

The Industrial Development Authority, 1949–58: establishment, evolution and expansion of influence

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ABSTRACT. *Established in 1949 in the face of Fianna Fáil hostility, and greeted with suspicion by both the department of Industry and Commerce and the department of Finance, the Industrial Development Authority within ten years had carved out a powerful position for itself within the bureaucracy. By the early 1950s, while Seán Lemass was still wedded to the concept of import-substituting industrialisation, the I.D.A. was formulating its vision for ‘industrialisation by invitation’ and lobbying internally for the introduction of export profits tax relief. The adoption of this measure in 1956 initiated the low corporation-tax regime that remains in place to this day. Though frequently conflated, the reorientation of industrial policy in the 1950s and the dismantling of tariff barriers in the 1960s were quite separate initiatives. That the establishment of the I.D.A. and the adoption of export profits tax relief were opposed by the department of Finance and enacted by inter-party governments clearly distinguishes them from the later trade-liberalisation initiative associated with the partnership of T. K. Whitaker and Lemass. The present paper explores the circumstances surrounding the establishment of the I.D.A. and traces its evolution and expanding influence over the first ten years of its existence.*

By 1984 an article in a U.S. law journal could observe of the Industrial Development Authority (I.D.A.) that it ‘is probably the most powerful governmental agency in Ireland. It acts as both coordinator and lobbyist for all matters relating to manufacturing and service industries as well as the industrial infrastructure ... If the I.D.A. supports a particular investment, other officials rarely withhold their approval or consent.’¹ Since its establishment in 1949, the agency had rapidly amassed influence within the bureaucracy. It had

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¹ Eugene P. Fanning, ‘United States investment in Ireland’ in *Vanderbilt Journal of Transnational Law*, xvii, no. 3 (Summer, 1984), p. 573.

been restructured twice, in 1959 and again in 1969 – in line, in each case, with its own recommendations.² Along with the Dollar Exports Advisory Committee, it had contributed to the successes achieved by the department of Industry and Commerce in its battles with the department of Finance over the course of the 1950s. A victory of particular significance was the introduction in 1956 of export profits tax relief – the forerunner of the current corporation tax regime.

J. J. Lee suggests that these defeats stimulated Finance to seize the initiative by partly adopting Industry and Commerce's developmentalist mantle in *Economic Development*, the Whitaker report of 1958. Citing Ronan Fanning, he notes that 'already in May 1957, Whitaker was urging his assistant secretaries that it was desirable "that this Department should do some independent thinking and not simply wait for Industry and Commerce or the I.D.A. to produce ideas".'³ The I.D.A. had become by then the key institutional player in Ireland's new export-oriented foreign investment strategy. Conventional wisdom blurs the distinction between this reorientation of industrial policy and the dismantling of tariff barriers that followed in the 1960s.⁴ In fact the two initiatives were quite separate. The establishment of the I.D.A. in 1949 and the introduction of export profits tax relief and nationwide industrial grants in 1956 were inter-party government initiatives to which the department of Finance had been resolutely opposed. This clearly distinguishes them from the policies associated in the public mind with the later partnership of Whitaker and Lemass.

The inter-party government initiatives, in combination, would provide a stimulus to exports – particularly from new foreign firms – while leaving tariffs and other import barriers in place. Trade liberalisation would begin only with the unilateral tariff reductions of 1963 and 1964 and the signing of the Anglo–Irish Free Trade Area Agreement in 1965, and would culminate in the

² On the first restructuring see speech by Jack Lynch, minister for Industry and Commerce, 30 July 1959, *Seanad Éireann deb.*, li, 656. On the second, see Ray MacSharry and Pádraic White, *The making of the Celtic Tiger: the inside story of Ireland's boom economy* (Cork, 2000), pp 190–91 (White was managing director of the authority from 1981 to 1990).

³ J. J. Lee, *Ireland 1912–85: politics and society* (Cambridge, 1989), p. 343, and citing Ronan Fanning, *The Irish Department of Finance, 1922–58* (Dublin, 1978), p. 509. See also Garret FitzGerald (writing as 'Analyst'), 'Economic expansion 1: the White Paper and the Economic Study', *Irish Times*, 25 Nov. 1958.

⁴ For an extreme example, see P. P. Walsh and Ciara Whelan, 'Hirschman and Irish industrial policy' in *Economic and Social Review*, xli, no. 30 (2010), pp 283–99. O'Hearn rejects the conventional technocratic view of the shift to outward-orientation, portraying both initiatives as being conditioned by dominant external forces: Denis O'Hearn, 'The road from import-substituting to export-led industrialization in Ireland: who mixed the asphalt, who drove the machinery, and who kept making them change directions?' in *Politics and Society*, xviii, no. 1 (1990), pp 1–38. In contrast to O'Hearn, we view the inter-party initiatives as examples of local policy experimentation. (See Dani Rodrik, 'Institutions for high-quality growth: what they are and how to acquire them' in *Studies in Comparative International Development*, xxxv, no. 3 (2000), pp 3–31.) As a consequence of this local policy experimentation, the structural changes associated with Irish trade liberalisation in the 1960s were very different from those seen in Portugal and Finland, for example – two other small peripheral economies that liberalised around this same time.

relinquishing of national control over trade policy upon E.E.C. entry in 1973. This article explores the circumstances surrounding the establishment of the I.D.A. and traces its evolution and expansion of influence over the first ten years of its existence.⁵ No other histories of the period have analysed these inter-party economic initiatives in detail.⁶

I

By 1948, Éamon de Valera had been taoiseach for sixteen years. This made him one of the longest serving heads of government in Europe. Unlike Stalin, Franco and Salazar, however, de Valera was reliant on a democratic mandate, which would make it difficult to survive the continuing austerity of the post-war period. Though nine new Dáil seats had been added in a redrawing of constituencies prior to the 1948 general election, Fianna Fáil exited the election with eight fewer seats. To its sixty-eight seats, the five other parties represented in the Dáil – Fine Gael, Labour, Clann na Poblachta, Clann na Talmhan and National Labour – had a total of sixty-seven.⁷ The formation of the first inter-party government with the support of a number of independents ushered in a period of intense electoral competition. Each of the four general elections from 1948 would bring a change of government.

Within agriculture, the class basis of Irish politics was shifting. The number of land holdings under fifteen acres had declined sharply over previous decades and the old cleavage between tillage and pastoral interests that had been so important in the 1930s had diminished.⁸ Mary Daly has noted how the 1938 Anglo–Irish Agreement marked the end of Fianna Fáil radicalism in agricultural policy.⁹ Much of the party's early support base among western-periphery farmers had transferred to Clann na Talmhan and would transfer further over time, according to Michael Gallagher, to Fine Gael.¹⁰ The main collapse in the Fianna Fáil vote in 1948 came in Dublin, however, where the party's share of first preference votes fell to 39 per cent from 52 per cent four years earlier.¹¹ Despite the creation of seven new seats in the capital, Fianna

⁵ There is a dearth of archival evidence on how the strategic priorities of the I.D.A. were established over this period. The issue is not addressed directly in the documentation held at the National Archives and no pre-1969 records were found in the warehouse in East Wall (Dublin 3) where early I.D.A.-Ireland material is currently stored. Accordingly we have had to attempt to reconstruct developments from the evidence we have found.

⁶ The bureaucratic, national and international politics associated with the introduction of export profits tax relief have been explored in a recent companion paper: Frank Barry, 'Foreign investment and the politics of export profits tax relief 1956' in *Irish Economic and Social History*, xxxviii (2011), pp 54–73.

⁷ Michael Gallagher (ed.), *Irish elections 1948–77: results and analysis* (London, 2009), pp 41–2.

⁸ Data on land holdings come from Paul Rouse *Ireland's own soil: government and agriculture in Ireland, 1945 to 1965* (Dublin, 2000), appendix 5.

⁹ Mary E. Daly, *Industrial development and Irish national identity, 1922–1939* (Syracuse, 1992), p. 170.

¹⁰ Michael Gallagher, *Political parties in the Republic of Ireland* (Dublin, 1985), p. 107.

¹¹ Richard Sinnott, *Irish voters decide: voting behaviour in elections and referendums since 1918* (Manchester, 1995), appendix 2.

Fáil came out with a net loss of three, with Clann na Poblachta the big winner. The other main change was in Munster, where Fianna Fáil lost five seats, while the Labour Party, Clann na Poblachta and National Labour gained four, two and one respectively.¹²

The results of the election can be seen then to have been driven primarily by urban discontent, which would raise the pressure for an industrial policy initiative. The intense electoral competition of the period, the institutional innovations of the inter-party governments and the depth of the 1950s recession would all combine to force Fianna Fáil into a comprehensive re-examination of its industrial strategy.¹³

II

The proposal to establish the I.D.A. was announced by the inter-party government in early 1949 and the Authority commenced operations in May.¹⁴ It was placed on a statutory footing with the enactment of the Industrial Development Authority Act in December 1950. The new body was to be operated by a non-civil service board supported by a staff of thirteen civil servants. Its responsibilities included the review and conduct of tariff policy and the initiation of proposals for the creation and development of new industries.¹⁵ The transfer of the first of these responsibilities to an independent body would distance tariff policy from politics. As Mary E. Daly notes, the reliance on politicians for economic benefits

had evolved during the nineteenth century under British rule, and although Cumann na nGaedheal appears to have attempted to break it, Fianna Fáil policies brought a considerable extension. Decisions on tariffs or quotas, allocations of quotas and duty-free import licences, the location of factories, and numerous other matters became largely discretionary decisions determined by ministers and officials.¹⁶

Alternative procedures would have been available but ‘would have deprived the government party of potentially beneficial political support’.¹⁷ Tom Garvin acknowledges that under the Lemass regime ‘a lot of well-connected people became rich’.¹⁸

Lemass, then in opposition, castigated the proposal to remove tariff policy from the department of Industry and Commerce as a return to the days of the

¹² Gallagher (ed.), *Irish elections*, pp 41–2.

¹³ Lemass would admit only that ‘it was not until our second period in opposition that we really got down to thinking in a serious way about the post-war economic problems of the country’: Paul Bew and Henry Patterson, *Seán Lemass and the making of modern Ireland 1945–66* (Dublin, 1982), p. 86.

¹⁴ Departmental conference no. 151, 27 May 1949 (N.A.I., DIC 2000/13/2).

¹⁵ J. P. Beddy, ‘Industrial promotion 1’ in *Administration*, x, no. 4 (Winter, 1962), p. 327; *Dáil Éireann deb.*, cxxxviii, 545–6 (23 Apr. 1953).

¹⁶ Daly, *Industrial development*, p. 178. Cormac Ó Gráda concurs: Ó Gráda, *A rocky road: the Irish economy since the 1920s* (Manchester and New York, 1997), pp 111–12; idem, *Ireland: a new economic history* (Oxford, 1994), p. 409.

¹⁷ Daly, *Industrial development*, p. 178.

¹⁸ Tom Garvin, *Judging Lemass: the measure of the man* (Dublin, 2009), p. 130.

Tariff Commission. The commission had been established in 1926 to consider applications for protection in a quasi-judicial manner but was abolished in 1939, having been emasculated by Lemass at an earlier date. Daly refers to how appallingly slowly it had worked.¹⁹ Louis Cullen and James Meenan, however, present it in a more positive light, and note that it had prevented the imposition of tariffs on goods or raw materials that served as intermediate inputs to other (occasionally more important) industries, a pitfall that later Fianna Fáil tariffs had failed to avoid.²⁰

Having been forced to recognise the inadequacies of protected industry during his tenure as minister for Supplies during the war, Lemass had proposed to bring forward a Prices and Industrial Efficiency bill in 1947. Some commentators have painted the I.D.A. Act as the inter-party government's version of that bill.²¹ There are significant differences between the philosophies underlying the two pieces of legislation however. The Lemass bill proposed, *inter alia*, to establish an Industrial Efficiency Bureau to root out inefficient management practices and to penalise recalcitrant proprietors and managers.²² John Horgan characterises it as 'a legislative statement of [Lemass's] determination to compel industry where he could not cajole it'.²³

It is not clear how effective the bill would have been in tempering the detrimental side-effects of protection however. High prices and inefficiency are natural concomitants of protectionism in a small economy because of inefficient scale and insufficient competition. Firms such as Goulding Fertilisers of Cork, furthermore, are thought to have maintained excessively labour-intensive techniques because employment levels would be taken into account in any assessment of the case for protection.²⁴ The price controls that were in any case implemented under various acts over the decades never succeeded in resolving these problems. As Loudon Ryan explained, 'when the first consequences of ... haphazard and hasty protection made themselves felt in the higher prices that had to be paid for the protected commodities, price controls were introduced. In controlling prices, however, the manufacturer's costs tended to be taken as data, so that inefficiency remained unpenalized'.²⁵ Indeed, anecdotal evidence suggests that efficient firms strategised to keep less efficient firms in business in order to have prices maintained at higher levels.²⁶ By distancing tariff policy from the political arena, the inter-party government's act seemed to offer more thoroughgoing reform of the regime. There was an awareness that the price and efficiency effects of tariffs were damaging to other industries as well as to

¹⁹ Daly, *Industrial development*, p. 39.

²⁰ L. M. Cullen, *An economic history of Ireland* (2nd ed., London, 1987), p. 174; James Meenan, *The Irish economy since 1922* (Liverpool, 1970), pp 140, 323.

²¹ See for example Lee, *Ireland*, pp 309–10; Alvin Jackson, *Ireland 1798–1998: war, peace and beyond* (2nd ed., Oxford, 2010), p. 305.

²² O'Hearn, 'Export-led industrialization'.

²³ John Horgan, *Seán Lemass: the enigmatic patriot* (Dublin, 1997), pp 133–4.

²⁴ Interview with Bill Kingston, head of market research firm Nielsen (Ireland) in the late 1950s, Dublin (17 Oct. 2011).

²⁵ Loudon Ryan, 'Irish manufacturing industry: the future' in *Studies*, xlv, no. 173 (Spring, 1955), pp 57–72; see also *idem*, 'Protection and the efficiency of Irish industry' in *ibid.*, xliii, no. 171 (Autumn, 1954), pp 317–26.

²⁶ Interview with Bill Kingston.

consumers, and taoiseach John A. Costello stated in the Dáil that these impacts, including on agriculture, were to be of fundamental importance to the new body.²⁷

There may have been a further reason underlying the desire to distance tariff policy from politics. The Tariff Commission, as Mary Daly suggests, may have been a way of depoliticising what would have been a contentious issue within the Cumann na nGaedheal governments of the 1920s, which were uneasy alliances of free traders and Irish-Ireland protectionists.²⁸ Tariff policy would have been at least as contentious within the inter-party government, given the competing economic philosophies of the political heavyweights at cabinet. These included Costello and minister for Finance Patrick McGilligan of Fine Gael; Seán MacBride, minister for External Affairs and leader of Clann na Poblachta; James Dillon, minister for Agriculture and at the time an Independent T.D.; and William Norton, minister for Social Welfare, Labour Party leader and tánaiste.

Fanning describes Costello's conception of his role as that of decision-maker on contentious issues within the fragile coalition.²⁹ Costello did not have prior cabinet approval when he made his announcement on export profits tax relief in a speech to an inter-party meeting in 1956.³⁰ The idea to allocate the tariff functions to the I.D.A. may similarly have been largely his, as will be discussed later. This need not imply that Costello himself was hostile to protectionism, merely that a new and possibly complementary approach was needed. Daly paints McGilligan as having been suspicious of protection while minister for Industry and Commerce in the 1920s, and not noticeably enthusiastic about bringing the arguments of Gordon Campbell, the protectionist secretary of the department, to cabinet.³¹ This appears to be corroborated by a 1929 letter to McGilligan from agriculture minister and free trader Patrick Hogan suggesting that 'when it is definitely established [that tariffs cannot directly help agriculture]... I think it will make your position easier'.³² MacBride, on the other hand, was as avowedly protectionist as Lemass. His department prepared a statement in January 1949 advocating that the government 'lean strongly in favour of granting protective measures that are likely to favour the home production of articles that are at present imported'.³³ Dillon held the polar opposite position. In 1952 he attacked 'the whole crazy structure of tariff industries ... built on the foundation of the agriculture industry' and was sceptical even of the possibilities of industrialisation.³⁴ As an Independent T.D. representing a rural constituency, he would have been less bound than others to pay lip service to ideals which he did not hold.

²⁷ *Irish Press*, 21 July 1949.

²⁸ Daly, *Industrial development*, p. 29.

²⁹ Fanning, *Department of Finance*, p. 457.

³⁰ Barry, 'Export profits tax relief', pp 60–3.

³¹ Daly, *Industrial development*, p. 32.

³² Letter from Patrick Hogan, minister for Agriculture, to Patrick McGilligan, minister for Industry and Commerce, 22 Oct. 1929 (U.C.D., McGilligan papers, P35c/166).

³³ 'Department of External Affairs. Statement for the Government', 6 Jan. 1949 (N.A.I., DIC IND/E13/13/1).

³⁴ Maurice Manning, *James Dillon: a biography* (Dublin, 1999), p. 287.

As leader of the Labour Party, Norton would have had to be restrained in any criticism of protectionism, though he made it clear that it did not offer a *carte blanche* to industrialists. He was reported in the *Irish Times* in January 1949 as stating that ‘in the past we have been too prone to impose tariffs, sometimes without adequate supervision of the customers’ interests’.³⁵ An editorial in the same newspaper the following day praised him for correcting any misguided impression given by an earlier speech of Daniel Morrissey’s – the Fine Gael minister for Industry and Commerce – that the country was committed to protectionism, and alluded also to his championing of the development of secondary industries.³⁶ George O’Brien, professor of economics at U.C.D., welcomed the granting of the tariff mandate to the I.D.A. O’Brien had been elected to the Seanad as an Independent for the National University of Ireland constituency in 1948 and was in his own words ‘known to be “rightist” in economics and politics, pro-British and a believer in free trade’.³⁷ Noting that ‘the costs of raw materials were raised by unwise protective tariffs, monopolies, rings and cartels of one sort or another’, he took it that ‘these are the sort of subjects that will be discussed by the new Industrial Development Authority’.³⁸

What might have been envisaged at the time regarding the second of the I.D.A.’s responsibilities – the initiation of proposals for the creation and development of new industries? The department of Finance was clearly fearful that it might entail further reliance on state-sponsored bodies. Norton had been toying with such ideas.³⁹ This was anathema to Finance, which suggested that the purpose should be to ‘bring facts and statistics to the notice of entrepreneurs in some fair and suitable manner ... It should definitely not be within their scope or function to themselves run or plan industry or any branch thereof’.⁴⁰ It also warned of the potential dangers of such a body as a ‘machine for the exercise of corruption’.⁴¹

Finance deemed it essential that board members should ‘be selected from men who command the confidence and respect of the community and in particular the ordinary business or commercial community. The latter must feel from the start they will get a fair crack of the whip and that the *Board is not a gang of crack-pot socialist planners*’.⁴² This might have been directed particularly towards MacBride, who had a tendency to stray outside his ministerial remit. He submitted a memo to government in 1950 insisting that the I.D.A. should get the additional twenty members of staff that it was requesting, that the Industrial Credit Company (I.C.C.) should receive a

³⁵ *Irish Times*, 21 Jan. 1949.

³⁶ *Ibid.*, 22 Jan. 1949.

³⁷ James Meenan, *George O’Brien: a biographical memoir* (Dublin, 1980), p. 197.

³⁸ *Seanad Éireann deb.*, xxxvii, 1204 (29 Mar. 1950). McGilligan and George O’Brien were in turn said to have been major influences on Alexis FitzGerald, Costello’s economic advisor (Ronan Fanning, ‘Memoir of Alexis FitzGerald’ in Patrick Lynch and James Meenan (eds) *Essays in memory of Alexis FitzGerald* (Dublin, 1987)).

³⁹ Irish Trade Union Congress, *Fifty-fifth annual report, 1948–49* (Dublin, 1949), p. 28.

⁴⁰ Undated memorandum on proposed I.D.A. (U.C.D., McGilligan papers, P35b/75 (4)).

⁴¹ *Ibid.*

⁴² *Ibid.*

capital injection to the tune of £5 million to facilitate the work of the I.D.A., and that the I.D.A. should be empowered to build factories itself. The minister for Finance instructed his private secretary not to seek the observances of his department on the memo as it should not have been submitted by the minister for External Affairs in the first instance. Morrissey and Costello agreed.⁴³

The first board of the I.D.A. had a membership of four. J. P. Beddy, secretary of the I.C.C., was appointed chairman and the other members were Kevin C. McCourt, secretary of the Federation of Irish Manufacturers, J. J. Walsh, a director of Eason's, and Senator Luke Duffy, secretary of the Labour Party.⁴⁴ Beddy and Lemass has been classmates at O'Connell Schools and Lemass had appointed him secretary of the newly formed I.C.C. in 1933. He has been described as 'one of a generation of industrialists who viewed the development of the economy in patriotic terms' and as having been considered to be above politics.⁴⁵ Though the I.C.C. was occasionally at loggerheads with the department of Finance, Whitaker would write in 1976 that 'when the history of Irish industrial development comes to be written, the name of Dr. J. P. Beddy will have the prominence and honour due to a pioneer'.⁴⁶ McCourt was an accountant who served as secretary to the Federation of Irish Manufacturers from 1949 until his appointment to the I.D.A. Walsh, who held an M.Econ.Sc. from U.C.D., had been a manager and later board member of Eason's. Only Duffy could be seen as holding views that could have been deemed radical, and Finance might have been disheartened by his appointment. He was general secretary of the Labour Party and an elected senator, but resigned both positions on his appointment to the I.D.A. His minority report to the Brennan Commission on the civil service had questioned the wisdom of granting sole responsibility for its control to the department of Finance, which he regarded as 'traditionally the most reactionary' of government departments.⁴⁷ The other board members, by contrast, would have been far from the type of socialist planners that Finance had feared.⁴⁸

It was recognised nevertheless that the second responsibility allocated to the I.D.A. was something of a departure from liberal free-market principles and the idea of coordination by the state surfaced frequently in discussions. Morrissey spoke in the Dáil debates on the I.D.A. bill of the need to assist and supplement the efforts of private enterprise and to take 'the necessary step to ensure that developments regarded as necessary or desirable will be undertaken and carried out'.⁴⁹ T. F. O'Higgins, the minister for Defence, stated in the Seanad that the I.D.A. is 'a new conception involving a planned

⁴³ 'Department of External Affairs: memorandum for the government: Industrial Development Authority', 9 Nov. 1950 (N.A.I., Department of the Taoiseach [DT] S 14474 A).

⁴⁴ John O'Brien, secretary of the Federated Union of Employers, apparently turned down the offer of membership.

⁴⁵ Pauric J. Dempsey and Shaun Boylan, 'Beddy, James Patrick' in *D.I.B.*

⁴⁶ *Ibid.*, p. 410; Whitaker wrote the obituary for Beddy in the *Irish Times*, 1 Oct. 1976.

⁴⁷ Angela Murphy, 'Duffy, Luke J.' in *D.I.B.*; Fanning, *Department of Finance*, p. 566.

⁴⁸ On McCourt, see report of a speech to the annual conference of the Chartered Institute of Secretaries in *Irish Independent*, 18 May 1956.

⁴⁹ *Dáil Éireann deb.*, cxix, 1586 (9 Mar. 1950).

approach to industrial development'.⁵⁰ Even George O'Brien recognised the merits of providing 'some sort of coordination between private enterprise and public planning'.⁵¹ This element of coordination was in turn one of the key features of the indicative economic planning that would provide the philosophical framework for the later programmes for economic expansion, of which Garret FitzGerald observed that one group of opponents were 'the ideologists of free enterprise'.⁵²

Alexis FitzGerald, Costello's son-in-law and economic advisor, would later recall that the idea for the new body had come from a partner in Craig Gardners, Eustace Shott: 'He handed me the memorandum fully developing the idea in, I believe, the early summer of 1948. I handed it to Mr Costello who promoted the idea with the minister for Industry and Commerce at the time, Mr Daniel Morrissey'.⁵³ That the new organisation be independent of the department was regarded as important. 'It involved a complete regearing of industrial policy', FitzGerald reminisced, 'something difficult for a department which had been going along a particular line: the protection of industry'.⁵⁴

III

Lemass was fiercely critical of the I.D.A. bill in the Dáil, stating that 'my opposition and the opposition of Deputies on this side of the House to the whole idea in this bill is fundamental and ... at the earliest possible occasion we will terminate it'.⁵⁵ It has often been suggested that this was a reflection of his characteristic hostility, while in opposition, to proposals which he may well have supported in private. Dick Walsh notes that 'Lemass was at his most irritable – and most inconsistent – when he was thrust into opposition and had to watch others attempting what he wanted to achieve'.⁵⁶ Lemass would clearly not have supported the Tariff Commission elements to the package, however, and, upon returning to office in 1951, immediately brought these functions back into the department of Industry and Commerce. It must also be judged unlikely that he would have supported the establishment of the I.D.A. as an independent agency. He had already, upon first taking office in 1932, instituted an industrial development branch within the department that had a similar developmentalist mandate and similar structure to that of the I.D.A.⁵⁷ He could not have seen the I.D.A. proposal as anything other than an attempt to remove these tasks from direct

⁵⁰ *Seanad Éireann deb.*, xxxix, 11 (6 Dec. 1950).

⁵¹ *Ibid.*, 56 (6 Dec. 1950).

⁵² Garret FitzGerald, *Planning in Ireland* (Dublin, 1968), p. 212.

⁵³ Tony Farmar, *A history of Craig Gardner & Co.: the first 100 years* (Dublin, 1988), pp 178–9. We have been unable to trace the memorandum, but John A. Costello also later ascribed the idea to Shott ('Costello Remembers – 4', *Irish Times*, 7 Sept. 1967). A similar account is provided in Ronan Fanning, 'Memoir of Alexis FitzGerald'.

⁵⁴ *Seanad Éireann deb.*, lxxxiii, 564–5 (18 Dec. 1975).

⁵⁵ *Dáil Éireann deb.*, cxix, 1618 (9 Mar. 1950).

⁵⁶ Quoted in Ronan Fanning 'Lemass, Seán' in *D.I.B.* See also Bew and Patterson, *Lemass*, p. 12.

⁵⁷ Facsimile of memorandum from the secretary of the department of the President, Seán Ó Muimhneacháin, to the parliamentary secretaries of the minister for Industry and Commerce, James Dolan, and of Finance, Séamus Burke, 31 May 1932 (N.A.I.,

ministerial control. His hostility to the establishment of the I.D.A. was likely to have been genuine.

Horgan records that Lemass told Kevin McCourt years later that he had not been serious about abolishing the I.D.A. ‘Had he not realised that there were certain things that politicians had to say?’⁵⁸ This may have been said with the benefit of hindsight though, as may his statement shortly after his return to office in 1951 that he had ‘always recognised that there would be some advantage in having a body outside the Civil Service, with powers and resources to promote the creation here of new industries’.⁵⁹ Costello later reminisced that Beddy had persuaded Lemass to retain the I.D.A. upon returning to power.⁶⁰

The initial reactions of both the departments of Finance and of Industry and Commerce to the establishment of the I.D.A. were negative. Finance reacted with antagonism to the proposal to entrust the work to non-civil servants.⁶¹ (It shortly thereafter successfully thwarted MacBride’s attempt to appoint Louis Smith as an independent economic advisor to the department of External Affairs.)⁶² John Leydon, secretary of the department of Industry and Commerce, was also reported to be unhappy with the transfer of powers to another body. Desmond Roche, in his memoir of Leydon, wrote that ‘he would have regarded that kind of promotional work as a matter for himself and his department’.⁶³ Brian Farrell concurs.⁶⁴ Lee goes further, writing that:

apart from de Valera himself, no minister had evoked such loyalty from his team as Lemass. The transition [to Morrissey] would have required tact on both sides ... The problems were compounded when Morrissey’s limited calibre contrasted so cruelly with the standards to which his officials had become accustomed. Some would therefore see the establishment of the I.D.A. as a ploy by the minister to deprive his Department of some of its central functions.⁶⁵

As the independence of the I.D.A. will prove to have been of significance, it is worth exploring this perception of Morrissey, which appears to have been influenced by the poisonous pen picture drawn by Noël Browne, minister for Health in the inter-party government. Morrissey, according to Browne, ‘was

DT S 6283). On the later operation of the Industrial Development Branch, see N.A.I., DT S 11987 A.

⁵⁸ Horgan, *Lemass*, pp 144–5.

⁵⁹ *Dáil Éireann deb.*, cxxvi, 1514 (12 July 1951).

⁶⁰ *Irish Times*, 7 Sept. 1967. As will be seen below, it appears that the secretary of Industry and Commerce had come by this time to see the value of the I.D.A. as an ally in the department’s battles with Finance. This would have been an important consideration for Lemass as well.

⁶¹ Draft department of Finance reply to department of External Affairs memorandum to government, 7 Jan. 1949 (U.C.D., McGilligan papers, P35b/47(4)).

⁶² Seán MacBride, *That day’s struggle: a memoir*, ed. Caitriona Lawlor (Dublin, 2005), p. 183.

⁶³ Desmond Roche, ‘John Leydon’ in *Administration*, xxvii, no. 3 (Autumn, 1979), p. 242.

⁶⁴ Brian Farrell, *Seán Lemass* (Dublin, 1983), pp 82–3.

⁶⁵ Lee, *Ireland*, pp 309–10.

woefully unfitted for such a complex department of state ... [He] did not appear to understand his briefs, and was rarely able to explain them fully to us; I have seen him in tears after a ruthless interrogation, mixed with ridicule, by Dillon ... The replacement of the clear-minded Lemass, who for so long had run this department, by the blundering and inept Morrissey must have been a shocking experience for the civil servants.⁶⁶ Browne's account contrasts sharply with that of Maurice Manning, however, who had access to Dillon's unpublished memoir in writing the latter's biography. Dillon, he wrote, regarded Morrissey 'as an effective minister for Industry and Commerce. The regard he showed for Morrissey in his *Memoir* is very much at odds with the assessment of their relationship which Noël Browne gives ... Nobody else has ever made this charge. Liam Cosgrave, who attended cabinet meetings, recalls a warm and friendly relationship between the two men.'⁶⁷ Morrissey's Fianna Fáil contemporary, Todd Andrews, furthermore, refers to him as 'a man of considerable ability and intelligence'.⁶⁸

Recall Alexis FitzGerald's testimony that he had passed the idea for a body such as the Industrial Development Authority on to Costello who had in turn passed it on to Morrissey. His recollection was that 'we needed a body which was independent of the bureaucracy, lying outside it, free of all the trammels and restrictions which necessarily must be in a bureaucracy, to go out and seek new industry and attract it in all the ways it might be thought necessary'.⁶⁹ This would suggest a more fundamental rationale for the establishment of the I.D.A. as a body outside the control of the department.

An account of Leydon's seems to suggest some early frictions between the I.D.A. and the civil service.⁷⁰ And a November 1949 memo to the taoiseach from Patrick Lynch, one of his key advisors, seems to confirm this.⁷¹ Also of interest is the reaction of the Economic Cooperation Administration (E.C.A.), the U.S. government agency established to administer the Marshall Plan. Joseph Carrigan, its mission chief in Dublin, met the I.D.A. chairman, Teddy, in February 1950 to discuss technical assistance. Carrigan noted that Teddy was a conservative and studious man with a 'good reputation' and under his guidance the I.D.A. would prove effective in the long run, but 'it is not going to move very fast in comparison to the E.C.A. tempo'.⁷² Instead, Carrigan saw the Dollar Exports Advisory Committee (D.E.A.C.) as the more dynamic body.⁷³ The D.E.A.C. had been established in 1950 in response to the general dollar shortage. It was chaired by Leydon and consisted primarily

⁶⁶ Noël Browne, *Against the tide* (Dublin, 1986), pp 123–5.

⁶⁷ Manning, *Dillon*, p. 233.

⁶⁸ C. S. Andrews, *Man of no property* (Cork and Dublin, 1982), p. 199.

⁶⁹ *Seanad Éireann deb.*, lxxxiii, 564–5 (18 Dec. 1975).

⁷⁰ Letter from John Leydon, secretary of the department of Industry and Commerce, to Muiris Ó Muimhneacháin, secretary of the department of An Taoiseach, 26 Jan. 1950 (N.A.I., DT S 14474 A).

⁷¹ Internal minute to taoiseach, 11 Nov. 1949 (N.A.I., DT S 14474 A); 'Interim report of the Industrial Development Authority regarding industrial exports', 27 Sept. 1949 (ibid., DT S 11752 A); 'Report of the Industrial Development Authority regarding industrial exports', 14 Dec. 1949 (ibid.).

⁷² Bernadette Whelan, *Ireland and the Marshall Plan, 1947–57* (Dublin, 2000), pp 318–19.

⁷³ Ibid., p. 342.

of businessmen (one of whom was Eustace Shott) along with several representatives of government departments.⁷⁴ In the event, the D.E.A.C., the I.D.A. and the department of Industry and Commerce all converged on the same set of policy recommendations.⁷⁵

Leydon appears to have come to appreciate fairly rapidly the value of having his department's voice strengthened by the support of outside agencies. One year after the establishment of the I.D.A. he stated, in discussing a proposal to establish a trade board outside the remit of the department, that 'the Government machine did not work with sufficient speed to cope with the problem and his Committee felt that anything less than the organisation proposed would be useless'.⁷⁶ While delays also occurred in commercial organisations, 'such bodies generally are streamlined to deal promptly with enquiries as they arise'.⁷⁷ The Irish Export Board was established in October 1950 on foot of the first report of the D.E.A.C. and in the face of Finance opposition. It was incorporated as *Córas Tráchtála Teoranta* (C.T.T.) in December 1951.⁷⁸ It too would add its weight to demands for the introduction of export profits tax relief.⁷⁹

IV

The I.D.A. was overburdened with the weight of its dual responsibilities for the first few years and even members of the former government agreed when Lemass announced that while he had decided to retain the I.D.A. he intended to divest it of much of its administrative burden.⁸⁰ The main government-initiated developments with respect to the I.D.A. over the course of the Fianna Fáil government of 1951–4 concerned the changes of mind on the 'Tariff Commission' functions and a 1952 initiative on regional industrial development. Lemass transferred most of the tariff functions – 'the fixation of import quotas, any adjustment of tariffs that may be required, export and import licences, and so forth' – back into the department in July 1951.⁸¹ He revisited

⁷⁴ The full membership is reported in N.A.I., DT S 14818 A.

⁷⁵ The department had been arguing for some form of tax relief for exporters since 1945; the September 1949 interim report of the I.D.A. surmised that financial inducements – which might take the form of tax remission on the profits of export trade – were needed 'to attract products to the export pool'. The second report of the D.E.A.C., issued in August 1950, recommended the granting of a tax concession on all profits earned by exports or re-exports which earned dollars for the country: Barry, 'Export profits tax relief'.

⁷⁶ Inter-departmental conference on the reports of the D.E.A.C., 5 Oct. 1950 (N.A.I., Department of Finance [DF] F49/1/51/10 C).

⁷⁷ *Ibid.*

⁷⁸ 'Extension of the activities of *Córas Tráchtála Teoranta*' memorandum, 9 Sept. 1954 (N.A.I., DT S 14818 C). Peter Murray notes that its promotional activities were extended to non-dollar areas in 1954: Murray, *Facilitating the future: US aid, European integration and Irish industrial viability, 1948–73* (Dublin, 2009), p. 208.

⁷⁹ The Consultative Committee of C.T.T., meeting on 25 October 1956, 'welcomed the announcement of a concession to exporters which had long been advocated': N.A.I. DF 200/10/56.

⁸⁰ *Dáil Éireann deb.*, cxxvi, 1544–5 (12 July 1951); *ibid.*, 1672 (17 July 1951).

⁸¹ *Dáil Éireann deb.*, cxxvi, 1515 (12 July 1951); 'Report of Meeting: Technical Assistance', 11 Sept. 1951 (N.A.I., Department of Foreign Affairs [DFA] 305/57/226).

the issue in 1953 however as he grappled again with the problem that had energised him in 1947 of how to enforce efficiency in the protected industries.⁸² Reminded by Liam Cosgrave that there was now no body to examine the effects of protection, he returned the responsibility for tariff reviews to the I.D.A.⁸³

Some reviews were carried out at the request of the minister, particularly when Norton took over at the department of Industry and Commerce under the second inter-party government.⁸⁴ Other reviews were carried out at the U.K.'s request, under the terms of the 1938 Anglo-Irish Trade Agreement which had committed the government to have existing import restrictions replaced by duties not exceeding 'such a level as will give United Kingdom producers and manufacturers full opportunity of reasonable competition, while affording to Éire industries adequate protection'.⁸⁵

Morrissey had stated back in 1949 that ensuring industrial dispersal was to be one of the functions of the I.D.A.⁸⁶ The Undeveloped Areas Act, 1952 provided finance for the first time (in the form of non-repayable grants) for the establishment and development of industries in designated 'undeveloped areas' in the west of the country, signifying a potentially important philosophical shift from 'command and control' of location choice to subsidisation.⁸⁷ The act established An Foras Tionscal as the grant-giving agency. Henceforth, until their merger in 1969, the two bodies – An Foras Tionscal and the I.D.A. – would have a parallel and close relationship. When the grant-giving powers bestowed on the I.D.A. in 1956 were transferred to An Foras Tionscal later in the decade, Beddy would report that 'there were excellent relations between the department, the I.D.A. and An Foras Tionscal at all levels and there was a full and free exchange of information and of files'.⁸⁸ Beddy, already chairman of the I.D.A., was appointed chairman of the new agency as well. The other members were J. F. Glynn, of the office that dealt with the Gaeltacht and congested districts, and Ted O'Neill, a principal officer in the department of Industry and Commerce and a future executive director of the I.D.A.⁸⁹

The department of Finance questioned whether such a regional policy could be justified within a small country, as it would do again in 1958 in *Economic*

⁸² Departmental conference no. 288, 23 Feb. 1953 (N.A.I., DIC 2000/13/8).

⁸³ *Dáil Éireann deb.*, cxlii, 821 (28 Oct. 1953); departmental conference no. 322, 30 Nov. 1953 (N.A.I. DIC 2000/13/9).

⁸⁴ *Irish Independent*, 23 Feb. and 22 Aug. 1953, 14 Sept. 1954 and 15 Apr. 1955; *Seanad Éireann deb.*, xlv, 1747 (22 Mar. 1956).

⁸⁵ Loudon Ryan, 'Protection and the efficiency of Irish industry' in *Studies*, xliii (1954), p. 319.

⁸⁶ *Irish Press*, 5 Mar. 1949.

⁸⁷ The undeveloped areas were Donegal, Leitrim, Sligo, Roscommon, Mayo, Galway and Kerry, and the districts of west Cork and west Clare. The 'command and control' mechanism included restrictions being placed on the location of firms applying for licences under the Control of Manufactures Acts: Mary E. Daly, 'An Irish Ireland for business?: the Control of Manufactures Acts, 1932 and 1934' in *Irish Historical Studies*, xxiv, no. 94 (1984), pp 246–72 at 261. Firms had also been offered monopoly positions if they agreed to establish in particular areas (*Irish Times*, 20 July 1935).

⁸⁸ Facsimile of report of meeting between J. C. B. MacCarthy, secretary of the department of Industry and Commerce, and J. P. Beddy, 29 Mar. 1958 (N.A.I., DIC IND/INDC/4/244).

⁸⁹ MacSharry and White, *Celtic Tiger*, p. 246.

Development, though its objections on both occasions were overruled.⁹⁰ De Valera explicitly supported the policy of industrial dispersal.⁹¹ The 1952 act, as Brian Girvin has noted, ‘was an attempt to decentralise protected industry rather than a challenge to it’.⁹² It was entirely different in motivation from the industrial grants scheme introduced by the second inter-party government in 1956. Some of its consequences however may have contributed to the emergence of the later foreign direct investment (F.D.I.) strategy in that some of the grant-aided firms were foreign. Among these were German firm Dalcash Labels of Milltown Malbay, British firm General Plastics of Carrick-on-Shannon, and German firm Sligo Models of Sligo town.⁹³ The latter is of particular interest. Established in an ‘undeveloped area’ prior to the introduction of export profits tax relief, it was almost exclusively export-oriented.⁹⁴

V

There was no mention of the possibility of attracting export-oriented F.D.I. in the first interim report of the I.D.A. issued in September 1949. Its main recommendation was that financial inducements be introduced ‘to attract products to the export pool’, which might include ‘tax remission on profits of export trade’.⁹⁵ Two months later however, the I.D.A. followed up with the E.C.A. mission a *Daily Telegraph* story of November 1949 reporting that thirty American would-be investors had been refused permission to invest in the U.K. on the grounds that their production would not generate dollar earnings. The mission reported that the I.D.A. was ‘anxious to dispel, via our department of Commerce or any other effective places, any notion that they would not welcome American industrial investment’.⁹⁶ To facilitate this, they said, ‘the Control of Manufactures Act [sic] can and would be waived’.⁹⁷

⁹⁰ ‘Memorandum for the Government: Industrial Development in Undeveloped Areas’, 20 Oct. 1951 (N.A.I., DT S 11987 B); Frank Barry and Mary E. Daly, ‘Mr Whitaker and industry: setting the record straight’ in *Economic and Social Review*, xlii, no. 2 (Summer, 2011), pp 163–4.

⁹¹ (Handwritten) minute to N. S. Ó Nualláin, assistant secretary at the department of An Taoiseach, 12 Nov. 1951 (N.A.I., DT S 11987 B); (handwritten) minute from Muiris Ó Muimhneacháin to Ó Nualláin, 13 Nov. 1951 (ibid.); facsimile of memorandum from Ó Muimhneacháin to Risteárd Ó Foghlú, private secretary to the minister for Industry and Commerce, 23 July 1957 (N.A.I., DT S 11987 C).

⁹² Brian Girvin, *Between two worlds: politics and economy in independent Ireland* (Dublin, 1989), p. 181.

⁹³ I.D.A., *Principal new industries with foreign participation* (Dublin, 1971).

⁹⁴ *Irish Times*, 27 May 1954.

⁹⁵ ‘Interim report of the Industrial Development Authority regarding industrial exports’, Sept. 1949 (N.A.I., DT S 11752 A).

⁹⁶ Letter from W. H. Taft, member of staff of the E.C.A. mission in Ireland, to J. R. Nelson, of the E.C.A. headquarters in Washington D.C., 26 Nov. 1949 (National Archives and Research Administration (U.S.A.), Record Group 469, Box 2), cited in Murray, *Facilitating the future*, pp 22, 205.

⁹⁷ Ibid. The controls on foreign investment had never been strictly policed (Daly, ‘Irish Ireland for Business’). As to why they remained on the statute books for so long, see Barry ‘Export profits tax relief’.

The first explicit mention of export-oriented foreign investment – which would later become the centrepiece of the I.D.A. vision – comes in an exchange of memos in 1950 between Finance and Industry and Commerce over export incentives.⁹⁸ Noting the predominance of agricultural products in existing exports to the U.S. and Canada, J. J. McElligott, secretary of Finance, concluded that ‘this suggests that it is in this field rather than amongst *our newer, protected industries* that one should look for dollar export potentialities’.⁹⁹ The rejoinder from Industry and Commerce remarked that ‘it is possible that the granting of the [proposed tax] concession *may induce foreign enterprise to establish in this country industries capable of exporting goods to the dollar area*’.¹⁰⁰

Lemass, though, upon his return to office in 1951, was still clearly wedded to import-substituting industrialisation and his vision for the I.D.A. was as an instrument in this strategy. Having returned the ‘tariff functions’ to the department, he requested the I.D.A. in October 1951:

to concentrate all their activities on an examination into the possibilities of establishing factories for the manufacture of the following classes of goods which have never been made in this country and in respect of which no proposals for their manufacture have up to the present been forthcoming.

There followed a long list of goods, ranging from plywood to vacuum cleaners.¹⁰¹

In July 1952 he reminded the Dáil that he had given the I.D.A. this list and had entrusted it ‘with the sole and specific task of endeavouring to formulate proposals for the manufacture of these commodities’.¹⁰² The focus was still explicitly on import substitution. ‘The list of commodities which I gave it initially represented imports totalling £20,000,000 in value in 1951. I mention that figure to indicate that I gave them a volume of work which was likely to keep them busy for a considerable period.’¹⁰³ It soon became clear however that the I.D.A. would not be ‘concentrating all their activities’ on these sectors nor accepting this as their ‘sole and specific task’.¹⁰⁴

The latent I.D.A. mission assumed a clearer shape with the publication of the I.B.E.C. Technical Services Corporation report (vernacularly known, after its lead author, as the ‘Stacy May’ report) in 1952. The E.C.A. in Washington

⁹⁸ Beddy noted that from 1956 ‘the quickest and most advantageous course was to interest foreign industrialists in the establishment of manufacturing units in Ireland’: J. P. Beddy, ‘Industrial promotion’, *Administration*, x, no. 4 (1962) p. 327.

⁹⁹ Department of Finance response to reports 1, 2 and 4 of the D.E.A.C., 27 Sept. 1950 (N.A.I., DF F49/1/51/9 A). Italics added.

¹⁰⁰ Memorandum (and summary of memorandum) from department of Industry and Commerce to department of Finance, 8 Nov. 1950 (ibid.). Italics added.

¹⁰¹ ‘Department of Industry and Commerce: memorandum for submission to the government on paragraph 7 (industrial development) of statement of government policy’, 22 Oct. 1951 (N.A.I., DT S 11987 B).

¹⁰² *Dáil Éireann deb.*, cxxxiii, 441–2 (9 July 1952).

¹⁰³ Ibid.

¹⁰⁴ Amusingly, given that ‘hardware other than hollowware’ was one of the sectors he asked them to concentrate on, one of the foreign firms that established in 1957 was a producer of enamelled hollowware.

had been unenthusiastic about the I.D.A. pursuing U.S. investments in the haphazard manner alluded to above. Referring to the *Daily Telegraph* article discussed earlier, the policy letter of 28 December 1949 commented that ‘rather than run down these would-be investors it would be more fruitful for the Authority to exert its influence to obtain approval of the “Treaty of Friendship, Commerce and Navigation” now being negotiated between the U.S. and Ireland’. The letter portrayed such a treaty as a necessary prerequisite to any flow of U.S. investments to the country.¹⁰⁵

Phase one of the E.C.A.’s recommended two-phase programme for industry called for a general evaluation of the country’s industrial potential to furnish the I.D.A. with the kinds of concrete information that potential *foreign* investors might require. The second would focus in on the half-dozen or so options deemed most likely to hold out prospects of success.¹⁰⁶ The I.D.A. duly commissioned the report from U.S. consultancy firm I.B.E.C., though it had initially thought itself best suited to carry it out.¹⁰⁷ Remembered today mainly for the pithy observation: ‘In the Irish economy, cattle is king’, the report was controversial and of variable quality.¹⁰⁸ It elicited the wrath of the departments of Finance and Agriculture and no government White Paper ensued. The second phase of the I.B.E.C. contract was not activated, though this may have been because U.S. technical assistance to Ireland was discontinued with the attachment of security strings to such aid from January 1952.¹⁰⁹

One page of the one hundred-page report was hugely significant, however. Page 81 referred to the case of Puerto Rico, whose ‘favoured position’ included being within the U.S. trading market but outside the U.S. tax system. Puerto Rico had configured its tax system to attract light manufacturing enterprises from the U.S.A. and real per-capita incomes on the island had risen by seventy per cent over the decade 1940–50. The report was very guarded, making ‘no suggestion that the particular formula adopted by Puerto Rico is relevant to Ireland, since the differences in the two situations are far more impressive than their similarities’.¹¹⁰ The parallel drawn in any case provided further impetus to the case for export profits tax relief. Puerto Rico’s favourable tax concessions would appear prominently in the 1956 I.D.A. report on its recent visit to the U.S., which noted that many U.S. firms had enquired whether any such concessions were available in Ireland.¹¹¹

¹⁰⁵ Murray, *Facilitating the future*, p. 22 (based on documentation held at N.A.R.A. – the National Archives and Research Administration, U.S.A.)

¹⁰⁶ These recommendations received the strong endorsement of the secretaries of External Affairs and Industry and Commerce, and of Morrissey, the minister for Industry and Commerce, who described it as ‘the first sensible suggestion on the industrial side which had come from the ECA’: correspondence between Daniel Morrissey, minister for Industry and Commerce, and F. H. Boland, secretary of the department of External Affairs, 10 Mar. 1950 (N.A.I., DFA 305/57/112, i).

¹⁰⁷ Murray, *Facilitating the future*, p. 23 (based on documentation held at N.A.R.A.).

¹⁰⁸ I.B.E.C. Technical Services Corporation, *Industrial potentials of Ireland: an appraisal*, 1952, p. 70.

¹⁰⁹ Whelan, *Marshall Plan*, pp 345–50; Murray, *Facilitating the future*, pp 6, 28, 36.

¹¹⁰ This raises the intriguing possibility that the reference to Puerto Rico was inserted at the behest of the I.D.A., which (as the report states) had been furnished with – and had responded to – an earlier draft. Unfortunately no files detailing the interactions between the I.D.A. and the report’s authors have come to light.

¹¹¹ N.A.I., Fin/F200/10/56.

By 1953 Lemass was beginning to recognise publicly the advantages that foreign industry could bring, and his 1953 trip to the U.S. had been partly aimed at attracting American investment.¹¹² The inter-party government had arrived at this position earlier. Morrissey, for example, had stated in a speech in 1948 that ‘where Irishmen are unwilling or unable to undertake the risks of new investment, I shall welcome capital from abroad ... We want especially industries capable of catering for the export market, particularly in hard currency countries’.¹¹³ The second inter-party government allowed the I.D.A. free rein in its self-appointed mission. Norton, the new minister for Industry and Commerce, noted in 1956 that he had asked the I.D.A. in the previous two years to review the operation of all tariffs but that ‘the Industrial Development Authority have not been able to devote as much time to it as I originally intended they should, due to the fact that they have had to spend a very considerable amount of time in endeavouring to enlist the co-operation and interest of foreign industrialists to come here to Ireland’.¹¹⁴

Two members of the I.D.A. visited Sweden in 1955 for the purpose of interesting foreign industrialists in the country.¹¹⁵ The following year, I.D.A. delegations visited the U.K., Germany, Belgium, the Netherlands and the U.S., and the I.D.A. concluded its negotiations with a consortium of oil companies on establishing a refinery at Whitegate, County Cork.¹¹⁶ Over these two years, before the financial inducements to new foreign firms announced in late 1956 would have had time to take effect, a number of such firms – three German, one Dutch and six British – set up in Ireland. Several were in the undeveloped areas and in receipt of grants from An Foras Tionscal. The I.D.A. was likely to have been instrumental in drawing their attention to Ireland, however. A particular attraction for the continental European firms would have been Ireland’s duty-free access to the U.K. market.¹¹⁷ The U.K. itself might have been a less welcoming environment for German firms at the time. Two of the German firms, Faber-Castell and Sligo Models, had exporting intentions from the beginning, as did the Dutch firm, Couper Works of Wicklow.¹¹⁸

The pivotal year in the emergence of the new export-led strategy was 1956. In a major policy speech delivered to an inter-party meeting on 5 October, taoiseach John A. Costello announced that the industrial grants scheme would be extended to the entire country. Catherine Brock refers to the convention ‘which had always been accepted by the grant-giving bodies although it is not expressed in any of the legislation. This was that grants were only to be given to new firms which would not compete in the home market with

¹¹² Barry, ‘Export profits tax relief’. On the Lemass trip to the U.S.A., see particularly ‘Mr Lemass offers an Irish welcome to U.S. investors’, *Irish Times*, 6 Oct. 1953.

¹¹³ Morrissey speech to the Waterford Chamber of Commerce, (U.C.D., Costello papers, P190/418(4)).

¹¹⁴ *Seanad Éireann deb.*, xlv, 1747 (22 Mar. 1956).

¹¹⁵ *Dáil Éireann deb.*, cxlix, 525–6 (23 Mar. 1955).

¹¹⁶ *Irish Independent*, 21 June and 6 July 1956.

¹¹⁷ ‘Attractions of Ireland as a location for industries: facilities granted to industrialists’, Nov. 1956 (N.A.I., DT S 15293 A).

¹¹⁸ See *Irish Times*, 14 Sept. 1955 for information on Faber-Castell; *Irish Times*; 27 May 1954 for Sligo Models; and *Irish Times*, 30 Nov. 1957 for Couper Works.

existing firms'.¹¹⁹ The same speech announced the introduction of export profits tax relief. Costello was persuaded by his advisors to overrule Finance on the issue.¹²⁰ His speech announcing the measure was crafted to avoid explicitly linking it to the new policy on foreign investment though the issues are clearly linked in an early draft of the speech.¹²¹ The introduction of the measure effectively breached the logjam on foreign ownership, though the Control of Manufactures Acts were not fully repealed at the time. Norton was convinced by his department that to do so would have been seen as a breach of faith towards those who had set up factories on the basis of the existence of the acts.¹²²

Much of the I.D.A. effort from this date was concentrated on the U.S.A. The department of External Affairs issued a memorandum to the U.S. authorities in 1955 assuring them that no sound proposal would be turned down simply because control would rest in the hands of non-nationals, and advising that special consideration would be given to export-oriented proposals. By the end of 1956, the I.D.A. had a special representative in New York.¹²³ The government had also prepared a note for industrialists outlining the attractions of Ireland as a location for industry.¹²⁴ An I.D.A. advertisement announcing 'Ireland welcomes your industry' appeared in the *Wall Street Journal* in December 1957.¹²⁵ The following year saw Cyril Count McCormack appointed as I.D.A. representative to the U.S. and an I.D.A. branch office opened in New York.¹²⁶ The total stock of U.S. F.D.I. in Ireland in 1958 was \$6 million, almost all of which was in petroleum. The stock in manufacturing was listed as zero.¹²⁷ By 1964, the U.S. Bureau of Economic Analysis lists the manufacturing stock as having grown to \$8 million, or 0.1 per cent of U.S. manufacturing investments in Europe. By 1966 it has grown to \$61 million, or 0.7 per cent. This upward trajectory would of course continue into E.E.C. membership.

VI

Established in 1949 in the face of Fianna Fáil hostility, and greeted with suspicion by the departments of Finance and Industry and Commerce, the I.D.A. within ten years had carved out a powerful position for itself within the

¹¹⁹ Catherine Brock, 'Public policy and private industrial development' in J. A. Bristow and A. A. Tait (eds), *Economic policy in Ireland* (Dublin, 1968), p. 160. See also *Dáil Éireann deb.*, clx, 2373–80 (13 Dec. 1956), and Kieran A. Kennedy, Thomas Giblin and Deirdre McHugh, *The economic development of Ireland in the twentieth century* (London and New York, 1988), pp 62–3.

¹²⁰ Barry, 'Export profits tax relief', pp 67–8.

¹²¹ *Ibid.*

¹²² *Ibid.*

¹²³ Department of Industry and Commerce memo: 'Attraction of American capital investment in Irish industry' (N.A.I., Fin F 200 10 56).

¹²⁴ 'Attractions of Ireland as a location for industries', Nov. 1956 (N.A.I., DT S 15293 A).

¹²⁵ Donnelly, 'Industrial Development Authority', p. 145.

¹²⁶ *Dáil Éireann deb.*, clxvi, 794–6 (25 Mar. 1958); *ibid.*, clxxv, 568 (27 May 1959).

¹²⁷ Robert Lipsey, 'Discussion' in *idem* and Heinz Herrmann (eds), *Foreign direct investment in the real and financial sector of industrial countries* (Berlin and New York, 2003), p. 209.

bureaucracy. Alexis FitzGerald asserted in later life that the I.D.A. was established as an independent agency because the department of Industry and Commerce remained mired in protectionist thinking. The independence of the board may have helped it to fend off demands from Seán Lemass, upon his return to office in 1951, that it should 'concentrate all its activities' on seeking to develop the import-substituting sectors that he specified.

By then, both the inter-party government and the department had glimpsed the possibilities of attracting export-oriented foreign investment. This emerging vision was actively promoted by the Economic Cooperation Administration, the U.S. government agency established to administer the Marshall Plan. The experience of Puerto Rico was referred to in a report to the I.D.A. by a team of Marshall Aid-funded U.S. consultants in 1952 and would appear prominently in the I.D.A. report of 1956 on its recent visit to the U.S.A. It provided further impetus to the case for export profits tax relief.

Inward foreign investment remained a source of political point-scoring at that time. Taoiseach John A. Costello's speech announcing adoption of the tax-relief measure and the expansion of industrial grants was crafted to avoid explicitly linking it to the new policy on foreign investment, though background notes for the speech make it clear that the issues were closely entwined. Much of the I.D.A. effort from this date was concentrated on the U.S.A., though American firms would come to predominate only as E.E.C. membership hove into view. Though the process of attracting export-oriented foreign direct investment was temporally and logically distinct from the trade liberalisation programme that followed in the 1960s, it facilitated the latter. By offering an alternative source of employment that might be capable of replacing the protectionist-era industries that were destined to decline, it reduced the resistance to trade liberalisation. By the 1970s the new export-oriented sector had grown substantially and the possibilities it raised for net manufacturing employment gains featured explicitly in the 1972 government White Paper *The Accession of Ireland to the European Communities*.