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Paul Donnelly

Technological University Dublin, paul.donnelly@tudublin.ie

John Hogan

Technological University Dublin, john.hogan@tudublin.ie

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The Move from Protectionism to
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Development:
A Critical Juncture in
Irish Industrial Policy?

PAUL F. DONNELLY AND JOHN HOGAN

*Paul Donnelly is a lecturer and researcher in the College of Business,
Dublin Institute of Technology.*

*John Hogan is a lecturer in the College of Business,
Dublin Institute of Technology*



Introduction

By the early 1950s the Irish economy was in trouble. Emigration was at record levels, the population was falling, unemployment was high, and economic growth was stagnant. Economic protectionism, introduced during the great depression, was still in place, despite Western Europe experiencing rapid economic growth as it recovered from the Second World War. This led to a questioning, and the eventual overthrow, of extant industrial policy in Ireland. This paper, utilising Hogan and Doyle's (2007) critical juncture framework, examines the move from protectionism to an outward-looking industrial policy to discover the nature of this policy change.

According to the critical juncture framework, a critical juncture consists of a crisis, ideational change and radical policy change. A crisis can undermine a policy, but will not transform that policy. Radical policy change depends upon societal actors uniting around a new idea. A crisis creates the environment wherein change agents contest extant ideas and the policy based upon them. Ideational change links crisis to policy change. The framework rests upon the hypothesis that a crisis-induced consolidation of a new idea – replacing an extant paradigm – leads to radical policy change. Without ideational change, policy instrument settings, and the instruments themselves, may change but the hierarchy of goals underpinning a policy will remain unaltered. This framework is capable of explaining why certain crises lead to critical junctures in policies, whereas others do not.

Policy change and its identification

Critical junctures are seen as branching points that set processes of institutional/policy change in motion, ultimately resulting in the adoption of an institutional arrangement from among

alternatives (Mahoney, 2000). Thereafter, the pathway established funnels units in a particular direction, with increasing returns and resultant irreversibilities (Mahoney, 2003). Utilising Hogan and Doyle's (2007) critical juncture framework, we examine change in Irish industrial policy during the 1950s in three stages: the economic situation, ideational change and the nature of policy change.

The first stage tests for economic crisis. A crisis implies prevailing policy cannot be sustained without deterioration (Haggard and Kaufman, 1995). Policy change often follows policy failure (Walsh, 2006), with external shocks often blamed for such failures (Greener, 2001). An economic crisis, therefore, can influence policy preferences (Stevenson, 2001), as it can unleash powerful forces of change in an economy (Haggard, 2003). As definitions of an economic crisis vary, we develop encompassing observable implications.

The framework's second stage tests for ideational change. New ideas can change the policy environment (Pemberton, 2000). Our observable implications draw on the work of Legro (2000), who developed the concept of collapse and consolidation in the process of ideational change. The premise is that a broad range of change agents perceive an extant paradigm as inadequate (collapse) and coalesce (consolidation) in support of an alternative idea.

The framework's third stage tests the nature of policy change through observable implications based on the work of Hall (1993), which argues that there are three orders of policy change: first, second and third. These enable us to identify, and differentiate, paradigmatic from other forms of change.

Testing for a macroeconomic crisis

Scholars regularly 'agree that severe recessions make significant structural changes possible because they render politics highly fluid' (Garrett, 1993: 522). However, economic crises are rare,

rendering definition and identification difficult (Yu, Lai and Wang, 2006). How, then, do we define and identify an economic crisis? Stone (1989) argues that a situation does not become a problem until it is amenable to control. But, if something is controllable, it must be measurable, otherwise how would we know if we are controlling it. An economic crisis must be quantifiable, and it is from quantification that identification comes.

Pei and Adesnik (2000) developed a range of criteria for macroeconomic crises: annual inflation greater than 15 per cent, stagnant or negative annual gross domestic product (GDP) growth, and historians and other analysts' descriptions of significant deterioration in economic circumstances. For Kwon (2001) and Solimano (2005), a macroeconomic crisis can be identified through general indicators and perceptions of growth, inflation, employment creation, poverty reduction and their combined socio-psychological burden on society. Ultimately, to define something as complex as a macroeconomic crisis requires subjective and objective deliberations (Pei and Adesnik, 2000). We develop a range of observable implications that build upon previous studies through a combination of quantitative and qualitative measures (Hogan and Doyle, 2007). These observables accept that a macroeconomic crisis constitutes an economic low point. Thus, the economy may have been in crisis if:

- O1. The main economic indicators were in decline/stagnation.
- O2. The national/international media regarded the economy to be in crisis.
- O3. Economic and political commentators regarded the economy to be in crisis.
- O4. The central bank regarded the economy to be in crisis.
- O5. The Organisation for Economic Cooperation and Development (OECD) regarded the economy to be in crisis.
- O6. Elected representatives regarded the economy to be in crisis.
- O7. Government pronouncements on the economy were consistent with a crisis management approach.

The state of the Irish economy in the 1950s

After independence, the Free State government of Cumann na nGaedhael employed a free trade policy, centred on agriculture. However, after Fianna Fáil came to power in 1932, in the depths of the Great Depression, economic policy focused on protectionism and on developing domestic industries behind tariffs. This was a process underway in many countries at the time; however, Irish protectionism was driven by cultural isolationism. Political independence came to be equated with economic nationalism (Ó Tuathaigh, 1986). The naivety was that homemade economic policy was not necessarily better policy. For Ireland, the benefits of protectionism – meagre industrial expansion – had been reaped by the end of the 1930s (Haughton, 1995). From the late 1940s, the economy stagnated as industry supplied a saturated domestic market (Hillery, 1980).

The economic indicators examined here paint a grim picture.

Table 1: *Main Economic Indicators, 1950 – 1959*

<i>Year</i>	<i>Unemploy- ment Percentage</i>	<i>Inflation Percentage</i>	<i>Government Debt/GNP ratio</i>	<i>Growth in Real GDP</i>	<i>Industrial Disputes days lost (‘000s)</i>	<i>Economic Openness¹</i>
1950	7.5	0.0	N/A*	1.9	217	70.9
1951	7.3	11.25	49.9	1.9	545	82.6
1952	9.1	10.1	N/A	2.26	529	69.6
1953	9.6	2.04	N/A	2.5	82	66.9
1954	8.1	2.0	N/A	0.9	67	65.5
1955	6.8	1.9	N/A	1.9	236	67.2
1956	7.7	4.4	N/A	-1.45	48	63.9
1957	9.2	2.57	N/A	0.98	92	62.7
1958	8.6	2.6	N/A	-2.2	126	62.9
1959	8.0	-0.85	55.5	4.1	124	62.7

Sources: Statistical Office of the European Communities (1997); Heston, Summers and Aten (2002); Leddin and Walsh (1998); Mitchell (1993).

*Not Available

¹ Measured by the trade to GDP ratio. This is acquired by adding the value of imports and exports and dividing by GDP.

From Table 1, it is clear that the Debt/GNP ratio deteriorated between the available figures for 1951 and 1959, and the level of economic openness reached a decade-long low in 1959. For the other four indicators, their low points came throughout the 1950s. Unemployment peaked at almost 10 per cent in 1953. However, this figure conceals the fact that tens of thousands were leaving the country annually in search of work. In 1952, inflation peaked at over 11 per cent, while in 1959, the economy experienced deflation. The economy shrank by over two per cent in 1958, having previously contracted in 1956. Between 1951 and 1958, GDP rose by an average of less than one per cent per annum, employment declined by 12 per cent, unemployment rose, half a million emigrated and the population dropped to its lowest level (Haughton, 1995).

The *Irish Independent* (1959a) argued that the foundations of the economy were in need of repair. *Time International* (1958) remarked that there had been few economic advances for Ireland during the 1950s. *The Irish Times* (1959a) observed that employment was in decline, and the cost of living had gone 'sky high'. *The Economist* (1959) concluded that, prior to 1959, most indicators of Irish economic performance were dire. By mid 1958, the *Irish Independent* (1958a) was arguing that economic isolation was impractical.

The OECD (1961) and the Central Bank of Ireland (1961) saw the 1950s as a decade of economic depression. Agricultural production was abnormally low, industrial output was faltering (OECD, 1961) and there was a large external trade deficit (Central Bank of Ireland, 1957). The Central Bank (1957: 34) observed that '[t]he present economic and financial situation scarcely justifies the retention of confidence in large-scale expenditure on public works and social amenities as a means of stimulating useful economic activity'. It further spoke of the dangers of insolvency, and how this would result in a level of emigration to dwarf anything experienced previously, and the end of financial independence. The Central Bank (1958) argued that too little expenditure had been set aside for productive

investment. This was despite the favourable influences on production, the efforts devoted to the development of sheltered industries catering for the home market, a high level of social investment, and large scale external borrowing (Central Bank of Ireland, 1959).

Ó Gráda and O'Rourke (1995: 214) argue that, 'in the 1950s, Ireland's relative [economic] performance was disastrous, poorer than that of the UK as well as the European average'. Lyons (1973: 618) observed that a:

serious crisis of confidence developed, caused by widespread anxiety that the performance of the economy was so poor the country was falling behind Western European standards, not only in productivity, but in the social benefits productivity might be expected to confer.

According to Whitaker (1973), by 1957 the economy was plumbing the depths of hopelessness. Stop-go policies, in which adverse balance of payments signalled drastic fiscal actions to follow, produced fiscal contractions in 1952 and 1957 (Kennedy and Dowling, 1975). Meanwhile, the economies of Europe were achieving robust growth (MacSharry and White, 2001).

Politicians from across the political spectrum 'realised that the Irish economy could not survive in isolation' (Murphy, 1997). Senior Fianna Fáil politician, Seán MacEntee, argued that Ireland would have to face up to its economic difficulties if it was to maintain its sovereignty (*The Irish Times*, 1959b: 5). Daniel Desmond of Labour said that it was time for the political establishment to realise that solving the problems with the economy superseded their power struggles (*Irish Independent*, 1959b). Richard Mulcahy, leader of Fine Gael, remarked that a tremendous effort would be required by all sections of the community to right the economy (Dáil Debates, Vol.171 Col. 1320, 2 December 1958). As Tánaiste, Seán Lemass said 'we have got to demonstrate beyond question the capacity to develop a viable economy' (DD, Vol.174 Col 1122, 28 April, 1959),

adding, when he became Taoiseach, that task for the generation of the 1950s was to 'consolidate the economic foundations of our political independence' (*The Irish Times*, 1959c: 8). While opposition parties might be expected to talk down the economy, when the government is in agreement with their evaluations, there can be no mistaking the gravity of the situation.

Table 2: *Identification of macroeconomic crisis*

<i>Observable Implications</i>	<i>Ireland 1950s</i>
O1 – Main economic indicators in decline/stagnation	Y
O2 – National/international media regarded the economy in crisis	Y
O3 – Economic/political commentators regarded the economy in crisis	Y
O4 – Central Bank regarded the economy in crisis	Y
O5 – OECD regarded the economy in crisis	Y
O6 – Elected representatives regarded the economy in crisis	Y
O7 – Government pronouncements consistent with crisis management approach	Y
Economic Crisis	Y

From Table 2, it is clear that the Irish economy was in crisis during the 1950s, with all observable implications satisfied by our findings. The next section tests for changes in the ideas underlying industrial policy.

Testing for ideational change

Previous policies can be discredited due to their implication in, or inability to right, a crisis (Levy, 1994). Although economic crises can have great impact, they will not determine policy, whose formulation is 'centred in domestic political and ideational processes' (Golob, 2003: 375). Hogan and Doyle's (2007) framework contends that significant policy change depends upon actors reaching consensus upon, and consolidating around, a set of new ideas. Actors utilise new ideas

to chart new policy strategy (McNamara, 1998). Ideas function as coalition-building resources among change agents who attempt to resolve crises (Blyth, 2002). When an economic model is in difficulty, windows of opportunity appear in which change agents contest the viability of the prevailing paradigm (Kingdon, 1995). Ideational change stands between a crisis and policy change, determining if a crisis results in policy change.

Hogan and Doyle (2007) contend that new ideas are introduced into the policy domain by three types of *change agents*. The first group consists of outside influencers, such as the media, the OECD, IMF the World Bank, trade unions, employer organisations, and consumer groups. They critique an existing economic paradigm, advocating a new one. The second group are Kingdon's (1995) 'policy entrepreneurs'. These are change agents who spread ideas to replace the current paradigm. They may be civil servants, technocrats, academics, economists, and interest groups. The most important change agents are 'political entrepreneurs' (Dahl, 1961). Political entrepreneurs 'exploit moments of instability' and 'invest resources in the creation of a new policy or new forms of collective action' (Sheingate, 2003: 188-190). In a crisis, a political leader, usually an opposition leader, will seek new economic policy ideas to rectify the ills of the existing paradigm. Policy entrepreneurs and outside influences produce ideas, but political entrepreneurs introduce ideas into the policy process.

According to Legro's (2000) two-stage model of ideational change, if agents agree the existing ideational paradigm is deficient and should be replaced, the first stage – ideational collapse – has occurred. Following are observables for ideational collapse:

- O1. The media questions the efficacy of the current model.
- O2. Opposition political parties critique the current model and propose alternative ideas – at election time their platform will be built around these alternatives.

- O3. Civil society organisations, e.g., labour unions, employer organisations etc. critique the current model.
- O4. Widespread public dissatisfaction with the current paradigm, observable through opinion polls etc.
- O5. External or international organisations critique the current model and/or actively disseminate alternative ideas.

As agents debate the viability of the old model, they generate solutions to its ills through new ideas. However, 'even when ideational collapse occurs, failure to reach consensus on a replacement could still produce continuity, as society reflexively re-embraces the old orthodoxy' (Legro, 2000: 424). The issue is reaching consensus on a new set of ideas. If consensus is achieved, it marks the second stage of Legro's model, consolidation, with agents coordinating a replacement set of ideas to challenge the dominant creed. This can be seen in political entrepreneurs consolidating innovations by combining interests to produce a winning coalition (Sheingate, 2003). Following are observables for new ideational consolidation:

- O6. A clear set of alternative ideas, developed by policy entrepreneurs, is evident.
- O7. A clear change agent (political entrepreneur), injecting new ideas into the policy arena, is evident.
- O8. The political entrepreneur combines interests to produce consensus around a replacement paradigm.

The greater the consensus encompassing an idea the more protected the policies derived from it. Protected policies represent continuity, whereby once a policy has become institutionally embedded, 'policy-making becomes possible only in terms of these ideas' (Blyth, 2001: 4).

The ideas underlying industrial policy

Economic stagnation led to a 'vigorous debate on the economy' (O'Day, 2000: 27). This was conducted amongst civil society groups and within the media, where they questioned the efficacy of protectionism. The *Irish Independent* (1958b) observed THAT

there was a pressing need to expand exports to permit the expansion of industry and increased employment. The Federation of Irish Manufacturers (FIM) called for an investigation of the impact on Irish industry of a managed free trade regime (*Irish Independent*, 1958c: 10). By the early 1950s, with the General Agreement on Tariffs and Trade (GATT) and the European Coal and Steel Community (ECSC) in existence, protectionism was swimming against the tide.

The Industrial Development Authority (IDA), established in 1949 to encourage indigenous industries, was tasked with increasing exports. Soon afterwards the IDA was advocating export led industrialisation, with foreign investment as its driving force. A couple of years later, C oras Tr acht ala Teoranta (CTT, the Irish Trade Company) was established to promote exports to North America. Extant policy was stretched to incorporate aspects of attracting foreign direct investment (FDI) and encouraging exports. Ideas associated with an outward-looking economic strategy were utilised by the Minister for Industry and Commerce, William Norton, in 1955 (Tansey, 1998). In public statements, Norton signalled the need to attract FDI to facilitate industrial expansion (D ail  ireann Debates, 23 March, 1955, Vol.149, Col.525). The Finance Act of 1956 was designed to encourage exports by Irish and foreign companies using Ireland as a base. The government's attitude changed from encouraging the purchasing of Irish goods under all circumstances, to encouraging their purchase only if 'first class products at a reasonable price' (*The Irish Times*, 1956: 11). These innovations were supported by employer groups and trade unions (Suarez, 2001). The policy changes prior to 1957, such as the Finance Act of 1956 and the Underdeveloped Areas Act of 1952, were essentially last-ditch efforts to maintain protectionism. Consequently, '1957 is conventionally thought of as the end of an era, marking the final exhaustion of the ideas of the first generation of political leaders' (Garvin, 1982: 37).

Instead of improving matters, the alterations to protectionism contradicted its intellectual coherence. The protectionist policy

matrix, made up of a range of legislation, import levies and customs duties developed over more than a generation, was fraying (Donnelly, 2007). Lynch (1959) argued that the old economic policies had failed. *The Irish Times* (1959d) argued that the results of protectionism were: the sheltering of inefficient firms producing inferior goods, and the bad will Irish exporters had to face abroad.

In an environment of disappointing economic performance, contestation of the orthodoxy underlying extant industrial policy, by agents agreed on its inadequacy, resulted in its collapse. The 1957 election was fought by Fianna Fáil attacking the economic model it created. Lemass argued that increased employment would only come from exports, and that this was possible by attracting in foreign capital, and through tax exemption for exporting firms (*The Irish Times*, 1957a). Fianna Fáil won the election due to the state of the economy and the coalition government's failure to right it (*The Irish Times*, 1957b). Lemass became Minister for Industry and Commerce and '[o]n his return to office [he] began the process of opening the state to foreign investment' (Girvin, 1994: 125), a process tentatively in motion under the preceding government (Donnelly, 2007).

In a debate on the Control of Manufacturers Bill, 1957, Lemass stated that 'a number of new concerns and externally-promoted undertakings geared for export could make a very substantial contribution to the development of our trade...a contribution which...is so essential to our economic well-being' (Dáil Éireann Debates, 20 February, 1958, Vol.165, Col.534). This was recognition that the state had reached the end of the road with protectionism. Lemass's thinking was heavily influenced by T.K. Whitaker, who, as Secretary of the Department of Finance from 1956, was committed to export-led growth. This commitment came from his recognition that economic policies pursued to that time had failed (Lee, 1989). He advanced and set out a three-pronged strategy – more planning, fewer tariff barriers, and a greater emphasis on productive investment – in *Economic*

Development (Department of Finance, 1958a), which contained ideas that had been gestating for some time, as indicated by his 1956 paper *Capital formation, saving and economic progress*. Murphy (1997) argues that *Economic Development* marked the culmination of a major strand of activism within parts of the higher echelons of the civil service.

Lemass assumed the role of a political entrepreneur, championing economic openness. There followed a reappraisal of the policies pursued since the 1930s. Encapsulating a comprehensive overview of the economy, *Economic Development* pointed to the fact that extant policy had failed to deal with the economy's problems: 'The policies, hitherto followed, though given a fair trial, have not resulted in a viable economy' (Department of Finance, 1958a: 2). Few politicians, either in government, or opposition, as well as the newspapers, took notice of *Economic Development* (Murphy, 2005). What proved to be the most important Irish economic policy document garnered almost no attention upon publication, its significance recognised only by the entrepreneurial network (Whitaker and his colleagues within the Department of Finance) that fostered it and the political entrepreneur who championed it.

Economic Development (Department of Finance, 1958a) proposed opening the economy with a transition to free trade, stimulation of private investment, the introduction of grants and tax concessions to encourage export manufacturing, and the inducement of direct investment by foreign, export-oriented manufacturers. It was the genesis of a new paradigm to manage the economy. Whitaker is the prime policy entrepreneur, as his ideas in *Economic Development* formed the backbone of the 1958 White Paper, *Programme for Economic Expansion* (Horgan, 1997). Drawn up under the supervision of Lemass, this white paper laid out a coherent set of new ideas, based on an outward-looking strategy and/or planned capitalism (Horgan, 1997).

Lemass succeeded De Valera as Taoiseach in 1959. The ideas propagated by Lemass and Whitaker persuaded the opposition

parties who coalesced around them (*Irish Independent*, 1959b). Thus, political consensus was reached on a replacement set of economic ideas, consolidating a dominant new ideational orthodoxy. It was clear by the early summer of 1959 that academia and representatives of leading interest groups were rowing in behind *Economic Development* (*The Irish Times*, 1959e). Lemass now had the mandate and opportunity to inject the new ideas into the policy arena.

There was ideational collapse as change agents critiqued protectionism. Whitaker, and the Department of Finance, played the role of policy entrepreneurs, while other change agents (the outside influences), such as the newspapers, the trade unions, and other interest groups, supported the ideas in *Economic Development*. Lemass was the political entrepreneur they rallied around, as he championed their reform plans in the political arena. The previous coalition government's attempt to open the economy was not a break with protectionism, but a stretching of that paradigm. Having reached the point of failing, Lemass threw protectionism out, replacing it with an outward-orientated paradigm.

From Table 3 we see that the ideas underpinning industrial policy, focused on protectionism, collapsed under the weight of criticism. In the wake of this collapse, change agents put forward a range of alternative ideas, with those of Whitaker being championed by Lemass.

Identification of policy change

We hypothesise that once there is political entrepreneur-led consolidation around a new set of ideas (ideational change), significant policy change should follow. The observable implications are based upon Hall's (1993) concepts of first, second and third order change: a first order policy change involves alteration to the settings of policy instruments; a second order change involves alteration to the instruments of policy; and a third order policy change sees the goals of policy changing – a

Table 3: *Identification of (i) ideational collapse and (ii) new ideational consolidation*

<i>Observable Implications</i>	<i>Ireland 1950s</i>
<i>(i) Ideational Collapse</i>	
O1 – Media questions current model	Y
O2 – Opposition political parties critique current model/ propose alternatives	Y
O3 – Civil society organisations critique current model	Y
O4 – Widespread public dissatisfaction with current model	Y
O5 – External/international organisations critique and/or disseminate alternatives	Y
<i>(ii) New Ideational Consolidation</i>	
O6 – Clear set of alternative ideas evident	Y
O7 – Clear change agent evident	Y
O8 – Political entrepreneur combines interests to produce consensus around new idea	Y
<i>Adoption of New Idea</i>	Y

paradigmatic change. Thus, following are observables for identification of policy change:

- O1. If industrial policy instrument settings changed, there may have been a first order policy change.
- O2. If the instruments of industrial policy changed, there may have been a second order policy change.
- O3. If the goals behind industrial policy changed (swiftly and for longer than a government's term of office), there may have been a third order policy change.

These observables enable us identify, and differentiate, normal and fundamental shifts in policy. They also incorporate the idea of swift and enduring change developed by Hogan and Doyle (2007). As we are dealing with the concept of a critical juncture (radical change), we assume this is not a long process, otherwise it would be incremental. Also, if the change is to endure in an

environment of competing policy entrepreneurs and ideas, it should survive a change of government.

Development of industrial policy

In response to economic crisis, the coalition government (1954-7) began to actively encourage foreign investment to fill gaps left by indigenous industry through such actions as extending the remit of the IDA within the confines of the Control of Manufacturers Acts (1932 and 1934) and introducing tax breaks and grants (Donnelly, 2007). However, to regard these policy changes as a break with protectionism would be incorrect, for they were a form of institutional layering in the context of paradigm stretching; the overarching protectionist framework remained. However, the abiding inefficiencies of the protectionist path were immune to incremental changes. At most, the policy decisions up to 1957 constituted second order changes.

Under Lemass, an outward-orientated strategy became the bedrock of industrial policy. The Industrial Development (Encouragement of External Investment) Act of 1958 eased restrictions on foreign ownership of industry. During the debate on this Act, Lemass pointed out that industrial policy had moved from focusing on import-substitution and indigenous industry to encouraging exports and FDI (Dáil Éireann Debates, 20 February, 1958, Vol.165, Col.533). Lemass had come to consider the Control of Manufacturers Acts (1932 and 1934) as an impediment to development (Dáil Éireann Debates, 20 February, 1958, Vol.165, Col.533), with FDI now seen as a means of addressing the shortage of capital, export inexperience and high unemployment. Legislation signalling that FDI geared towards exports was welcome marked a shift in policy, requiring a significant investment of political capital by all concerned, most especially Lemass.

The Programme for Economic Expansion (Department of Finance, 1958b) stated that the way forward for the economy was through

industrial expansion based on exports. The likely emergence of a free trade area in Europe, in the wake of the creation of the European Economic Community (EEC) in 1957, informed ideas as to how industrial development would have to target export-orientated projects that would perform well in open competition. The message at the heart of the *First Programme* was that protectionism was unrealistic.

Lemass accelerated opening of the economy by bringing down barriers to FDI. Adjusting industries to competition led public policy into the realms of industrial relations and pay bargaining. Lemass understood government had to play a more active role in the Irish economy, but realised that this strategy required a new partnership with different interests, who would become players in the policy game (Murphy, 1997). Trade unions and employer organisations were brought into the policy-making environment through the Employer-Labour Conference (ELC).

The institutions established in the early 1950s as part of the protectionist matrix (IDA, CTT) were sufficiently flexible to support the moves towards an outward-looking, and increasingly active, industrial development policy. The *Programme for Economic Expansion* (Department of Finance, 1958b) concluded that the state should provide facilities to encourage industrial development, remove policies hampering that development and welcome FDI. The *Second Programme for Economic Expansion* (Department of Finance 1963, 1964) signalled the repeal of the Control of Manufacturers Acts, on the grounds that foreign investment supported indigenous efforts to grow the economy and create jobs, and increasing resources were given to the IDA to attract FDI. The government also pursued an increasingly liberal trade policy (OECD, 1962), with accession to the EEC becoming the objective of this transformed policy paradigm. All in all, the collective mindset had disengaged from protectionism towards free trade and the necessity of FDI to development.

Table 4 shows that industrial policy's instrument settings, the instruments themselves, and the goals behind it changed, thus

Table 4: *Identification of change in government economic policy*

<i>Observable Implications</i>	<i>Ireland 1959</i>
<i>(i) Ideational Collapse</i>	
O1 – Industrial policy instrument settings changed	Y
O2 – Instruments of industrial policy changed	Y
O3 – Goals behind industrial policy changed	Y
<i>Critical Juncture in Macroeconomic Policy</i>	Y

representing a third order change in industrial policy. This occurred following macroeconomic crisis, collapse of the dominant industrial orthodoxy, the introduction of new ideas into the policy arena, and the consolidation of change agents around these ideas. In sum, this constituted a critical juncture in industrial policy.

Conclusion

We sought to provide a better understanding of the nature of change in Irish industrial policy at the end of the 1950s. The framework employed was based upon the hypothesis that a critical juncture in policy consists of crisis, ideational change and radical policy change. Through empirical examination of this hypothesis, we found a critical juncture in Irish industrial policy in the 1950s. In the midst of a macroeconomic crisis calling into question the viability of the state, established industrial policies based around protectionism, having been undermined by previous failures, were overcome by change agents, led by a political entrepreneur, and consolidating around new ideas to open the economy and pursue FDI with zealotry. Lemass, influenced by Whitaker, and protectionism's failure, occupied the role of political entrepreneur, fostering the alternative ideas on industrial policy, around which change agent consensus developed, and radical policy change followed.

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