen in the context of other changes in the general economic environment affecting business, many of which are independently encouraging internationalisation. Overall, it was judged that the prospects for a small peripheral member state were better in a deeply integrated economic, monetary, social and political union, than in a free trade area which left more decisions to the play of diplomatic power. For example, the Irish Congress of Trade Unions (ICTU), which had opposed not only accession in 1972, but also the SEA in the referendum of 1987, was, by 1989, promoting integration in a campaign entitled 'Make Europe Work for Us'.

As it transpired, the completion of the European internal market internal was a most important factor in the recovery and re-orientation of the Irish economy. It also had a profound effect on the relation between the state and the market. It is now clear that Ireland's overall approach to market and social regulation has been significantly re-shaped by membership of the EU.

First, the internal market was a cause of the increase in US and Japanese investment in Europe in the late 1980s and early 1990s—as companies sought to get inside the large, new,

single European market. Ireland's membership of the EC, and clear intention to participate in the deepening of integration, was a major element in our attractiveness to the new wave of companies investing in Europe.

Second, for Irish companies that had survived the shake-out of the early 1980s, and for new firms, the internal market provided both new market opportunities and a focus for their business strategy. Every sector and company was invited to analyse its readiness for intensified competition and wider market opportunities. Issues of peripherality and market access were widely discussed, and all sorts of solutions found. One of the striking changes in Irish business in the past decade is precisely in logistics.

Third, this energising effect of the internal market was particularly important in services—such as banking, insurance, finance, aviation and road haulage—which had operated in a relatively protected environment. Irish citizens and companies benefited significantly from the lower prices and better quality induced by more competition. Irish companies have responded to increased competition by adopting aggressive strategies at an international level. McAleese points out that there was very significant inward investment in services, particularly in the International Financial Services Centre. Much of the increase in Irish employment in the 1990s has occurred in the market services sector.

An important element of the European internal market was free movement of capital. This was promoted by abolition of exchange controls throughout the Community and creation of a regulatory framework for a 'European financial area'. This has benefited Irish individuals and companies, allowing them to access capital abroad, diversify their portfolios and maximise their return on capital. It has assisted fiscal correction by imposing an element of market discipline on government. However, increased capital mobility has made tax evasion and avoidance easier. As McAleese notes, governments in high tax jurisdictions are under pressure to reduce tax rates so as to minimise incentives to transfer capital to lower tax jurisdictions. In the years to come, taxation will undoubtedly become a matter of international co-ordination, with the EU playing a key role.

Fourth, during the 1990s, Irish competition policy was aligned with European law and the role of the Competition Authority strengthened. This has benefited Irish consumers and

enterprises. A deeper long-term effect may be the emergence of a competition culture in Ireland.

Fifth, a critical aspect of the internal market programme was increased EC monitoring and control of state aids which distort competition between firms in different member states. In Chapter 8, McAleese observes that ‘an Irish government untrammelled by Brussels would have found difficulty in turning off the flow of subsidies to several economically weak but politically sensitive companies (Irish Steel, Aer Lingus and the beef processing industry for instance)’. The internal market strengthened the hand of government by limiting its freedom to provide state aid. It did not entirely undermine the state’s developmental role, as the EU has allowed more leeway for state aids in Objective 1 regions. While the restriction of state aids to the large state-owned firms forced them to review and improve their commercial performance, there remains a fear that the clientelist tendency in Irish politics has been diverted to new sectors and new types of support.

Sixth, the internal market was, and will be, the cause of radical change in public utilities—telecommunications, electricity, gas and postal services—which have traditionally been high-priced, inefficient, and tend to be run more for the benefit of providers than as a service to the public.

Overall, the combination of social partnership and the European internal market programme is a particularly interesting aspect of the Irish story. Social partnership has all sorts of advantages. But one possible limit of consensus is the difficulty of undertaking radical action which disrupts entrenched interests—such as those in Telecom Eireann, ESB, Bord Gais, An Post or protected sectors such as banking and insurance. As McAleese says, Irish policy makers were not inclined to rock the boat in protected public utilities and services. (Although, in my view, we were even *less* likely to achieve change in these sectors without social partnership, given the power of lobbies over Irish political parties). In any event, while social partnership stabilised the economy, European integration produced a steady pressure to make public utilities and services more efficient, consumer-oriented and independent of overt or covert state subsidy or protection. Thus Ireland benefited from an unusual, but benign, combination of institutionalised co-ordination of the key economic actors and pressure for market conformity.

As the century ends, it is clear that Ireland's approach to market regulation—and the relationship between market, state and society—has been significantly re-shaped by membership of the EU. One way to see this is to list the independent regulatory agencies established since accession, particularly those created since the internal market programme in the late 1980s. The process began with the creation of the Employment Equality Agency in 1977 and the Director of Consumer Affairs, in 1978, both the direct result of EC policy. As the internal market programme took hold, we saw the creation of the Health and Safety Authority, in 1989, and the Pensions Board in 1990. There followed a torrent of institution-building with the establishment of the Competition Authority, the Environmental Protection Agency and the Radiological Protection Institute in 1992, the Irish Aviation Authority and the National Milk Agency in 1994, the Food Safety Authority in 1995, the telecommunications regulator in 1997 and a new energy regulator in 2000.

These new regulatory agencies have three important characteristics. First, they are independent of government and politics. The independence from government contrasts with the traditional Irish approach, which involved public ownership of most public utilities—such as electricity, gas, postal services, telecommunications and many other companies—and direct state responsibility for the setting and enforcing rules in highly regulated sectors, such as financial services. Second, they separate supply of a product (or provision of a service) from regulation. Previously, state agencies such as An Bord Bia (the Food Board) or An Bord Bainne (the Milk Board) had responsibility for both the commercial development of these sectors and for standards within them. The creation of the Food Safety Authority and National Milk Agency assigns the regulatory function to a separate agency. Third, most of these new agencies are a part of a network of European regulatory agencies. For example, the Environmental Protection Agency works in a network with the European Environmental Agency and the agencies in other member states. Research at EU level suggests that involvement in these European networks enhances both the technical expertise and professional standard of independent regulatory agencies.

This reconfiguration of market regulation is a major change in Irish public administration and policy. While it moves certain functions from government departments to independent agencies, the internal market programme nevertheless intensified the interaction between the Irish administration and Europe. It increased the EU workload in those Departments which had existing relations with the Union, and brought European policy issues, directives and

regulations to new departments, such as those regulating services and public utilities. This increased workload occurred without additional staff because of severe financial constraints. As Laffan shows in Chapter 10, this accentuated an existing feature of Ireland's administrative approach. Irish civil servants service a wider range of committees than their counterparts in other member states, and are responsible for the implementation of laws once passed.

Indeed, the enormous expansion in EU regulation which followed the Single Act did lead to problems of implementation. At the beginning of the 1990s, Ireland's implementation record, which had been relatively good, began to deteriorate. It took a number of years to improve the transposition of EU legislation. Late implementation of a gender equality Directive in social security in the 1980s, led to successful legal challenges by a number of Irish women through the Irish and European legal systems.

Structural Funds and Policy Innovation

Assessments of Ireland's membership of the EU often emphasise the receipt of Structural Funds in the late 1980s and 1990s. It is important to note that the internal market programme, and the Treaty of Maastricht, provided the context in which the Structural and Cohesion Funds were increased and reformed, in what are known as the Delors I and Delors II packages. Indeed, as is shown below, the true impact of the funds cannot be ascertained outside of that context. There is no doubt that the Structural Funds have had a significant impact on the Irish economy, administration and public policy.

During the decade from 1989 to 1999 Ireland's receipts from the Structural Funds amounted to about 2.6 percent of GNP (McAleese, Chapter 8). This scale of assistance can be compared with World Bank estimates of aid flows to middle income developing countries of 1 per cent of GNP. If receipts under the guarantee and guidance sections of the CAP are included, then Ireland's net receipts from the EU averaged over 5 per cent of GNP throughout the 1990s, peaking at 7.6 per cent in 1991 (see Table 8.7).

The impact of the Structural Funds on the Irish economy and society is hard to quantify. Most statistical estimates calculate the impact on economic growth assuming a certain rate of return on investment in infrastructure, training etc. As McAleese says, most people are rather

surprised by the modest effects thrown up by these economic impact studies. They suggest that the Structural Funds received under the Delors I and Delors II packages have increased the level of GNP by 2 percentage points. McAleese suggests that the econometric models may underestimate the impact because they necessarily exclude certain important non-quantifiable effects.

Among these is the impact on public policy. Irish policy had a strong developmental bias since the late 1950s. The severe fiscal crisis of the 1980s meant that expenditure control became an absolute priority. While this was necessary, it did have the effect of crowding-out developmental considerations. The doubling of the Structural Funds in the late 1980s, and the significant reform in their principles and procedures, had an important effect in re-introducing developmental thought and procedures into the Irish public service.

In addition, the emphasis on programming, monitoring and evaluation in the reformed Structural Funds had a significant impact on the procedures of Irish public administration. For a variety of reasons, the Irish system did not have a strong tradition of monitoring and evaluation. The Structural Funds prompted the creation of new Evaluation Units, whose work has made an important contribution to the revision and improvement of Irish policy. The increased Structural Funds produced a step-increase in the administrative engagement with the Union. The civil service had to rely on the semi-state sector for technical support and analysis.

Membership of the EU has had significant implications for the auditing of public expenditure. While Irish public administration has a long tradition of political independence and a high level of propriety, financial transactions between the Union and national level have introduced a new layer of auditing.

Through the Structural Funds, EU membership has begun to have some effect on the regional dimension of Irish policy. In the 1970s, the Structural Funds reinforced the centralisation of Irish policy. However, the reform of the Funds in the late 1980s introduced the principle of 'partnership'. The Community was anxious that the development programmes supported by the Funds be designed and implemented by a partnership between national government, regional interests and, in some contexts, the social partners. In order to comply with this, the Irish government established a set of regional consultative committees and eventually a set of

Regional Authorities. While opinions differ on the significance of regional consultation and monitoring, there is no doubt that the politics of development has evolved to include diffuse interests including local authorities, community groups, environmental groups, and the social partners.

There was also a European dimension to several of the innovative and experimental policy approaches adopted by Irish government and public agencies in the past decade. One example is the partnership approach to local development, involving the social partners, the community and voluntary sector and state agencies. This approach was prompted both by earlier Community Initiatives on poverty and rural development, and a recognition, in the 1990 national partnership programme, of the limits of mainstream, centralised, government policy in solving problems of long-term unemployment and local degeneration. After an experimental pilot programme, this approach was included in Ireland's National Development Plan in 1993 and supported under the Structural Funds. Indeed, the Irish government made local development one of the themes of its 1996 Presidency, and found great interest in other member states. Ireland's approach to local development was the subject of an OECD study, which judged it to be an experiment in economic regeneration and participative democracy which is, potentially, of international significance. There is much evidence that the Union, through the Commission, is a stimulus to policy innovation and experimentation. The Irish experience supports this view.

From EMS to EMU

Britain's unsuccessful post-war combination of macroeconomic policy and income determination—characterised by confrontational industrial relations and a political business-cycle—weakened Ireland's competitiveness and imparted an inflationary and conflictual bias to our wage bargaining. As Halligan says in Chapter 3, Ireland's membership of monetary union with Britain meant that neither exchange nor interest rates could be used to stimulate economic growth. He notes that 'this restriction on the exercise of economic independence excited little political comment, and none at all from the class of academic economists which has been so critical of EMU in recent years on precisely these grounds'.

Ireland joined the European Monetary System on its establishment in 1979, thereby abandoning its 150-year link with sterling. With sterling volatile and outside the system, the

EMS was naturally a difficult regime for Ireland. The painful experience of the early 1980s showed the need for greater discipline in both public finance and wage bargaining. Ireland used the realignments in the ERM to pragmatically steer a middle course between sterling and the DM. Consequently, the regime was associated with very high and volatile interest rates and a fairly volatile exchange rate against all our trading partners. ‘Nevertheless’, says Honohan, ‘it has to be acknowledged that the fiscal crisis was not allowed to spill over into monetary excess and accelerating inflation, such as has been experienced in many other countries in fiscal crisis’.

A policy approach consistent with low inflation and economic growth was achieved through a combination of EMS and the social partnership programmes, in place since 1987. These produced wage growth consistent with competitiveness and embodied a negotiated consensus on a range of economic and social policies, including the Maastricht criteria for entry to EMU.

With the completion of the internal market, the issue full monetary union was reopened at Community level. The internal market deepened economic union, undermined the ERM and led directly to the Maastricht treaty. It became widely accepted that only through EMU could Europe avoid damaging exchange rate volatility. In the longer term, there was a strong sense that the US could not have developed as it has, or remain the world’s leading economy, if its states or regions retained separate currencies. The length and depth of Europe’s quest for exchange rate stability is not recognised or understood by those Irish economists who see monetary union as a purely political project.

Given its difficult experience in the EMS, Ireland was supportive of the move to EMU. This was reinforced by a new perspective on the regional effects of integration. In the 1960s, it was believed that it is the *monetary* stage of integration that presents weaker or peripheral regions with the greatest problems. By the late 1980s, there was more focus of the *economic* forces unleashed by free trade and mobility of labour and capital, and less belief that devaluation could offer protection from competition. This new perspective—which is borne out by our history—took Irish concern away from monetary integration and focused it on the *real* factors which determine international competitiveness. For at least a decade from 1988, it was the working assumption of Irish leaders that we would join EMU. This was seen not so much as a surrender of sovereignty, as a focus on areas of *effective sovereignty*—supply-

side measures, social cohesion and co-operation—where Ireland still influences its own prosperity.

It is significant that social partnership and European integration were the subject of consensus—across both the social partners and the party political spectrum. Adopting this approach, Ireland has made major advances in economic management and performance. This consensus took the exchange rate, and therefore inflation, outside day-to-day party political competition and industrial relations conflict. It freed government, management and unions to focus on the real economy. EMU was seen as offering Ireland the opportunity to copper-fasten that approach.

Although the Maastricht Treaty was ratified by referendum in 1992, there was a mini-debate on EMU in the late 1990s. Given UK non-participation, it is not hard to show that EMU might occasionally yield an exchange rate with sterling that is not ideal. This was the main basis for argument against EMU advanced by certain economists in the late 1990s. EMU was criticised on the assumption that the ‘correct’ exchange rate can be costlessly identified and achieved. But the real alternative was different, and had three negative aspects. First, the comparison should have been between an imperfect EMU and a regime of currencies undershooting and overshooting.

Second, the alternative to EMU would have brought the exchange rate back into the political arena. Ireland had 8 changes of government and 7 elections since we joined EMS in 1979—a high number by European standards. If even *one* significant political party had been persuaded by the opponents of EMU, then it is hard to imagine that we could have had the consistent economic policy of the past thirteen years. The non-EMU framework would have enmeshed policy in inconclusive doctrinal and technical debates.

Third, the alternative was one that would have abandoned or undermined the social partnership approach. It is no coincidence that the opponents of EMU are also the most vehement critics of social partnership. They have argued that social partnership is undemocratic, increases trade union power, maintains high unemployment, reduces flexibility and prevents adjustment to movements in sterling. These arguments employ a doctrinal notion of wage flexibility, missing the substantive flexibility, and incentives to co-operation, in the more pragmatic partnership approach.

McAleese summarises well when he says that the failure of the anti-EMU case can be traced to three main defects:

One relates to *timing*—the anti-arguments have come too late in the decision-making process. Another defect relates to *content*. The arguments are substantive, but not compelling. The final problem concerns *perspective*. A decision to go into or stay out of EMU should not be dictated by short-term considerations, whether they be the specific sterling exchange rate in any month or the existence or absence of a housing boom in Dublin. A decision to stay out of EMU would have required the articulation of an alternative strategy for Ireland's long run development, not just a simple "no".

To be fair to the opponents of economic and monetary union, they might be considered to have offered an alternative strategy. For, as noted above, the case against the deepening of European integration was closely linked to the case against social partnership; and with the case for decentralised, de-politicised, wage bargaining and retention of currency sovereignty as an instrument of activist macroeconomic management. But that alternative economic and political strategy—with its textbook separation of market and state, objection to the linking of economics and politics, and insistence on the sovereignty of government both internationally and domestically—had limited appeal Irish economic or political actors. By the time this case was put, key actors had not only developed a shared perspective—based on a high level of consensus and participation in Europe's path to EMU—but seen it produce a dramatic transformation of the economy.

5. INTERPRETING THE ROLE OF EUROPE IN IRISH DEVELOPMENT.

Europe's New Governance and Ireland's Transformation

Consider the number and variety of European influences identified in our survey of the first twenty five years: inward investment, Structural Funds, developmental planning, monitoring and evaluation, competitive re-orientation of Irish industry, access to European markets in both products and services, a new regulatory framework in services and utilities, new standards and agencies for consumer rights, environmental protection and social regulation, financial discipline, low and predictable inflation, capital mobility without severe volatility, effective exchange rate policy, a conception and language of social partnership and

consensus, and support for policy innovation and experimentation, especially in the sphere of social exclusion and local development. There can be no doubt that the deepening of European integration, and the emergence of a new shared perspective on Ireland's place in Europe, was a profound influence on Ireland's economic and social experience, particularly in the past decade.

The reader might be tempted to ask whether this is to claim too much. Was Ireland unique in being so thoroughly influenced by the Union's policies, institutions and laws? Why was Ireland so deeply affected? The answer to these questions can be found if we forget Ireland, and look at the same decade and a half from a European perspective. Here I mention a few characteristics of the Union, which show why it might have a profound effect on a country like Ireland.

The completion of the European internal market is of historic significance. With it, the EU signalled that it did not intend to be by-passed by the dynamic change occurring in the world economy, did not intend to live off its past wealth, becoming a *rentier* continent. In the circumstances prevailing in the 1980s and 1990s, prioritising European integration (without a Fortress Europe) cut with the grain of fundamental changes in economic organisation, public administration, social life and technology. A significant part of that movement was the liberalisation and internationalisation of markets. The quantitative accumulation of market-opening measures produced a qualitative shift in the degree of integration, the pattern of market governance in Europe and, it seems, in the nature of the integration process.

Rather than amassing extensive and autonomous political authority, the Union gradually altered the exercise of national political authority by enmeshing the member states in a web of collaboration and co-operation. The governance of the Union rests largely on embedding the national in the European and the European in the national. This is achieved through institutionalisation and constitutionalisation. The complexity of this enmeshing defies any neat division between Union and national competencies. The implications of integration were taken inside each national system, as a source of regime change and institutional adaptation. Scholars of European integration have been seeking a terminology to capture this aspect of the system. One emerging description is 'multi-level governance', which is contrasted with the 'state-centric' conception which dominated earlier analyses of European integration.

Second, openness to Europeanisation, and adaptation to internationalisation, varies from member state to member state, and across different social groups. In some states, and among some social forces, a nostalgia for the grand era of the West European state is still evident. Given Ireland's complete lack of nostalgia for the grand era of the European state, and a desire to escape from the not-so-grand era of the closed Irish state, it was very open to both Europeanisation and internationalisation.

Third, the EU is a strong example of what is becoming known as 'new governance'. Governing is no longer conducted exclusively by the state. It is undertaken by networks of public, private and voluntary groups. The function of governance is primarily regulation of activities, markets and risks, rather than state ownership or management. The new governance, when it works well, transforms 'bargaining' into 'problem-solving'. In research on the EU, there is much interest in identifying the degree to which problem solving governance replaces lowest-common-denominator outcomes. While patterns of economic and social governance are moving in this direction in the member states (and across the world), this is reflected *more quickly* and *more visibly* in the Union, since it is new, always part-formed, decentralised, and unburdened by the large-scale expenditure programmes of the post-war nation state.

Fourth, the Union should be seen as a new model of internationalisation. The European model of internationalisation involves voluntary freeing of trade and significant deregulation, combined with new rule-setting, the development of common policies, the creation of institutions for permanent negotiation and the development of redistributive mechanisms. This contrasts with the forms of internationalisation which have dominated world history for many thousands of years: imperial conquest, colonisation, freeing of trade under a hegemonic power, and in the post war period, multilateral trade liberalisation.

These characteristics resolve much of the mystery about why European integration should have had such significant effects on Ireland since the mid-1980s. During this period it was profoundly altering the sovereignty, governance and government of *all* countries in the Union—transforming them from *nation* states to *member* states. But the effect on Ireland was likely to be greater. The EU was becoming a new model of internationalisation: one which goes far beyond free trade, constrains the naked use of economic and diplomatic

power, is law-based and consensual. This could be particularly transformative for a country which had for centuries experienced the sharp end of internationalisation in several other guises: colonial conquest, undemocratic incorporation in an imperial state, de-industrialisation, catastrophic migratory flows, and, after independence, supplicant status in the international diplomatic order.

A similar view is expressed by Garvin in Chapter 4, who argues that ‘in these island’s Europe symbolises the end of empire and therefore the obsolescence of the ancient English-Irish quarrel’ This, he says, has been ‘the true European achievement in Ireland’, an achievement which far outweighs the undoubted economic benefits. ‘The odd thing is, we have scarcely noticed that the eight hundred year war is over, dying quietly and unmourned sometime between 1972 and 1998’. Likewise, Fintan O’Toole has suggested that ‘the strange paradox of the first 25 years of our participation in the EU is that in the act of pooling our sovereignty we have discovered why we wanted it in the first place’. In Chapter 5, Martin Cullen argues that membership has ‘developed and strengthened Ireland’s capacity to engage the outside world’ and suggests that our changed perception of and relationship with Britain would have ‘been very much slower, and very much less self-assured, had we not had the European Community’.

If the emergence of a new model of internationalisation was critical, there was a further synergy in the Irish case. Different kinds of bankruptcy pushed the EU and Ireland in similar directions. The degeneration of the European integration process in the 1970s and early 1980s, and the sheer stasis of its larger continental member states, pushed Jacques Delors to radical action; but, the constraints on Union action dictated a reliance on consensus-based, multi-level, associative, experimental approaches. The failure of Ireland’s political, commercial, social and interest-mediation systems, pushed Ireland to try something new; but, the limits of state-led development and policy, and the lack of support for neo-liberalism, dictated reliance on consensus-based, associative and experimental approaches. Both were in uncharted territory, and both had to achieve a move from bargaining to problem-solving—of exactly the sort described by Monnet in his 1962 essay ‘A Ferment of Change’, quoted at the head of this chapter. A summary interpretation of the role of deepening European integration in Irish development is presented at the end of this essay.

Differential Impact on Government, Interest Representation, Society and Party Politics

Membership has had a profound impact on Irish government, interest representation and society. By contrast, European integration would seem to have had less direct impact on Irish party politics. Here we summarise the impact in each of these spheres, and suggest an explanation for the differential influence.

Government

The impact of integration on government has been significant. As shown in chapters 10 and 11, the high level of consensus on EC membership meant that civil servants and government ministers were free to deal with EC issues using existing procedures and norms. Irish ministers, civil servants, officials in the state-sponsored sector, and representatives of interest groups now participate in thousands of meetings at ministerial and official levels in the Council and the Commission. Committees and working parties are a core element of the Union's governance structures. Performance of the Presidency is highly valued, extremely demanding, but is a major focus for Irish civil servants and ministers. The impact of the EU varies across government Departments, depending on whether their engagement with the Union is over-arching, multi-sectoral or sectoral. After 1988, the Community had the effect of strengthening programming, monitoring and evaluation within the Irish system. The EU has added a new layer to the auditing of public expenditure. Membership has moved Ireland's approach to market and social regulation towards independent regulatory agencies. While EU policy has prompted Ireland towards new forms of regionalisation, this has not been at the expense of central government. The 25 years of membership have seen a significant strengthening of strategic policy approaches. There has been an emerging strand of experimentalism in Irish public policy, which has been supported, and sometimes prompted, by the Union. It is notable that almost every one of these changes in government has strengthened the executive relative to the Oireachtas, but not relative to interest associations, market operators, the European Commission or the Court of Justice.

In Ireland's case, this effect has been enhanced by the extent to which national policy is dominated by the CAP and the Structural Funds. In regard to EU policy, the opposition is more like the snooker player who is not at the table, than a traditional parliamentary

opposition. They know that they would approach the issues in a very similar way. They know that vocal opposition, or undermining of the government's position, is likely to be futile, or damaging, or both. While perceived instances of gross clientelism, such as the Healey-Rae affair, create an opportunity to attack the government's approach, this is the exception rather than the rule. Reflecting the importance of national representation, O'Toole has argued that Ireland has taken extraordinarily well to the EU partly because it has spoken simultaneously to both our 'traditional' and 'modern' sides. 'While speeding up our often painful transition into a modern society, it has also, oddly, vindicated one of our stronger traditions: nationalism'.

Interest Representation

Reflecting the experimentation with new policy approaches, there has been significant change in interest representation. From the outset, economic interests that were most affected by EU policies mobilised and established a presence in Brussels. As Laffan emphasises in Chapter 10, mobilisation is not limited to economic interest groups. With the expansion of the remit of the Union, women's groups, environmentalists, local authorities, anti-poverty groups, consumer groups, citizens groups and welfare rights groups participate in the Brussels arena of politics. They are drawn into transnational politics by EU finance, the deliberate creation of networks by the Commission and the desire to influence the direction of EU regulation and policy. Revitalised community groups, a marked feature of Irish politics since the late-1980s, look to EU involvement for money, policy strategies and channels of influence over the Irish Government. Validation by the Commission can be an important resource in dealing with the Government at home. A voice on national policy can be found at both European and national level.

Society, Culture and Identity

The first 25 years of EU membership have also seen an astonishing set of social changes. Perhaps the most dramatic was that in the role of women in society, the economy and public life. The long process of reforming legislation and changing attitudes—which seemed an uphill battle in the 1960s and 1970s, and looked as though it might be reversed in the psychosis and reaction of the 1980s—suddenly bore fruit, as women emerged in every area of life. Mention has been made of urbanisation and the modernisation of rural society. A

significant set of changes, as yet undocumented, is the emergence of an entrepreneurial culture and the adoption of radically new approaches to management and organisation. Without the unleashing of enterprise and improvement in management and organisation, the benign macroeconomic and market access conditions since the mid 1980s, could not have produced the commercial breakthrough often referred to as the 'Celtic Tiger'. It seems likely that advance in enterprise, management and organisation is related to internationalisation and secularisation. Other social changes, particularly in the period since 1987, include: a continued increase in average levels of educational attainment; a new emphasis on the rights of children; a revival of local community and voluntary activity; a decline, and subsequent collapse, in the influence of the Catholic Church; a revival, or perhaps reinvention, of Irish culture, and a much increased confidence in Irishness; the emergence of a culture of revelation and investigation, which is a step on the road to a stronger culture of accountability; the spread of information technology through a large segment of the society; increased inequality in access to these new economic and social resources; and, finally, the discovery (or invention) of the Irish diaspora.

This staggering list of social and cultural change must be given its place in the story of Ireland's experience in Europe. It is clear that Europe should not be seen as the sole, or even primary, source of the social and cultural change which has occurred in Ireland in the past 25 years. But, as Garvin says in Chapter 4, the tendency to modernisation and urbanisation would probably have been far slower under the old British-Irish customs union evolving in the 1960s. In Chapter 9, FitzGerald argues that the success of Irish officials, politicians and business people in the demanding European environment 'has banished the inferiority complex which was such a debilitating feature of much of the post-independence period'. Hederman-O'Brien also links EU membership with the growth of national self-confidence, noting the complex relationship between the two. Ryan argues that EC membership has given minority cultures and languages a new self assurance. He also point out that the emerging dialogue between member states and the EU institutions has yielded a more disciplined, programmatic and accountable approach to problems of social exclusion.

While the collapse in the influence of the Catholic church is clearly not a direct result of EU membership, Ryan suggests that it reflects a fundamental reversal of roles between church and society, which has to do with internationalisation. From the 1930s to the 1950s, Irish society was introspective, while the Church was one of the few institutions which offering an

outward-looking ideal. 'It is now the nation that is looking out at the world, taking its place among the nations in Europe, while the Church has become introspective and unsure'. While the EU didn't create the conflict between tradition and modernity of the past 25 years, O'Toole says that membership meant 'that that conflict could only be resolved in favour of modernity'. 'After 1973, it was simply impossible to imagine an alternative project for the Irish future which could even begin to compete with the European one'.

The underlying idea, that Irish identity can only be understood and strengthened in open interaction with others, is well expressed by Ryan in Chapter 6. Membership has strengthened the very identity which we previously tried to protect by isolation. 'Today we realise that openness is more conducive to keeping us Irish, that Europe is the context in which we can be more comfortably ourselves'. This is not to suggest that in culture, no more than in business, membership of the EU has greatly diluted the American influence—something I discuss in Section 6 below.

A particular aspect of the change in culture and identity has been the discovery or invention of the Irish diaspora. For a long time, the prevailing view of Irish emigration was a tragic or catastrophic one—which meshed well with the classic concept of diaspora derived from the Jewish experience—although we did not use the word 'diaspora'. Because of changes in Ireland, changes in the nature of Irish emigration in the late 1980s and the advancement of Irish people abroad, the Irish diaspora has become something of an investment diaspora and certainly a predominantly cultural diaspora. There was a shift (in both policy circles, the society and business) from the idea of emigration as a tragedy, to an idea of diaspora as an opportunity. During the late 1980s and 1990s, Ireland has partly *become* internationalised, and partly *re-discovered* that it has been internationalised for a very long time.

Party Politics

In contrast to these striking changes in government, interest representation and society, it proves difficult to identify a clear impact of EU membership on Irish party politics. In a number of respects, the Irish political parties have sought to fend off the changes to domestic politics which might have been produced by European integration. Parties systematically attempted to continue domestic political competition. Indeed, O'Toole argues that the Structural Funds 'gave a whole new life to a clientelism that might otherwise have died'.

Most importantly, the political parties did not let European integration divide them. Once the accession referendum was decided, the Labour Party accepted that Ireland's future was in the Community. This adaptation was, of course, aided by the fact that they were in government almost immediately. But this is more than an historical accident. It highlights something fundamental about the EU, at least as far as small states are concerned. EU membership, and the day-to-day policy issues which arise in Europe, are not political 'issues' in the conventional sense.

Within the cross-party consensus, there is a discernible, if slight, difference between the two largest parties in their approaches to European integration. The emergence of the cross-party consensus on Europe owes something to the fact that the larger parties have been hegemonised by the Labour Party on one important European issue, neutrality. At some point during the first twenty-five years, Ireland's pragmatic and nationalist position of neutrality in the second world war was transformed into a wider notion of neutrality and elevated into a principle shared by all political parties. Conformity on this issue has the great advantage that the parties are rarely asked to explain what the principle or policy is. Nevertheless, Europe's increasing engagement with the external issues is slowly forcing Irish political parties to distinguish between foreign policy, security policy and defence.

It is, of course, an exaggeration to say that there is complete cross-party consensus on European integration. The Green Party has emerged as an opponent of integration and campaigned actively against the Single Act, the Maastricht Treaty and the Amsterdam Treaty. However, it is too early to assess the significance of Green Party electoral successes for the politics of European integration. The composition, and probably the policy, of that party would seem to owe something to the scattering of left-republicanism as well as the emergence of an environmental consciousness in Ireland. In the long run, it seems unlikely that the increasing number of Irish citizens committed to environmentalism, and the enlightened internationalism which that entails, will want environmentalism conflated with ultra-nationalism and a thoroughly old-fashioned notion of state sovereignty.

The clientelist nature of Irish constituency politics and the weakness of a committee system in the both Dail and Senate militated against their extensive involvement in EU affairs. As noted above, the Executive has been largely unfettered in its management of Ireland's EU

policy. The creation of the Foreign Affairs Committee and the Joint Committee on European Affairs represents an attempt to undo this occlusion.

Perhaps the most significant change in party politics is one which has accentuated its decreasing real significance: acceptance of coalition as the norm. Since accession, the party composition of Irish government has gone through rapid change, such that almost all parties have been in government. Ireland would seem to have moved to a system of permanent, but frequently renegotiated, coalition. This certainly brings Ireland nearer to a Continental European form of government, which does not have the 'winner takes all' and 'oppositional' characteristics of the British system.

Explaining the Differential Impact.

How should we understand the fact that EU membership has had a profound impact on government, interest representation and society, yet apparently little impact on Irish party politics? The main explanation, I suggest, lies in an historical shift in the nature of government, which is particularly pronounced in the European Union.

The complexity, volatility and diversity of economic and social problems, and of social groups, is undermining the capacity of traditional, post-war, legislative and administrative systems. Parliaments find it hard to pass laws which can accommodate the variety and unpredictability of situations which need to be addressed. Governments find it difficult to direct the operation of departments and agencies, and administer complex systems of delivery and scrutiny. These traditional roles are being replaced by new ones: policy entrepreneurship, obliging and assisting monitoring, facilitating communication and joint action between social interests, protection of the non-statutory organisations that now have responsibility in many policy spheres, and supporting interest group formation. The relationship between policy making, implementation and monitoring is changing, in ways which place monitoring, of a new sort, at the centre of policy development.

These trends are particularly pronounced in the EU, because of its limited central budget and executive power, and its reliance on negotiated outcomes. Consequently, European integration is as much about change in *nature* of government as change in the *level* of government. These trends are creating a new kind of politics or public action, which is

technocratic but also relies more heavily on firms, interest associations and citizens. Its main generic effect on party politics is to reduce the significance of traditional party competition, since this is based on an outdated view of the power, autonomy and effectiveness of central government. This effect is evident in most member states. The way in which this generic effect is felt, differs. It may result in the collapse of a dominant, corrupt, populist party, which behaved as if it owned the state (such as the Italian Christian Democrats). Or it may preserve the shell of inter-party competition, around a reality in which it is virtually irrelevant (such as in Ireland). Which of these outcomes occurs may be random, and of limited consequence. There is, of course, a danger that the demise of substantive inter-party politics, would leave party politics, and therefore government, to those interested only in the rents and patronage which remain available despite the new forms of governance. Yet the continuing role of national governments in the European Union, and the critical, if not yet defined, role of government in new forms of governance could make politics attractive to able people interested in the new society, economy and state.

6. FUTURE ORIENTATIONS

Ireland, Europe and America

Does Prosperity Alter Ireland's Interest in European Integration?

In its 1997 report, *European Union: Integration and Enlargement*, NESC asked 'Does Ireland's convergence towards average European income levels fundamentally alter its perspective on European integration and the direction the EU takes?' This question was prompted by the prospect of diminished Structural Funds, further reform of the CAP and Eastern enlargement.

The Council's answer was that convergence does not justify a reversal of Ireland's approach to integration. First, while Ireland may no longer be a 'poor' state, it remains a small state. As a small state within the EU, Ireland retains an interest in an economic integration process which is shaped by European institutions, governed by law and accompanied by common policies. Second, although it is more deeply integrated than any other region, the EU leaves considerable scope for national policy in key areas which influence prosperity and social cohesion. Third, Ireland is well placed to understand and use the emerging, complex, multi-

level, networked, decision making system in the EU. Fourth, despite its convergence towards average European income levels, Ireland has a continuing interest in the EU having the authority, capacity and legitimacy to harmonise member state actions and develop common policies. Fifth, the interest of a small peripheral member state in progressive European integration is not inconsistent with an element of ‘flexibility’ or ‘differentiated integration’. Similar arguments were advanced in the government’s White Paper on foreign policy, *Challenges and Opportunities Abroad* (1998).

The acceptance of these arguments, suggests that in Ireland, there is now an instinctive and widely shared appreciation of a key observation made by Abram and Antonia Chayes in their book *The New Sovereignty*. They show that sovereignty no longer consists in the freedom of states to act independently, ‘but in membership in reasonably good standing in the regimes that make up the substance of international life.’

Does Ireland’s Relationship with the US Qualify its Claim to be European?

In several chapters it has been pointed out that 25 years in the EU has not diminished Ireland’s economic, political or cultural links with the United States. It is sometimes argued that this qualifies Ireland’s involvement with Europe and contradicts its claim to be ‘European’. Is this view justified?

First, it is important to recall the critical role of the US in promoting and shaping European integration. Key characteristics of the new European Community, such as competition policy, were a direct reflection of American approaches to governance. Indeed, as Garvin notes in Chapter 4, Europe’s shared popular culture is largely American. In recent years, the Italian political scientist Majone, has argued that the EU is emerging as a ‘regulatory state’, very much on the American model. Third, American (and Asian) companies are important in the European internal market. Finally, and most significantly, Ireland’s close involvement with American enterprise is a key element in the economic breakthrough of the past decade.

For all these reasons, accounts which counter-pose Ireland’s relationship with the US to our involvement in the EU—and see the former as some kind of contradiction, or qualification, of the latter—are misconceived, on numerous counts. They miss the very nature of the EU. They assume that an economic, monetary and political union requires as its basis a

homogeneous cultural identity. Many member states have complex external and internal relationships, many with America, and these are entirely consistent with European union. How can an economic connection which has promoted regional convergence in Europe be damaging to the EU? How can a political connection which has promoted peace in NI (in partnership with the EU) detract from Europe? At a more basic level, would other member states prefer that Irish migration in times of economic difficulty was exclusively to continental Europe? The view that Ireland's American and European attachments are in conflict is, ultimately, based on an old-fashioned idea of sovereignty and an inability to grasp the reality of multiple identities. As Cullen says in Chapter 5, 'We have avoided any suggestion of a "zero sum" game in developing these relationships and this is one of the many successes of our participation in Europe'.

There is a further way in which Ireland's involvement with America can be a positive contribution to Europe. Ireland's position as a base for American companies might be seen as undermining Europe if certain conditions held: if international business transactions were a zero-sum game and if America was competing with a well-functioning European economic and social model. Neither of these conditions hold. As Cassells shows in Chapter 7, the European social model is urgently in need of reform, if not radical recasting. Europe needs to emulate the technological, organisational, financial and entrepreneurial drive shown by the American economy in the past decade. In a small way, the attraction of American companies to the European periphery—and the economic dynamism and political flexibility of countries such as Ireland, Finland, Portugal and the Netherlands—underline the relative stagnation of much of continental Europe, and demonstrate innovative approaches to balancing economic re-vitalisation with social solidarity.

Finding a Synthesis of Strategy and Pragmatism

Ireland's first 25 years in the EU have witnessed many policy successes and some policy disasters. Although the policy disasters were primarily at domestic level, it has been argued in this chapter that they can be interpreted as failures to handle internationalisation. The failures raise concern about the conduct of Ireland's European policy. As Laffan shows in Chapter 10, Ireland's approach to EU policy is reactive and agenda-driven. The co-ordination of policy is informal, not institutionalised, and achieved by ad hoc contact between senior civil servants. Given past policy failures, it is sometimes argued that Ireland needs a

more 'strategic' approach to its European policy. Indeed, taking the first 25 years as a whole, lack of 'strategy', and 'preparation' have been the most common and trenchant criticisms of Irish government.

Are these criticisms justified, and do the ideas of 'strategy', 'co-ordination' and 'preparation' provide a basis for improvement of Ireland's policy approach. A number of points must be noted before these suggestions can be accepted.

First, criticisms of lack of strategy and co-ordination often cite agriculture, particularly successive governments' judgement that Ireland's national interest lay in maximising CAP prices and agricultural supports. There would seem to be some validity in the argument of Garret FitzGerald, NESC and others, cited in Section 3 above, that in the 1970s and 1980s this was sometimes short-cited or deflected attention from other issues. NESC suggested that 'the criterion by which Ireland's membership of the Community be assessed should primarily be the kind of economy which evolved as a result of EC membership and only secondarily whether a particular strategy maximised receipts from the Commission'. Ministers and officials might accept that, but argue that there was rarely a trade-off, let alone a conflict, between the CAP and other EC issues relevant to Ireland. They might argue that Ireland has never had to sacrifice gains on other fronts—such as Structural Funds, internal market or world trade—in order to retain CAP benefits. This could be so, in part, because of the fragmented nature of the Council system at EU level (see Chapter 10). Indeed, in discussing the idea of a government strategy balancing the CAP against the Structural Funds, Cromien observes, in chapter 11, that 'the system does not seem to work that way'. Despite the role of package deals in European integration, the sequential and sectoral element of EU negotiations seems to weaken the trade-off between the CAP and other policies.

Perhaps the issue is not whether Ireland might have adopted a radically different stance at European level, on the details of the CAP, the reform of the CAP or the balance between the CAP and other Community policies. One question is: could the enormous benefit which the CAP conferred on certain groups of farmers have been accompanied by national measures which rebalanced things in favour of other interests. Several such groups spring to mind: indigenous food companies, PAYE income tax payers and, most of all, unskilled manual workers, the outright losers from economic internationalisation. Another question is: did the Department of Agriculture use the ongoing, if much postponed, movement towards

liberalisation of world food markets, as an instrument to push Irish agriculture and food industries towards genuine competitive advantage? These questions have more to do with domestic policy than 'strategy' or 'co-ordination' in Ireland's approach to the EU.

Second, the gross failure of Ireland's political and interest mediation system in the 1970s and 1980s naturally gave rise to calls for more strategic policy and closer co-ordination. However, the huge benefits to be had from replacing opportunism with strategy can give rise to an exaggerated notion of strategy and planning.

Third, since the late 1970s, Ireland would seem to have a strategic approach to European issues. Consider the clarity and success of Ireland's approach to the remarkable series of EU developments since the mid-1980s: the Single European Act, the Delors I package and increased Structural Funds, the internal market programme, the Delors Committee on monetary union, the McSharry reforms of the CAP, the Uruguay Round, the negotiation of the Maastricht Treaty, the Delors II package and the Cohesion Fund, the negotiation of the Amsterdam Treaty, the transition to EMU and, most recently, Agenda 2000. In this context, calls for more 'strategy' and 'co-ordination' seem either unwarranted or imprecise.

Fourth, there are both advantages and disadvantages to having a small number of civil servants involved in major aspects of EU business, and an informal system of co-ordination. The possible disadvantages are obvious: overload, a focus only on key agendas and the risk of missing some significant item. Against these must be weighed the fact that Irish officials have a wider brief and can see more of the picture. In addition, small numbers mean that there is less need for formal, institutionalised, systems of co-ordination. Most observers agree with Cullen when he argues that Irish governments have 'punched above their weight' within the EU.

Fifth, the Irish experience clarifies what kind of strategy and co-ordination is most important to success in the EU. As shown earlier in this chapter, and in Chapter 9, Ireland adopted a highly conscious long-term strategy in the 1960s, and undertook meticulous forecasts of the effects of free trade on indigenous industry, yet displayed a distinct failure of adjustment. The contrast between the first period of membership, from 1973 to 1987, and the later period illustrates an important lesson. Successful adaptation of public policy and administration to EU membership can only be effective if there is a simultaneous adaptation of the party

political and interest-mediation systems. Adoption of a coherent approach to social partnership and European integration since 1987 can be described as strategic, but involved abandoning the forecasting approach of earlier years. It seems that strategy and co-ordination are required at three different levels: within cabinet and the civil service, across the main political parties, and across the economic and social interests.

The need for a coherent approach across a range of actors, suggests that institutions that develop joint action and shared understanding are as important as high-level 'strategy'. Indeed, the Irish experience also clarifies the relationship between strategy and 'preparation'. The last months before EMU saw a frenzy of scepticism, cynicism and fretting, among journalists and some economists, about Ireland's 'preparation' for the euro, and calls for evidence of a 'policy' on sterling movements. This betrays a misconception about how complex organisations prepare for uncertain future events. It is the policy *system*, and *relations* between actors in the economy, which need to be prepared. Relations between actors are critical because the economic and social context is so unsettled and complex. An unsettled system is best dealt with by alertness and effectiveness, rather than a rigid strategy. Government and other actors are embroiled in the flow of events before they can develop a strategy, as traditionally defined. Actors who can co-ordinate their tactics and action are more likely to achieve a shared strategic overview.

This connection between action, institutions and strategy is sustained by the papers in this volume. They show that Ireland's difficulties in the past 25 years reflected deep-set institutional and political weaknesses. For example, in Chapter 9, FitzGerald points out that the need for greater competition in electricity, gas, insurance, banking and building was recognised by the social partners as long ago as 1967. 'As in so many other cases our ability to identify problems and to point to how they might be resolved was not matched by an equivalent willingness to take possibly unpopular action to resolve them'. He identifies this as evidence of a more general truth: 'that democratic national governments tend to be subject to such strong pressure from vested interests within their own territories that many of their decisions operate against the interests of society as a whole'.

The Irish experience suggests that overcoming this problem requires four, inter-related, developments. One is the attraction to political office of able and principled people who will see that analysis is matched by action. A second is the sharing of sovereignty at European

level, which ‘has greatly improved the capacity of European politicians to govern in the public interest’ (FitzGerald, Chapter 9). Another, is the building of institutional mechanisms, such as social partnership, which deepen and widen consensus on the need for change and strengthen the persuasive force of the reports and analyses which express that consensus. A fourth, more recent, response, used at both EU and Irish level, is to enlist relevant groups in the design and implementation of change.

Having critically examined the general argument for more ‘strategy’ and ‘co-ordination’, and suggested a synthesis of pragmatism and strategy, it is necessary to consider a more specific point raised by Laffan, in Chapter 10, and Cromien, in Chapter 11. Having outlined the strong performance of the Irish government system in the EU, Cromien suggests that ‘there has been one obvious deficiency’:

[I]t has proved very difficult to establish a way of appraising all the Community initiatives which are under consideration at any one time and deciding on an integrated national strategy for them, setting bargaining tactics and priorities, based on what is considered to be the best for the country.

If the wider aspects of strategy and co-ordination are taken care of, this may be read as an observation on the conduct of European business at the level of the civil service and cabinet. As such, it identifies a technical problem, which probably requires an expert solution. Given Ireland’s apparent success in the series of epoch-making European advances since the mid-1980s, there would not seem to be a lack of co-ordination on major strategic European issues or portfolios. Perhaps the danger is that individual departments might adopt an approach to *non-strategic* issues—such as state aids or duty-free—which cut across Ireland’s strategic orientation and damage relationships with the Commission, other member states or the Parliament. Departments might not give EU issues the priority which they require, thereby leaving the Department of Foreign Affairs without sufficient guidance. A somewhat more formal system of co-ordination may be necessary to improve the performance of the system.

Will Irish Support for Europe Dissolve?

It was argued earlier in this Section, that Ireland has an ongoing interest in deep European integration, despite income convergence, the reduction (and eventual withdrawal) of Structural Funds and on-going reform of the CAP (leading towards free trade in agricultural products). But will this interest be recognised by the Irish population? There would seem to

be a fear—even among officials with vast experience—that Irish support for integration could evaporate if the CAP and Structural Funds were significantly reduced and European security and foreign policy became more prominent.

If we unpack this view, we can see that it is implausible. Its first element is the belief that Irish support for integration has been based only on the CAP and the Structural Funds, and that these material motives are entirely separate from cultural or ideal considerations. As such, it may generalise from the bombastic focus of one or two office holders on the size of the Structural Funds extracted from Brussels, and the ruthlessness of some sectional interests in defending transfers. It is not clear that the society as a whole sees such a sharp distinction between the material, the cultural and the ideal, or sees them pulling in opposite directions. In any case, Ireland's future material interest will be based more on the market, and less on transfers or state aids; consequently, withdrawal of support for integration will make limited sense, even on material grounds. The second element is the idea that European foreign policy and security will be viewed negatively. As Hederman-O'Brien notes in Chapter 2, Irish public opinion has, since the early 1960s, taken a positive view of involvement in peacekeeping and international affairs. There is no reason to believe that this positive attitude will change as Ireland's involvement deepens. Indeed, Irish people are likely to revel in the global role which the Presidency will occasionally confer on Irish ministers.

This challenge to the pessimistic view is not based on a contrast between national self-interest and altruism towards a collective European ideal. Still less is it to argue that Irish support for integration was, will be, or should be, based on the ideal of European integration, rather than our interests. Rather than reverse the conventional wisdom, it rejects the terms in which it is cast: an excessive distinction between the cultural and the economic, the normative and the material, the actual and the ideal. Rather than reject national interest, it suggests a different view of how national interest is defined and pursued.

A significant future Irish contribution to Europe may concern the European social model. Taking the first 25 years as a whole, there is no doubt that Ireland has been a regime importer—on gender rights, environmental protection, health and safety, information and consultation, consumer protection, technical standards, service market regulation and public utilities. Indeed, at various times, there was an ambition to achieve a range of other European models: the German social market economy, with its co-determination, works councils and

craft training; the Scandinavian model of social partnership, with low wage dispersion and high levels of social provision; the Danish national system of innovation, with a cluster of advanced sectors built around agriculture. While these models played a role in shaping policy, and facilitating social partnership, Ireland's economic breakthrough does not conform very closely to any of them.

At the same time, the larger Continental countries face severe difficulties, and their post-war systems of economic policy, sector regulation, industrial relations and social welfare are under strain. While most member states pay homage to the 'European social model', there is a distinct lack of confidence about what its core elements should be. The sharp increase in European unemployment in the 1990s has drawn the member states into an on-going dialogue on labour market policy, through the so-called Essen process and the employment chapter of the Amsterdam Treaty. Cassells suggests, in Chapter 7, that rather than adopt a defensive approach—on issues such as corporation tax and state aids—Ireland should confidently promote those elements of its policy approach which have underpinned its economic dynamism, employment growth and social solidarity. While these were devised to address an acute Irish crisis, they are similar to the innovations in the more dynamic continental economies, such as the Netherlands, Denmark, Finland, Portugal and Austria. He argues that the key general issue confronting the European social model is how to achieve greater flexibility and how to redefine the security which citizens require. Ireland can be both a learner and a teacher in this Europe's search for a new combination of flexibility and security.

7. CONCLUSION: RE-INVENTING IRELAND

In summarising the effects and meaning of Ireland's first 25 years in the EU, I begin with a question raised over many years by Hederman-O'Brien, and again in Chapter 2 of this volume: what has Ireland contributed European integration? The authors have identified a range of Irish contributions. In Chapter 5, Cullen says that reform of the CAP, competition policy, the shape of regional and social policies and the development of structural and cohesion funding might all be said to owe something to Irish energies and ideas. As McAleese points out in Chapter 8, several of these reflect Ireland's 'human contribution', rather than its 'policy contribution', since they arise from the impact of outstanding Irish individuals, such as Garret FitzGerald, Peter Sutherland, Ray McSharry, Jim Dooge and Maurice Doyle. At a more general level, Ireland has held the Presidency five times, and is

acknowledged to have handled it well. Indeed, there is some evidence that small member states are more effective in the Presidency than larger ones. Smaller states can find it easier to lead the path to consensus, whereas larger countries have a wider range of interests of their own.

Perhaps the greatest contribution has been to have made a success of membership—economically, socially, culturally and politically. Recognition that this is the first, and greatest, contribution any country can make, is critical to an understanding of the European Union. It reflects the practical, pragmatic, and civic nature of the European project. Making a success of membership is by necessity a collective contribution, an achievement of the country, or society, not just of the state. Ireland's first 25 years shows that success in integration cannot be achieved by the state apparatus alone, however skilled, but requires a re-orientation of systems throughout the economy and society.

To have made a success is a contribution in a more specific sense because of Ireland's background. Ireland's success proves that a small, peripheral, less-advanced, post-colonial country can catch up with the leading European post-imperial nations. It also proves that regional integration, of the sort developed in Europe, can facilitate such catch-up. This is all the more significant, now that the protectionist, authoritarian and non-democratic Asian models of catch-up and industrialisation are faltering, and new countries look to the EU. In a more specific sense, Ireland's use of the Structural Funds strengthens the case for the EU policy of 'economic and social cohesion'. While there are moral and analytical arguments for such a policy, and an undoubted element of solidarity in the EU's actions, effectiveness is the most compelling argument of all. The applicant countries are understandably interested in Ireland's experience.

Turning to the impact of European integration on Ireland, we face an obvious difficulty of interpretation. It is said that when James Joyce was asked in Paris when he had left Ireland, he replied that he never had. Those of us who grew up in Ireland between the 1920s and the 1960s, and live here now, have an exactly opposite experience. We live in the same place, but we might as well have emigrated. Without moving an inch, we live in a different country. Ireland at the end of the 20th century is unrecognisable from that of even the 1960s. What is the role of Europe in such pervasive change?

In seeking to identify the role of European integration in Irish development, I have distinguished between the early period of membership, from accession to the late 1980s, and the experience since then. At both domestic and European level, there was a significant difference between these two periods—in the content, temper and coherence of public policy. In Section 3, I argued that the severe difficulties experienced in the first 15 years of membership should be seen as, in large part, a failure to adjust to the demands of internationalisation and European integration. Ireland's political, administrative and interest-group system proved unable to identify and mediate increasing international competition and domestic needs. The turnaround achieved in the late 1980s involved both a more consistent domestic policy framework, achieved through social partnership, and a re-launch of the integration process at European level. In Section 4, I identify the dramatic changes in public policy, institutions and behaviour since the late 1980s: four social partnership programmes, a shared Irish perspective on European integration and internationalisation, the European internal market programme, increased and reformed Structural Funds and the transition from EMS to EMU. These developments had an impact on almost all areas of public policy, business, society and interest mediation. The combination of social partnership and the European internal market provided an unusual, benign, combination of institutionalised coordination and pressure for market conformity. Consequently, I argue in Section 5, that the deepening of European integration, and the emergence of a new shared perspective on Ireland's place in Europe, was a profound influence on Ireland's economic and social experience. In particular, European integration and governance has been centrally important in the economic transformation of the past decade.

To see why this was so, we need to understand the depth and nature of change in the European Union since the mid-1980s. The internal market programme was of historic significance—a signal that Europe did not intend to be by-passed by the dynamic change occurring in the world economy, did not intend to live off its past wealth, becoming a *rentier* continent. The implementation of the internal market—a quantitative accumulation of market-opening measures—produced a qualitative shift in the degree of integration, the pattern of market governance in Europe and, it seems, in the nature of the integration process. But, rather than amass extensive and autonomous political authority, the Union altered the exercise of national political authority, by enmeshing the member states in a web of collaboration and co-operation. For a variety of reasons, Ireland was relatively open to this kind of Europeanisation. The EU is a strong example of what is often called the 'new

governance’, which uses networks of public, private and voluntary groups to transform ‘bargaining’ into ‘problem-solving’. Overall, the Union is a new model of internationalism—voluntary, law-based, combining liberalisation with new institutions, policies and rules—which differs from the forms of internationalisation which have dominated world history for many thousands of years. In short, since the mid-1980s, European integration was profoundly altering the sovereignty, governance and government of *all* countries in the Union—transforming them from *nation* states to *member* states. But the creation of a new model of internationalisation was particularly transformative for a country which had for centuries experienced the sharp end of internationalisation in several other guises: colonialism, incorporation in an imperial state, de-industrialisation, catastrophic migratory flows, and, after independence, supplicant status in the international diplomatic order.

In summary, the Irish economy and society has undergone a journey from closure, through a dependent and vulnerable openness, to a new combination of international involvement and self-confidence. Irish development since 1960 has been an evolution from deliberate strategy—through radical disruption, disorientation and loss of direction—to a new shared understanding of the constraints and possibilities of national and international governance.

Externally, we have experienced a movement from national sovereignty to a complex form of partnership in the European Union. Domestically, we have experienced a movement from state autonomy, and a reliance on the state as the driver of the economy and the agent of social change, to a partnership of the state with economic and social interests. This dual movement from sovereignty to partnership has transformed the relation of the external to the internal.

The complex interaction of domestic and international factors is clear. The common thread, the underlying transformation, is a switch from a long history in which external factors were constraining, to a new situation in which the external environment provides valuable inputs, and even its undoubted constraints can be used as opportunities. It seems that European integration has transformed Ireland’s relation to its international environment, and social partnership has transformed its internal ability to mediate interests, adhere to coherent strategies and experiment.

It is remarkable, but clearly no coincidence, that the opponents of one (deeper economic and monetary union) are also opponents of the other (social partnership). Their opposition, negligible in policy terms but influential in academia and the media, is both to the substance of the prevailing consensus and to the idea and value of consensus itself—and, most of all, to the proposition that, in the circumstances of the past decade, these two interact. Yet those who achieved Ireland's transformation have little doubt that closing-off macroeconomic alternatives, and embracing deeper European integration, freed management, union and government energies for discussion of real issues that impact on competitiveness and social cohesion: corporate strategy, technical change, training, working practices, the commercialisation of state-owned enterprises, taxation, public sector reform, local regeneration, welfare reform and active labour market policy. Because closing off illusory alternatives forced all to engage in realistic discussion of change. They sense, even if they cannot say, that this approach was particularly liberating in a country whose political system tends to clientelism, whose enterprises had grown used to direct and indirect protection and whose union movement had developed in the British adversarial tradition.

To these two transformations—in Ireland's relation with its international environment and in its internal ability to mediate interests—we have to add a third. The social and cultural change of recent decades has transformed the individuals in the society in a way that has unleashed enterprise and demands new patterns of organisation. It is for this reason that the changes in the public sphere—European integration and social partnership—can be seen as the beginning of a *reinvention* of Ireland, much as the cultural movement of the late 19th and early 20th century were shown, by Kiberd, to have invented Ireland.

The project of demonstrating and interpreting this third transformation—in the nature of individuality, enterprise and organisation—involves showing that the new culture does not exist *despite* the new economy, but that the two are related. That the *internationalisation* of the culture is not an entirely distinct process from the *internationalisation* of public policy, the economy and business. It requires an account of the managerial and entrepreneurial revolution which seems to have taken place in Ireland. It requires a characterisation of the forms of organisation and individuality which are emerging. It seems unlikely that 'individuality as personal freedom' is entirely distinct from the individuality in work and business. In other words, the project is to reunite our account of the cultural and the economic, the normative and the material, the actual and the ideal. Without, of course,

overdoing it, and claiming a stable, organic, unity, in a context which is pregnant with contradiction and change.

In Chapter 3, Halligan says that at the time of accession, Ireland was in the midst of a re-awakening, 'while half awake, it was still half asleep'. If it woke up in the 1970s and 1980s, then, to borrow from Mao Tse Tung, it 'stood up' in the 1990s. It is free to walk and run in the century ahead. Ireland ends the twentieth century in a position of unprecedented potential. It leaves the century free of the two masters that dominated and constrained it—London and Rome. It is now free re-invent itself: an international people in a global world, a negotiated state in a negotiated Union. Europe is not so much the cause of these transformations, as their context. For they were only possible with the creation of an international regime which is voluntary, law-based and pluralist, which constrains the naked use of state power, protects small states in international negotiation and supports both individual and cultural freedom.