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European University Institute

Department of Political and Social Sciences

Economic Liberalisation and Business Associability in Small States: A Case Study of Ireland

Dermot McCann

Thesis submitted for assessment with a view to obtaining the PhD Degree of the European University Institute Department of Political and Social Sciences

Examining Committee:

Prof. Bernd Marin (European Centre, Vienna) (supervisor)
Prof. Giandomenico Majone (EUI)
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Abbreviations

AC	Adaptation Council
CIF	Construction Industry Federation
CII	The Confederation of Irish Industry
CIO	Committee on Industrial Organisation
COIP	Committee on Industrial Progress
FAA	Footwear Adaptation Association
FIE	Federation of Irish Employers
FII	The Federation of Irish Industries
FIM	The Federation of Irish Manufactures
FUE	The Federated Union of Employers
IDA	The Industrial Development Authority
IMI	Irish Management Institute
NC	National Council (of the CII)
NESC	National Economic and Social Committee
NEC	National Executive Committee (of the CII)
NIBO	Nationwide Irish Business Organisation
NIEC	National Industrial and Economic Council

Chapter One
Economic Liberalisation, Industrial Policy and the Development of Business Interest Associations.

Introduction

This study will examine the impact of a liberalising trade policy and accession to the European Community on the development and role of business interest associations in Ireland from the end of the 1950s to the 1980s. It will be concerned to establish what, if any, relationship exists between the standing of the national economy and the international trading system and the character of collective action within industry. In addition, it will attempt to clarify the significant factors which mediate this relationship and give it its particular form.

In addressing these questions the actions of three key actors or sets of actors will be examined. First, it will be necessary to analyse the response of the state to liberalisation. Of relevance will be the policy choices made by governments and the administrative strategies adopted to implement these policies. Secondly, it will be necessary to examine the impact of liberalisation, and of the related state policy initiatives, on the competitive situation of firms. Of particular importance is the way in which changed economic and policy conditions influence the collective action calculus of firms. Thirdly, the response of the major associations themselves will be examined. How did they react to the pressures and opportunities of new economic and political conditions? Obviously, all three sets of actors are closely interlinked, with each at least to some extent anticipating and reacting to the actions of the others. Only by analysing these complex processes can the full implications of liberalisation for associational activity within industry and its place in the policy process be properly assessed.

Small States, Economic Openness and Interest Group Politics

The existence of some sort of link between economic integration with world markets and the role and development of interest associations has been frequently purported. Schmitter (1974:107) perceived the emergence of new forms of interest intermediation as a response to "certain basic imperatives or needs of capitalism to reproduce the conditions for its existence and continually to accumulate further resources" and later specified competition between national economies as a key factor in making this connection (1977). Similarly, economic openness and its consequences lies at the heart of Lehmbruch's (1977), Cameron's (1978) and Katzenstein's (1985) analyses. However, less agreement has been evident about precisely how this factor acts to reshape interest group politics. While it is generally accepted that the principal effects of economic openness are to increase the competitive pressures faced by a given national economy while simultaneously reducing its capacity to control the economic environment, the impact of this on government, industry, business associations and their interrelationship is far more problematic.

One approach has highlighted the impact of openness on state policy and on its need for effective policy instruments. In Lehmbruch's (1977) analysis, for example, the focus is on the state's diminishing capacity to effectively employ monetary policy and Keynesian techniques of macroeconomic management in the face of international economic integration. Confronted by 'control deficits' of this sort, governments increasingly turn to more direct attempts at influencing the behaviour of business and labour (1977:154). These problems manifest themselves most clearly in the struggle against inflationary pressures where the likely failure of governmental efforts to impose a wage and price freeze results in direct controls being supplanted by political bargaining between state and producer interest groups. This approach is linked closely to broader arguments which identify a general tendency towards closer relations between state and economy in advanced capitalist societies. The growing need to smooth the business cycle, stimulate economic growth and pursue full employment and welfare policies through new planning and regulation mechanisms inevitably impels the state towards greater intervention in the economy. Made most forcefully in the 1960s (e.g. Shonfield, 1965) these arguments are somewhat less compelling in the atmosphere of deregulation and privatisation in the 1980s, but they remain both relevant and influential. Thus openness is one of a number of pressures to which the state is subject and which might render the creation of new relationships with interest groups attractive.

However, a particular importance for openness as a factor conditioning state-interest group relations in small economies has been widely canvassed. Traxler, for example, argues that policies of macroeconomic concertation are most frequently found in small states where the economy is more integrated into the world market system and, hence, where the "maintenance of export viability is a particularly important precondition for prosperity" (Traxler, 1990:60). The shared vulnerability of capital and labour to international market pressures, and their corresponding ability to damage each other badly in the event of the outbreak of conflict, facilitates strategies of cooperation. The costs of cooperation are likely to be outweighed by the costs of confrontation. Similarly, in one of the most influential studies, Katzenstein specifies his universe of analysis as those small European states where "this economic openness and vulnerability have made possible corporatist arrangements that are less common among larger countries" (1985:29). Economic change is simply a fact of life imposing severe constraints on both the policies of government and the strategies of capital and labour and thereby necessitating the adoption of imaginative responses which can combine the necessary economic flexibility with continued political stability.

Most theorists would subscribe to this basic equation of small size and vulnerability. However, there is less agreement concerning the precise relationship between vulnerability and the development of organised interest groups. Katzenstein equates corporatism and social partnership. The conditions facilitating this corporatist response are said to be the product of fundamental class compromise and a basic value consensus generated by the interlocking crises of the 1930s and 1940s - depression, fascism and WWII (Katzenstein, 1985). Here the spirit of compromise is emphasised at the expense of facilitating organisational factors. Lehmbruch is less concerned with the genesis of the system than with the functional requirements which its development satisfies. Traxler offers a subtle and complex analysis of the genesis of collective business and labour organisations and, as noted already, the close links between associational systems, small open economies and policies of concertation. But the question of economic openness does not figure in his genetic analysis. The implicit argument is that while economic openness and a complex and highly developed associational politics may interact to generate concertative practices, they do so as mature phenomena.

What none of these analyses address directly is the relationship between economic openness in small open states and the actual development of interest associations. The existence of a close connection has been suggested by some analysts (Cameron, 1978; Czada, 1987; Landesman and Vartiainen, 1992). Cameron, offering the most detailed explanation, differs from Lehmbruch and Katzenstein in linking opening, associational development and state policy in one causal chain. While they examine instances of policy concertation between the state and interest groups and the conditioning influence of economic openness, with little or no reference to the role of organisational development, he identifies organisations and organisational development as the vital mediating factor between the two. While Traxler distinguishes between the development of associations and the implications of economic openness for interest group politics, he ties the two tightly together. His analysis starts with a similar assessment of the debilitating effects of international integration on established policy mechanisms - like Katzenstein, emphasising the impact on a small open economy where the capacity to change rather than adapt to damaging conditions in the world market is at a minimum. It ends with the growth of the public economy as a manifestation of the state's need to compensate for and soften the impact of openness. Most relevant are the connecting links of the argument. Briefly, open economies tend to favour the emergence of highly concentrated industrial sectors which in turn facilitate the growth of strong employer and labour associations. For the former this is due to the inherent advantages of small groups in organising collective action while for the latter, it is argued that a relatively homogeneous labour force concentrated in a few large firms facilitates the establishment of mass unions. The existence of strong unions strengthens social democratic parties and broadens the scope of collective bargaining to the economy as a whole. The resulting power of labour tends to politicise collective bargaining and to increasingly draw fiscal policy within the parameters of relevant negotiable variables.

This analysis draws on the wider examination of a 'concentrative' dynamic in capitalism. This refers to the tendency whereby an increasing proportion of output is produced by a decreasing number of firms. Beyond a certain (unspecified) size firms are said to "acquire market power - which means power over the market rather than subservience to it" (Cawson, 1986:35). Power over the market leads to a shift from the impersonal mechanism of price competition to a "power relationship as the means of allocation within the market"

(Cawson, 1986:39). Such a situation not only 'politicises' relationships between firms but inevitably draws in the state as regulatory agency further stimulating the politicisation (and political organisation) of market activity. In addition, it is argued, the existence of large, highly concentrated industries facilitates the development of solidaristic trade and employer associations (Cameron, 1978; Stephens, 1979; Ingham, 1984; Landesman and Vartiainen, 1992).

This line of argument emphasises the importance of industry structure as an intervening variable between an open economy and interest group development. It goes some way towards explaining how the organisational basis of new state-industry relations might be generated. One of the major objectives of this study is precisely to examine how openness and associational development might interact. However, it has some serious limitations. Firstly, it should be noted that the close relationship between industry concentration and openness in small economies is by no means inevitable or automatic. Katzenstein (1985), for example, distinguishes between small states with highly concentrated and heavily export-oriented industries, and states with less export-oriented, more traditional industries which are not as well placed to compete internationally and tend to be slightly more protectionist. While most would accept the concentrative dynamic as a general tendency, and indeed it is an important tenet of orthodox trade theory that the integration of markets will result in the consolidation of production (NESC, 1989), it remains the case that the degree of concentration is highly variable. Thus, industry structure as a factor mediating the impact of openness on interest group organisations and relations with the state may have quite diverse consequences.

Secondly, and more fundamentally, the argument is of limited application. It rests on a particular understanding of a long-run, gradual adjustment of a nation's political and economic structures to international economic pressures. However, many small countries fail to fit this pattern. Many have industrialised late and integrated with the international economy even later. In some cases the latter is pursued as a stimulus to the former. Rather than long-run adjustment these countries face a rapid and quite possibly painful reorientation of behaviour. While Katzenstein is less concerned with organisational factors he too argues that neo-corporatist systems in small states resting on a complex confection of economic vulnerability and class compromise require a lengthy period of gestation. He carefully selects his seven cases on the basis that

> "they industrialized earlier than did other small states .. (and that) a decisive realignment of their domestic economies with world markets occurred no later than around the turn of the century -a generation or two earlier than the European periphery" (Katzenstein 1985:21).

He explicitly excludes Ireland from his sample on the basis that it does not satisfy either of these conditions. At first glance this may not appear wholly valid. Statistics measuring exports and imports as a percentage of GDP suggest the country to have been as open as many of his chosen cases, and more open then some (See Table 1.1 and 1.2). However, these figures conceal as much as they reveal and a closer examination upholds Katzenstein's basic categorisation. Firstly, an analysis of Irish exports shows them to have been overwhelmingly composed of primary agricultural goods (Table 1.3). Only from the end of the 1950s does this picture change following the adoption of a determined policy of export-oriented industrialisation. Prior to the 1960s, export figures were not indicative of industrial development but of underdevelopment and of massive dependence on the agricultural sector. Comparative figures on the relative shares of agricultural and industrial employment of total civilian employment confirm this picture (Table 1.5 and Table 1.6).

Secondly, the high import figures are indicative of dependence on foreign supplies of raw materials, finished capital goods and more complex goods rather than of economic openness per se (Table 1.4). Not only were high levels of imports quite compatible with the existence of a highly protected domestic industrial sector, they were absolutely necessary for its maintenance. This relationship is reflected in the shift in the composition of imports between 1929 and 1938, the initial period of the adoption of industrial protection policies. A significant reduction in the figures for consumer goods, due to import substitution, brought a corresponding jump in the imports of goods for further processing.

The relationship between an open agricultural sector and a highly protected industrial sector will be examined in more detail in Chapter Two. For present purposes, what is of importance is the fact that a closer inspection of the figures supports the essential validity of Katzenstein's distinction between early industrialisers and integrators and the accuracy of his assignment of Ireland to the second category. The share of agricultural and industrial employment as a percentage of total civilian employment changed significantly and rapidly while the composition of exports reflected the dramatic rise in industrial output. Until the end of the 1950s the industrial sector in Ireland was both small and heavily protected, with the high import and export figures partly a product of this condition. From the 1960s it experienced both a rapid growth in output and a radical reorientation towards the export market which transformed its relationship with the international economic system.

Acknowledging Ireland's 'peripherality', what must be examined are the implications of this for the relationship between openness, the development of BIA's and associational politics. Can the stable arrangements arrived at by the early developers be replicated by the later developers who will be no less vulnerable to open market conditions? Can openness be expected to generate the growth of large encompassing and powerful associations, the necessary organisational pre-conditions for such corporatist type arrangements? Will the relationship between openness, vulnerability and interest group politics identified by Schmitter, Katzenstein, Cameron, Lehmbruch, etc., hold up under these conditions?

This study will argue that there is indeed a close relationship between economic liberalisation and business associational development. However, it will also argue that the specific strains of rapid and late integration will militate against the emergence of the type of associational politics experienced by the early developers. The politics of catch-up economic development will profoundly affect the collective action strategies of business. The crucial chain running from openness to vulnerability, to the need for flexibility and on to associational organisation and politics will be disturbed and distorted by the specific tensions generated by the transition to open markets and the general economic conditions which will confront late developers and integrators. The speed of opening, the role assumed by the state, the rapidity of the transformation in competitive market conditions, the attractiveness of the location to foreign investors, the character of the trading system which is being joined, the ability of established firms to adapt to and compete successfully in the new environment, etc., all will be major factors in mediating the impact of liberalisation on associations and associational behaviour. It will be argued that while the specific challenges of rapid and late integration makes it probable that associational structures will be transformed, these same challenges render the emergence of a strong, highly developed and solidaristic system of BIA's unlikely. Openness may set the agenda, but its consequences emerge from a complex and highly specific set of responses and interactions among the three key sets of actors reacting to the problems of transition and integration. These problems, it will be argued, are such as largely to preclude the replication of the stable associational structures identified by Katzenstein as a key component of the political economy of early developing small open states.

Table 1.1

Exports of goods and services as a percentage of GDP

Country	1960	1970	1980	1987
Austria	25.2	32.4	36.8	35.5
Belgium	38.4	51.9	60.5	67.7
Denmark	32.2	27.9	32.7	31.7
Netherlands	48.1	44.9	52.5	52.5
Norway	41.3	41.8	47.3	45.7
Sweden	22.9	24.1	29.8	32.4
Switzerland	29.3	32.8	36.7	35.4
Ireland	31.8	37.0	52.3	59.6

(Source: OECD Historical Stats.)

Table 1.2

Imports of goods and services as a percentage of GDP

Country	1960	1970	1980	1987
Austria	25.0	31.4	38.8	34.7
Belgium	39.3	49.4	63.0	64.7
Denmark	33.4	30.9	33.8	29.9
Netherlands	46.2	46.6	53.0	49.7
Norway	43.1	43.1	41.2	38.0
Sweden	23.5	24.7	31.7	30.4
Switzerland	29.6	34.5	40.3	34.6
Ireland	37.3	45.0	63.0	52.9

(Source: OECD Historical Stats.)

Table 1.3
Composition of Irish merchandise export trade, selected years 1950-1985 (%)

Commodity	1950	1960	1970	1980	1985
Live Animals	38	30	14	5	3
Other Food	35	30	33	30	20
Beverages and tobacco	7	5	3	2	2
Manufactures	7	19	36	54	64
Other	14	16	14	9	10
Total	100	100	100	100	100

(Source: adapted from Kennedy et al, 1988:184)

Table 1.4
Composition of Irish merchandise imports, selected years 1929-85 (%)

Use Categories	1929	'38	'50	'60	'70	'80
Finished producers' capital goods	5	7	8	11	17	14
Finished consumer goods	45	31	28	21	23	25
Materials for further production:						
agriculture	11	3	3	5	4	4
other	36	57	60	58	55	57
Unclassified	3	2	1	5	2	0
Total	100	100	100	100	100	100

(Source: Kennedy et al, 1988:185)

Table 1.5

Post-War Decline in Agricultural Employment.
Employment in agriculture as a share of civilian employment (five percent range for various years 1950-1990)

Country	Percentage Range							
	35-40%	30-34	25-29	20-24	15-19	10-14	5-9	0-4
Aust.	1950	-	-	1960	-	1970	1980	-
Bel.	-	-	-	-	-	1950	1960	1980
Den.	-	-	-	1950	1960	1970	1980	-
Neth.	-	-	-	-	1950	-	1960	1980
Nor.	-	-	1950	1960	-	1970	1980	-
Swe.	-	-	-	1950	1960	-	1970	-
Switz.	-	-	-	-	1950	1960	1970	-
Irel.	1960	-	1970	-	1980	-	-	-

(Source: OECD Historical Stats. and Labour stats., Martin and Rowthorn, 1987, and O'Malley, 1989)

Table 1.6

Post-War growth in industrial employment.
Employment in industry as a share of civilian employment (five percent range for various years 1950-1990)

Country	Percentage Range						
	15-19%	20-24	25-29	30-34	35-39	40-44	45-49
Austria	-	-	-	-	1950	1960	-
Belgium	-	-	-	-	-	-	1950
Denmark	-	-	-	1950	1960	-	-
Netherlands	-	-	-	-	1950	1960	-
Norway	-	-	-	1950	1960	-	-
Sweden	-	-	-	-	1950	1960	-
Switzerland	-	-	-	-	-	-	1950
Ireland	1950	1960	1970	1980	-	-	-

(Source: OECD Historical Stats., Labour stats., Martin and Rowthorn, 1987)

The Impact of Liberalisation on the State, Firms and Associations

The selection of a particular trade policy in important respects determines the nature of the economic problems which a country will have to face and to which the state, firms and associations will have to react. While underlying problems of development or lack of development may persist, the choice of trade policy will significantly influence the relationship between the national and international economy through the setting or elimination of tariffs and import quotas, the existence or absence of constraints on foreign investment, the presence or degree of presence of foreign competition in the domestic market, the incentive to export, etc. In seeking solutions to fundamental developmental problems trade policy inevitably alters the form in which these manifest themselves. Thus the formulation of a given trade policy is also, to a certain extent, a process of selecting preferable economic problems.

The particular character of the problems faced will inevitably powerfully influence the strategies of the different actors involved. In respect of the state, the choice of a particular trade policy immediately necessitates the formulation of an appropriate domestic adjustment strategy. The strategy adopted must be capable of responding to the particular kinds of difficulty which a given trade policy is likely to generate. The impact of trade policy on the economy and economic actors in general will be mediated by this adjustment strategy. In assessing the effect of the international orientation of the economy on industry-state relations and business associations both trade policy and domestic adjustment policy must be considered.

The choice of domestic adjustment strategy will be, of course, closely linked to the political and ideological complexion of government. While a closed trade policy will necessarily involve some sort of protectionist domestic policy, along either capitalist or socialist lines, an open policy may be compatible with the pursuit of orthodox liberal or neo-mercantilist policies in the domestic sphere (Gourevitch, 1986). The choice of trade policy may well shape the kind of economic problems which confront public policy-makers but the character of their response will be the product of a second choice concerning the legitimacy and feasibility of active intervention.

Whatever kind of policy is selected the key problem of implementation and the selection of instruments has to be confronted. The variety of possible instruments is immense, ranging from tax incentives through state-firm formulation of investment strategies to directive planning. Different instruments are more or less reliant on legal-bureaucratic means of implementation, more or less respectful of the liberal market, more or less dependent on organisational or inter-organisational relationships. Each mix of trade and domestic adjustment strategies will require a particular set of instruments making different demands on the state's capabilities. For example, the combination of a liberal trade policy and the application of neo-classical principles to domestic adjustment will prove relatively undemanding in terms of instrumental capacities. A closed and protectionist policy utilising indirect instruments such as tariffs and quotas involves a manipulation of market incentives without necessarily interfering with the independence of firms in reacting to market signals. It requires the development of a bureaucratic mechanism capable of administering the system of tariffs and quotas but without necessitating a significant level of interference in the market. In contrast the combination of a liberal trade policy and the adoption of neo-mercantilist or highly interventionist industrial policies by the state will necessitate the opening of efficient and complex lines of communication between industry and state, the formulation of precise and detailed objectives for firm and industry performance and the devising of subtle and well focused mechanisms for inducing/coercing the desired response from industry. Such a project would make heavy demands on resources and inevitably require the establishment of highly regularised contacts with a strongly developed organisational base.

These examples by no means exhaust the possible combinations of trade and domestic adjustment strategies but they do indicate the close link between policies and mechanisms of implementation. More significantly, they also suggest a close connection between policies, instruments and state-industry relations and the fact that any major reorientation of government policy will likely impact significantly on the latter. The existence of such a connection has been a recurring theme in the general literature on industrial policy. Assessments of such policies in different countries frequently boil down to an examination of the state's capability for intervening effectively in society in general and the economy in particular, and the search for an explanation of the variation between cases has often focused on fundamental characteristics of state and societal formation (eg. Wilson, 1985). For example, in an influential contribution Katzenstein (1978) has claimed that the instrumental capacity of the state is inscribed in, and described by, fundamental socio-political relationships and structures. Thus he argues that "the number and range of instruments emerge from the differentiation of state from society and the centralisation within each" (1978:308). Centralisation within the state and society is said to facilitate coherent coordinated policy action while differentiation shapes the form and intimacy of the connection between them. The combination of these factors is said to generate networks of relationships which determine the instruments available to policy-makers.

The case for this argument is made through a comparison of the capacities of leading liberal-democratic states to implement policy. Thus the system of separated powers in the USA is contrasted with the concentration of power in the cabinet in Britain, rendering coherent state policy formulation more difficult in the former than the latter. In its turn, Katzenstein finds the British state more differentiated from society than its counterpart in France. Where in Britain the jurisdictional boundaries are jealously guarded by both sides, making interventionist policies more difficult, in France the relationship is described as symbiotic, paradigmatically exemplified in a the system of personnel movement between the upper echelons of the public administration and private business corporations (Katzenstein, 1978:315-332). On the other hand, in respect of societal centralisation, France scores lower than West Germany with decentralised unions and business associations undermining attempts to pursue tripartite/corporatist policies of economic adjustment. Although a number of general patterns are perceived - ranging from the state-centred networks of Japan and France through the more mixed systems of West Germany and Italy to the liberal market examples of Britain and the USA - the potential variations are virtually unlimited. At one extreme are highly centralised and poorly differentiated cases where elites in command of state and societal organisations manage relations, at the other, decentralised and highly differentiated cases where dependence on indirect and market mechanisms will be manifest.

Undoubtedly, there are problems with this formulation. Critics have argued that states are anything but monolithic and that even the strongest state may be weak in some area and vice versa. Increasingly, attention has been focused on sectoral policy networks and the emphasis placed on the extent of the variation in state-industry relations across sectors (Cawson et al, 1987; Wilks and Wright, 1987; Grant et al, 1988; Atkinson and Coleman, 1989). However, notwithstanding these caveats, the original analysis does offer some important insights. Whichever pattern of state-society relations prevails in a given case the principal lesson is that policy instrumental capacity and state-industry relations are inseparable. Any attempt to significantly enhance the instrumental capacity of the state in any given area will inevitably affect state-society relations and any major change in the latter will likely have repercussions for policy and implementation.

It is highly probable that existing patterns will influence policy choice. Katzenstein emphasises the integrity of an entrenched network. Strategies of foreign economic policy are said to be conditioned by these networks and,

> "except in the most extreme circumstances, negotiation on current issues will probably reflect, rather than shape, these historically evolved domestic structures" (1978:223-4).

However, while an appreciation of the deep roots of the prevailing pattern is necessary if an understanding of how it will interact with new forces is to be gained, recognition of the 'embeddedness' of a system should not obscure the potential significance of even marginal developments or the possibility of radical change if environmental conditions alter to the extent that many participants in the network have an incentive to review the terms of existing relations (Thelen and Steinmo, 1992). Where, under new conditions, the fulfilment of its objectives require greater instrumental capacity, it is quite feasible that leading elements in the state may attempt to develop such additional capacity. Moreover, where such innovation occurs, industry and its representative associations will be forced to reconsider their own position vis-a-vis the state. Major changes in policies and instruments and any attempt by the state to augment or reshape its existing capacity for intervention will inevitably impact strongly on industry-state relations. The selection by government of a new trade policy and the elaboration of a related domestic adjustment strategy may have major implications for the whole complex of state-industry relations.

What is at issue here is not simply the state's ability to pursue autonomously chosen objectives and its instrumental capacity to achieve them but, rather, the extent to which in their pursuit the state shapes the political organisation of industry itself. States are important not only as actors, but as forces structuring the political life of civil society, encouraging

> "some kinds of group formation and collective political actions (but not others), and mak(ing) possible the raising of certain political issues (but not others)" (Skocpol, 1985:21).

Thus, it is argued, the organisational tactics and strategy and even the 'content and definition of interests itself' can be the result of the timing and characteristics of state intervention (Skocpol, 1985:23). While the emphasis in Skocpol's work is on the 'unintentional' effects of state structures it is the perception of state action as to some extent consciously designed to shape the organisation of societal actors in a manner conducive to furthering the objectives of the state itself which lies at the heart of much of the interventionist debate. That is, in order to enhance its instrumental capacities the state may attempt to restructure the organisation of particular socio-economic groups (see Williamson, 1989:131). It is in the context of such an 'active state' both partially responsible for, and challenged by, the problems of liberalisation and anxious to promote necessary adjustment in industry's behaviour that the evolving role and development of BIA's should be examined.

However, clearly, in a non-authoritarian setting the state cannot simply impose its wishes on society. While it may attempt to mould the political representation of industry it cannot hope to control fully the process of interest definition and organisation. State-sponsored interest organisations which fail to satisfy the felt needs of industries or sectors will either fail to attract members or fail to achieve internal control. As state policy evolves in response to the challenges of liberalisation so too do the actions of firms. Every aspect of their operation from production through marketing to distribution will be subject to considerable pressure for radical change. Established habits of mind and behavioural orientations will be undermined with obvious implications for the perception of interests and the identification of allies. Inevitably, associations will have to alter radically their strategies for attracting and servicing members and dealing with the state and its agencies. In short, all actors and sets of actors will be constrained to review existing structures and activities.

Under such conditions of state action and market change, associations must face two directions and deal with the changes in both. This understanding of the associational dilemma rests on a particular understanding of organising collective action within industry. Associations are perceived to be subject to the influence of both their membership and the state and the evolution of its structures, objectives and strategies are the outcome of a complex process of balance and exchange between the association and its two (not necessarily equal) 'clients'. Clearly this goes further than the liberal 'voluntaristic' perspective which focuses on the exchange between association and members and which portrays other social and political actors as essentially external to the organising of collective action. Interests are not only organised in relation to the state but the state plays a key role in the very process of organisation. In adopting this approach the difficulty of establishing a stable and close bond between associations and members is not discounted. The dual character of capitalism will continue to be of fundamental importance in understanding the progress of associations. Common interests in relation to the defence of the capitalist system coexist with conflicting interests stemming from their competitive position in the market (Bowman, 1982:573). Attempts to protect these common interests will inevitably face the problem of overcoming the tendency of firms to pursue their individual short term interests. In relation to cartel arrangements, for example, the 'dominant strategy' (in the language of game theory) of each firm is to break and undercut his cooperating competitors (McLean, 1987:67). Similarly, in relation to the provision of any collective good, the temptation for a firm to free ride will be great where the good will still be provided even without its contribution (Olson, 1971). Any attempt to achieve collective action will have to come to terms with these inherent obstacles. The formal properties and the objectives of an association will be shaped by the strategy adopted to combat these problems. Resources may be sought from outside sources or use may be made of selective incentives, ideological persuasion, sanctions against recalcitrant firms, etc. An understanding of any association will require the examination of these matters.

What will be at issue particularly, however, is (a) how changes in economic conditions will affect these enduring problems and (b) how their impact on associations will in turn be affected by the evolution in state/industry relations. In short, how the always complex problem of organising interest associations is affected by the specific problems of a shifting foreign economic policy. For example in respect of (a), changes in market conditions will affect the position of firms in diverse ways potentially undermining existing commonalities of interests and generating new ones. The gain or loss of markets, the appearance or disappearance of competitors, etc., will undermine a firm's established strategies prompting a reconsideration of old relations. Changes in the structure of industry will further complicate the situation for associations. Some sectors may suffer decline others expansion, some may be increasingly segmented by scale or market orientation (large/small, domestic/export) while others may experience homogenisation. As some firms experience the full blast of international competition, others may continue in sheltered seclusion. To meet these challenges associations may have to redefine the parameters of membership or redraft the basis of its appeal to members/potential members. This could take the form of excluding or including various types of firm or operation, recasting the objectives of the association and/or refining and developing the services offered to members. The direction of change and the impact on interest groups cannot be predicted, this a matter for empirical analysis, but it is clear that the associational system cannot remain unaffected if the degree of change is great.

In relation to (b), changes in state-industry relations and the active involvement of the state in associational development will significantly alter the character and resolution of collective action problems. Offe has conceived of such links in terms of the 'attribution of public status' to private organisations. Where this occurs "on the one hand, groups gain advantages and privileges although, on the other, they have to accept constraints and restrictive obligations" (Offe, 1985:238).

Offe outlines four ways in which public status may be attributed:

(1) The state may provide the interest association with resources.

(2) The range of representation of associations may be defined through political decision.

(3) Internal association relations between rank and file and executive members may be regulated.

(4) Associations may be invited or licensed to assume a role in legislation, policy planning, implementation or even granted the right of self-administration.

The attribution of positive political status in any or all of these aspects will result in a group that

> "ceases to be exclusively determined in its actions and accomplishments by the interests, ideologies, need perceptions, and so forth of its members, as well as by the relative strength it enjoys in relation to other groups with whom it is engaged in competition or alliance" (Offe, 1985:238).

Once this exclusive determination by members ends, the association can be said to have gained a certain degree of autonomy and the nature of the exchange between association and members is significantly changed. The fundamental problems of reconciling member interests, combating free riders, etc., persist but the factors and resources which condition the strategies available to an association are altered.

However, this autonomy has only been bought by establishing a close relationship with the state. Schmitter and Streeck conceptualise this link in terms of a 'logic of influence':

> "The logic of influence rests on an exchange relationship in which interest associations, on the one hand, seek to acquire organisational properties which optimize the probability of exploiting the existent (or emergent) configuration of state authority, interests and needs for the attainment of their own purposes, while the state (or its agencies), on the other hand, seeks to reward (or to punish) its specialized interlocutors for acquiring organizational properties which increase the probability of satisfying its (i.e. the state's) policy interests and constraints" (1981:86).

Under these conditions associations are engaged in a complex process of making and managing demands in two dimensions and employing one logic (of influence) to mitigate the problems of another logic (of membership) and vice versa. Where both these logics are in operation an association will reflect their interaction. Where, under conditions of fundamental economic change, the two logics are subject to new demands and requirements, associations will both reflect these pressures and embody their interaction and reconciliation. Thus associations will be acutely sensitive to the impact of opening in both dimensions and their development will be fundamentally shaped by both. This is not to portray associations as passive actors in the process but, rather, to argue that the new conditions will necessitate a dynamic and imaginative response which will have major implications for both intra-industry and state-industry relations.

Associations and Business Power

The place and importance of interest associations in realising and exercising the power of business is widely disputed. Many analysts argue that the true power of capital derives from its position within the economic system rather than from any process of collective action. Offe, for example, asserts that the true power of business derives from its 'right not to invest' which deters the state from pursuing policies which might provoke such a 'strike' (Offe, 1985:257). The argument that business is a privileged class whose interests exercise a functionally based influence over the political system has been very widely canvassed, even if its operation has been conceived in a multitude of forms. For some the very nature of the system's configuration constrains actors to follow certain paths of behaviour (Heilbroner 1986). For others capital wields power through

> "the crucial role boards and managers exercise over the production, investment and employment decisions which shape the economic and political environment within which governments make policy" (Marsh and Locksley, 1983:59).

Similarly Lindblom (1977), a leading neo-pluralist, argues that business is a privileged interest whose economic and ideological dominance ensures that its fundamental interests are protected. Moreover, this general line of analysis has found an echo in neo-marxist theories of the capitalist state which have adopted a structuralist conception of the relationship between political and economic power (eg., Poulantzas 1973, 1978).

The implication of these analyses is clear. The interests of business are best pursued through the free operation of markets. It is argued that private control of the means of production offers capitalists the most appropriate way to pursue individual interests (Traxler, 1990:47). The interests of business coincide directly and unambiguously with the demands of accumulation while the satisfaction of the demands of accumulation is crucial for the maintenance of social stability (Marin, 1988:525). By working individually in the market firms can most effectively further their own interests. The competitive pressures which make collective action so difficult (Bowman, 1982), also typically serve to produce the most favourable outcome for firms. Thus, Traxler argues, the tendency for firms to devalue skills in order to lower costs and compete more successfully also serves indirectly to weaken the position of labour vis-a-vis capital (Traxler, 1990:47). In summary, whatever the perspective or the precise mechanism perceived, these analysts agree that the power of capital and of capitalists derives first and foremost from their position within the economic structure and not from a process of organisation and collective action.

However, this begs the question as to why business does in fact organise collectively What are the limits of its structurally derived power and when must it be augmented by other, collective, forms of action? Three key explanations of the recourse business to collective action have been offered. Firstly, while market competition may sustain the capitalist system most efficiently and further the interests of business generally, there will be specific sub-groups at particular times who may well find it worthwhile to resort to collective action to achieve their objectives. Typically, for example, when economic conditions are poor and bankruptcy is a real threat to many firms, collective action to pursue protectionist ends may appear an attractive option. Such action may be directed towards the state (tariffs) or towards suppliers or distributors who have capitalised on a stronger market position to alter the 'terms of trade'.

Secondly, collective action on the part of labour often provokes a like response among employers. There is clear evidence to suggest that the development of employers' associations frequently occurs as a reaction to unionisation (Offe and Wiesenthal, 1980: Crouch, 1990: Marin,1988). Indeed, once established employers' associations and labour unions may feed each other's development, with the ultimate institutionalisation of collective bargaining the end of a complex process designed to ensure that neither party to the arrangement can be undercut (in terms of wages, wage costs, work practices, etc) by third parties (Traxler, 1990).

Thirdly, the growth of state intervention opens up new areas of activity in which reliance on market mechanisms is no longer a feasible way of guaranteeing the realisation of business interests. Issues of resource allocation have been increasingly subject to political decisions and business cannot afford to stand back from the debate. It must seek to influence political parties, public administrators and public opinion if it is to satisfactorily protect its position (Marin, 1988:529). In reality, while structurally derived power, in the guise of the discretionary right to invest, may indeed be great, it is also rather blunt as an instrument and carries high costs for those exercising it. More flexible and effective may be a move to 'counter-organise'. Moreover, the 'demands of accumulation' may not always override all other factors. Under certain conditions business may be politically or economically weak (for example in less developed agriculturally dominated societies). In these circumstances collective action, reflecting weakness rather than strength, may be perceived as the best way of enhancing what power it does possess.

What is less clear, however, is whether associations merely reflect or express business power and business interests or whether associations can in fact play a major role in formulating business interests and marshalling its power. Again Offe offers a clear and concise analysis, arguing that while the interests of labour are realised/defined in the very process of organisation, business associations can only reflect the already established interests of member firms:

> "In contrast to unions, employers and investors' associations do not create power and definitions of interests as a result of an organised process of mobilisation and internal discourse among members; they merely state power positions that are already established and interest definitions that are already decided upon" (1985:250).

He argues that such associations simply provide services to members and represent their common interests regarding matters such as taxes, tariffs, regulation of industrial relations, etc., to government; in this sense their operation embodies an extension of market-rational behaviour rather than a 'political' transformation of individual into collective interests.

This argument has been challenged on two counts. First, it has been argued that at least some business associations may attain a certain ability to define and redefine interests through the very process of organisational development and internal discussion. Cawson, for example, contrasts interests determined by class (Marxist) or individual (liberal, pluralist) position with interests formulated in the process of organisation. He argues that

> "the early history of groups which represent functionally defined interests may well be of voluntary association and competitive interaction, but as the competitive market economy gives way to oligopolistic interdependence, and the intervention of the state in the economy widens and deepens, such groups undergo a substantive change in their character. They no longer merely reflect or represent interests, but are part of the process of forming them" (Cawson, 1986:11/12).

This is partly because there can never be a direct, simple, connection between the market position and the political and public policy interests of a firm. Economic ideologies, political contexts, assessments of future market conditions, etc., all intervene in the process of translating the basic needs of the firm for survival and profit into a coherent set of interests and objectives (Gourevitch, 1986). Zysman has argued that policy

> "coalitions are not simply mechanical expressions of easily identified social divisions, they are political constructions and the process of creating a coalition shapes the content of its objectives" (Zysman, 1983: 292).

To an extent, the organisation of collective action involves a similar process of finding or constructing a set of common objectives. Some associations may minimise this difficulty by selecting a narrow operating domain where the identification of common interests is relatively easy (although homogeneity of membership presents the problem of reconciling collective interests with direct competitive market behaviour). However, in larger and more complex organisations, the diversity of member firms in terms of size, market position, product, etc., will make the formulation of common objectives extremely difficult and present a major challenge to the leadership. Moreover, where such a process of 'dialectical' (Cawson, 1986) interest definition within an association occurs it is likely that firms with conflicting interests will compete to establish their objectives as the association's and the industry's objectives. It is the task of the association leadership to ensure that each member finds their interests sufficiently reflected in the association's programme to prevent member resignations and/or to develop a range of services which will effectively outweigh such disappointments. Thus, at a certain level of organisational development it can be expected that associations will play an important role in the definition of the interests of industry and may well become a location for policy conflicts between different segments of industry. Associations may potentially be more than organisations articulating 'power positions already decided upon' (Offe, 1985) but, rather, serving to construct and reconcile the multifarious interests of firms.

Secondly, it has been argued that under certain conditions, business associations may indeed achieve a capacity for internal governance, that is for obtaining the conformity of members (Traxler, 1990:49). Once established in control, the organisation's leadership may exercise significant influence over the objectives of the association and the strategies formulated to achieve them. This stems partly from the consequences of organisation itself. An 'organisational effect' may see the metamorphoses of associations originally created as instruments to represent specific group interests into "mechanisms of collective self-discipline" (Schmitter and Streeck, 1981:29). Examples offered range from Michels' 'goal displacement effect', where the emergence of a cadre of professional managers with vested interests fundamentally distorts the organisation's policies, to the argument that the success of an association in operating in the political arena also subjects it to new pressures and considerations which lie beyond the perspective of members. Olson's (1982) concept of 'encompassing interest groups' which are compelled to consider the impact of their actions on society as a whole reflects precisely this process. Where this 'organisational effect' occurs associations will significantly alter the landscape of intra-industry and state-industry relations and the forms of cooperation and conflict between them.

In combination with the process of 'interest construction', the acquisition by the associational leadership of some degree of autonomy, or the achievement of 'internal governability', may afford it a certain 'strategic capacity'. That is, a capability for defining and sustaining "a course of action over the long-run that is neither linked with nor dependent upon the policies of parties and agencies external to their domain" (Schmitter, 1988:71). While there is nothing automatic or inevitable about the acquisition of such a capacity, where it occurs it is valid to speak of a transformation of individual into collective interests. At a general level, where a set of associations are linked hierarchically, with each enjoying considerable strategic autonomy and together encompassing large elements of capital, one might speak of a capacity for 'class governance'. While such a situation would require a remarkable and perhaps unlikely level of organisational development, it suggests an important dimension of association behaviour. A key test of a given system's importance is the extent to which it might acquire such capacities.

Associational Development

This analysis rests on a particular understanding of associational development. There are two key aspects of this understanding. The first concerns the concept of organisational complexity. An association which has in membership a range of firms which are in significant respects not identical and, indeed, are potentially in conflict is considered to be more complex. As a general rule it can be said that tension between the functions of representing the particularistic interests of firms producing specific products or operating under specific (labour intensive, highly regulated, etc.) conditions and of aggregating the more general but not necessarily universal interests of firms, is endemic to associational activity. Every association faces a choice between narrow coherence and complexity, between being less or more developed. Where an association opts for a restricted membership domain, the parameters laid down will be many. Distinctions may be made on the basis of the characteristics of firms, anything from the product produced or the size of firm to the territory of operation. The association may also define itself in terms of tasks, for example, whether that of trade association or employers' union. The "more parameters an association specifies, the more homogenous its group of potential members and the less complex are the interests internalized by it" (Traxler, 1987: 19). Where it opts to adopt broad parameters which encompass a wide range of potential members characterised by a high degree of heterogeneity, it is more complex. Where it opts to manage this complexity through a higher "number of institutional relations between its components" and a greater degree of internal functional coordination it can be described as more organised (Schmitter and Streeck, 1981:125).

The choice of one approach over another will be significantly influenced by external factors such as the nature of economic policy, the existence of a direct threat to industry's freedom, the specifics of industrial policy and regulation, etc. In short, associations will likely be more developed where external threats from labour or state intervention limit the remit and effectiveness of market-oriented behaviour. The competitive and individualistic aspect of capitalist markets will exert a dominating effect through the logic of membership in the absence of a countervailing logic of influence. Thus, as Traxler argues,

> "the implications of different degrees of domain comprehensiveness reflect the competing imperatives of the logic of membership and the logic of influence. While a broadly defined domain is responding to the exertion of influence and colliding with the requirements of internal integration, it is just the opposite in the case of a narrow domain." (Traxler, 1987:20)

Where a logic of influence is operating, a given association will reflect its interaction with the logic of membership. To the extent that organisations become more complex, it can be said that a logic of influence is in operation.

Complexity of organisation is not of itself sufficient to produce a strong association enjoying a significant degree of strategic capacity. The significance of an association's level of organisational complexity is to a large extent dependent on a second factor - the degree of corresponding autonomy it enjoys.

That is, the degree of autonomy achieved over inputs (resources), both financial and manpower, and the capacity to select and pursue strategies of action. Increased autonomy over inputs would mean a decreased dependence on the voluntary contributions of members or on information provided by members, increased professionalisation of staff rendering the association less dependent on 'voluntary' manpower, and a greater reliance on monopoly or private selective goods in its relationship with its members. In particular a greater degree of autonomy could be achieved by acquiring resources from other sources in the form of recognition by the state as the sole legitimate representative association, direct financial support, etc. A lesser dependence on voluntary member contributions lends itself to an increasing autonomy on the output side, i.e the capacity to resist the immediate and often contradictory demands of members and to be selective in the policies pursued and the strategies adopted. Where organisations are complex in their structure and enjoy a degree of resource autonomy, they are perceived to be more 'developed'. The ability of an organisation to achieve development depends on its capacity to acquire and manage resources from members and from external sources.

The implication is that where business associations develop these properties and, in particular, systems of associations achieve a high degree of cohesion, the effectiveness of representation will be enhanced. Simply put

> "the more centralized, concentrated and representative is the organization of business interests, the more regular, institutionalized and incorporated will be the voice of business in the making of policy and the more tasks it is likely to be delegated for the implementation of policies" (Coleman and Grant, 1988:479)

It is hypothesised that the cohesiveness and development of the associational system will significantly influence the degree of access to senior officials and ministers, the level of input into policy formulation and the extent of participation in policy implementation. In short, the importance of associations in articulating and exercising 'business power' and mediating state-industry relations will be closely related to the level of their development.

Conclusion

The purpose of this study, then, is to examine the impact of economic liberalisation on the development and role of associations in a small, late developing, late integrating economy. More broadly, it is designed to analyse the implications of this process for the possibility of replicating the relatively stable and highly developed patterns of interest group politics evident in more economically advanced and long established 'small open economies' in Europe. Pursuant to this task, this chapter has outlined the principal mechanism through which liberalisation may be expected to impact upon associational politics. Moreover, it has attempted to clarify the significance of associational development and its implications for the wider question of business power.

The following chapters will seek to answer the questions raised here. Chapter Two will outline the broad development of the economy and economic policy making. It will deal with the periodisation of trade policy, the development of the related domestic adjustment strategies and the broad political underpinnings of these initiatives. Chapter Three will examine the associational system under protection, focusing in particular on how the 'logic' of a protectionist economic system patterns the development of associations.

In Chapter Four, the examination of the impact of liberalisation begins. Here attention is focused on state policy initiatives and their consequences for associational development in the period of transition from the late 1950s to the early 1970s. Chapter Five looks at the impact of liberalisation on intra-industry relations and the implications of this for associational development. Finally, Chapter Six examines the associational system which emerged and operates under liberalised conditions.

Chapter Two

Trade and Industrial Policy: the Context of Industry-State Relations 1922-1990

Introduction

Since independence the international orientation of the economy has moved from openness to protection and back to openness culminating in European Community membership. The first decade of independence (1922-32) was marked by a strict adherence to liberal market principles and a continuance of policies which had been fundamental to the British exercise of power. A decisive break in policy occurred in 1931/32 when liberal market policies gave way to a programme of protected industrialisation. A retreat from world markets was thought to offer the best prospect of achieving the industrial development which free trade had largely failed to generate. This basic orientation persisted until the end of the 1950s when a decision was taken to reintegrate with international markets. In the ensuing decade and a half, unilateral cuts in tariffs of 10% were made (1963 and 1964), a free trade agreement with the UK (the Anglo-Irish Free Trade Area Agreement or AIFTAA) which would ensure almost complete freedom of trade within a decade was signed in 1965, and in 1973 accession to the European Community took place with most transitional dispensations terminated by the end of the decade.

In each period, the basic orientation of trade policy largely determined the general character of economic development. For example, the persistence with free trade policies in the decade after independence precluded any radical shift in economic relations. Within the economy the role of industry was quite minor. In 1926 only 7.8% of the labour force was engaged in industry and 4.3% in manufacturing (O'Malley, 1989:53).

Agriculture generated some 32% of GDP and provided 54% of employment (O'Hagan, 1987:27). Approximately 50% of the population lived in rural areas. To achieve economic growth the government looked to agriculture's capacity to generate exports and stimulate domestic demand. At a time of falling world agricultural prices, which dropped some 44% between 1920 and 1924, this policy faced severe obstacles. It was not without success, with exports increasing by some 20% between 1926 and 1931 and GNP rising by approximately three per cent per annum over the same period. However, industrial employment, while rising by 8%, continued to be of marginal importance and the rapid process of depopulation (the total population fell from approximately 8 million in 1841 to some 2.9 million in 1931) continued. In this opening decade, the implications of political independence for the operation of the economy and its relationship to international markets were remarkably few.

The second phase (1932-50s) of protected industrialisation generated the first major shift in the sectoral balance of the economy since independence. Industrial employment doubled between 1929 and 1951 while output rose 40% between 1931 and 1936 (Haughton,1987:31). Average yearly emigration rates halved in the period 1930-1940, though this was due more to US restrictions than to any relaxation of the pressures to leave (Kennedy et al, 1988:47). However, while protection did promote the first significant shift in the pattern of economic activity since the attainment of independence, the costs were high. Unemployment rose to 14% in 1934 from less than 4% in 1931 (Haughton, 1987:32)[1]. Reliance on import substitution and the emergence of a large number of relatively small and inefficient production units saw merchandise exports fall by almost 40% between 1931 and

[1] Although it should be noted that at least part of this rise was due to the better reporting of the true unemployment situation following the establishment of improved welfare benefits by the new Fianna Fail government.

1933 (the levels of 1930 were not reached again until 1960), with the 1930 ratio of exports to GNP not being regained until 1968 and a steady decline in overall levels of productivity (Kennedy et al, 1988:233). The achievement of industrial development came at the cost of sacrificing overall export levels and productive efficiency.

In the longer term these negative features combined with the small size of the domestic market and the failure to transform infant into adult industries to undermine the growth potential of the strategy of import substitution. By the 1950s this fact was transparent, the result was a shift to a third and still continuing phase of export-led growth and integration with international markets. The impact on economic activity has been dramatic. The annual rate of growth of GDP during the years 1961-73 was more than double the growth rate recorded in the 1950s (Nolan, 1987:266). Official figures indicate that manufacturing industry growth in volume of output jumped from 1.7 to 6.7 between 1958 and 1973. Reflecting the shift towards export-led growth, approximately half of total manufacturing output produced in the mid-1980s was destined for export compared with one-tenth in the late 1950s. The ratio of exports of goods and services to national output has risen from 25% in 1960 to 63% in 1985 (MacAleese, 1986:20). At the same time there has been a diversification in international markets with the share of exports going to the UK falling from 75% in 1960 to 34% in 1984, and the share of other EC member states simultaneously rising from 6% to 34% (MacAleese, 1986:21).

In the longer term the impact of these policy changes on industry was dramatic. Before 1960 Ireland had a natural resource based economy. Agriculture

> "provided the traded sector base of the domestic economy, the traded subcomponent of the industrial sector was minuscule in size, and the remainder of the labour force was employed in the production of non-traded goods and services" (Nolan, 1987:265).

Progressively, however, industry established itself as the motor of the economy. For example, whereas in the 1950s Ireland's exports consisted mostly of primary goods - live animals, unprocessed meat, etc. - by the 1980s manufactured goods had come to account for over 60% of total merchandise exports (MacAleese, 1986). The sectoral distribution of employment reflected these major changes in economic activity.

From this brief sketch, the close relationship between the character of economic development and, in particular, of industrial development and the choice of trade policy is clearly evident. Fundamentally, the choice of foreign economic policy was also a choice of development strategy. The trade policies pursued determined the broad framework of economic policy and this framework defined the general context of state-industry interaction.

Table 2.1

Sectoral Distribution of Employment 1960-1986 (%)

Year	1960	1970	1979	1986
Agriculture	37	27	19	16
Industry	23	30		
(Of which Manuf)	16	20	21	19
Services	40	43	49	56
Total	100	100	100	100

(Source: O'Malley, 1989:91).

Trade Policy and State-Industry Relations

While the politics of trade policy change are not a primary concern of this study, some understanding of the political underpinning of the different regimes is necessary if the position of industry, its relationship with the state and the role of associations are to be fully comprehended. Only if the general terms of policy and the interests it was intended to advance are reasonably apparent can the basic parameters of state-industry interaction be appreciated. For example, state policy vis-a-vis industry may be constrained by commitments made to different types of agricultural producers or the financial sector, etc. That is, within a given international orientation the ability of either state or industry to alter specific details of policy may be circumvented by the necessity of retaining the support of other actors. For instance, the common interest of tillage farmers and manufacturers of import substitutes in protection may rest uneasily with potentially conflicting interests in relation to cheap inputs (e.g. machinery and food), yet the desire of either group to reduce costs has to be set against the necessity of maintaining agreement on the continued need for protectionist policies. Thus even in an alliance of consenting producers the degree of protection must be carefully balanced to satisfy all parties. The policy coalition which sustains a given orientation also informs its detailed implementation.

Moreover, it is extremely likely that decisions in relation to foreign economic policy will divide capital. Some sectors will favour international integration while others will seek a closed economy. Alliances formed to press for one or the other may see different sectors of business with more in common with agricultural producers, political nationalists or internationalists or even with segments of labour, than with each other. The classic example was Germany's coalition of 'Iron and

Rye', welded together in the late 19th century (Gerschenkron, 1962). Where such fundamental divisions of interests between industry sectors in relation to foreign economic policy occur, they will very likely be carried over into the pattern of state-industry and intra-industry relations which evolve under the operation of a particular policy. Thus potential divisions between exporters and import substitutors, domestically oriented industry and internationally oriented finance, national and foreign capital, etc., may well exercise a basic conditioning influence over interest group politics and the development of associations; possibly through the abstention of some sectors, the creation of rival organisations or the existence of damaging conflicts within a given association.

In order to appreciate the contextual political economic constraints operating in Ireland during these decades, it is necessary to examine both competing explanations of policy change and the specific content of different policy regimes. The former will offer some insight into the major political and economic actors influencing policy while only the latter can offer a basic understanding of the place of industry within the set of socio-economic relationships and how this affected its dealings with the state. The principal concern will be to establish the position of industry in the overall matrix of politics and policy making in respect of trade issues.

Political and Economic Context of State-Industry Relations: Explanations of Policy Change

While each shift in trade policy can be understood in general terms as an attempt to further stimulate economic growth, there has been considerable dispute over the proximate causes of change. In particular, a considerable body of literature has emerged concerning the root causes of the shift towards openness from 1958. To some degree all acknowledge the importance of the domestic economic crisis. A recurrent balance of payments crisis severely restricted growth in a period of international economic buoyancy. In turn, economic stagnation produced high emigration (population outflows almost matched new births by the end of the decade) and historically high unemployment levels. This picture of social and economic degeneration found reflection in a growing political instability and a rapid turnover in governments. In addition, it is generally accepted that these domestic pressures were reinforced by international trends. The orientation of the economy to international markets could hardly be solely a matter for domestic politics at a time when the nature of the international system and, especially, Britain's place within it was undergoing such profound changes. In many respects, Ireland's economic relations with the world had two distinct focuses. The first, and by far the most important, was the connection with the United Kingdom. The second and relatively minor focus was on trade links with the rest of the world. It was when international developments in the late 1950s made it increasingly difficult to separate these two relationships in any meaningful way that a profound redirection of Irish policy became both practicable and necessary. A senior member of the civil service at that time - and subsequently one of the leading members of the Irish negotiating team on EEC membership - recalls that "Ireland's response to the progression of events in the period 1948-60 exhibited a considerable degree of reserve" (Maher, 1986), but ultimately the need for change proved irresistible.

In examining the way in which these general pressures were translated into actual policy change, one of two broad perspectives has been adopted by analysts. The first focuses on the state as an autonomous actor. Above all, it is argued, 1958 embodied the actions of a dynamic state initiating change and directing the future of the economy and the nation. Within this perspective, the source of state dynamism is perceived in different ways. Bew and Patterson (1982), for example, emphasise the role of the governing political party and of party politics in general. In the quest for partisan dominance the government wields the instruments of the state to pursue policies which can generate and sustain a winning electoral coalition. In the hands of an inventive and ambitious party, the state becomes the pivot of economic and political conflict and cooperation and the decisive agent in policy making. Thus, just as the adoption of protection in 1932 is seen as inextricably linked to the political and economic strategy of the Fianna Fail party, its abandonment in 1958 is said to stem above all from the same party's search for a new electoral strategy.

In contrast to this approach, other analysts place greatest emphasis on the mobilisation of the administrative elite. State innovation and autonomy are said to follow from a generational change in the leading echelons of the Department of Finance, the dominant department of state (Fanning, 1978:626). Ideologies of non-state intervention which had guided policy under a succession of governments were abandoned and a massive augmentation of state resources in terms of activities, revenues, expenditures and staff ensued (Breen et al, 1990:24). The changes undertaken after 1958 are seen as a turning point when a new politico-economic elite come to predominance and the state "seized the initiative as the main force in Irish society" (Breen et al, 1990:31)[2].

The second general perspective focuses on the interests and influence of major socioeconomic actors. Here the emphasis is

[2] Though references to the state here should not obscure the existence of considerable tensions between different departments of state. In particular, the Departments of Finance and Industry and Commerce had very different views as to the desirability for industry of pursuing trade liberalisation with the latter adopting a far more jaundiced outlook and resisting the policies implementation (Interview with Dr. Garret FitzGerald).

on their ability to persuade or impress the state to pursue their favoured policies. Specifically, attention has focused on the economic and political power of agriculture. It is argued that its interests have been clearly reflected in the policy choices made by successive governments. The domination of 'peripheralised agriculture' in the economy has been reflected in state policy:

> "Big farmers, 'ranchers', working large holdings primarily for profit, had hegemony in Ireland in 1922: in long perspective, State policy - beginning with a conservative, devolutionary separation from Britain - has expressed their priorities" (Stanton, 1979: 103).

'Rancher' interests were in large part compatible with those of the wider agriculture sector and together these two rural classes are seen to have formed "an unequal condominium pursuing a predictable approach to external economic relations" (Stanton, 1979: 104). Almost no attention is paid to how this 'predictable approach' was transformed into government policy. While the reference to a 'long perspective' suggests that these interests were not always and everywhere triumphant, the main thrust of his analysis is that the economic power of agriculture dictated economic policy.

While these approaches are not wholly incompatible, with the economic and political reality of agricultural power bound to weigh heavily with even the most dynamic and innovative political or administrative elite, what is relevant for present purposes is their implicit shared perception of industry's marginality. Fundamental decisions concerning the direction of development policy were largely taken in spite of rather than because of industry's views. While the state may have sought to advance the interests of capitalism in the broad sense, if only to generate vital economic and fiscal resources, the ability of industry to exercise influence over the definition of what these interests were appears to have been marginal. Policy innovation was driven largely by other political, administrative and economic groups.

Political and Economic Context of State-Industry Relations: The Content of Trade Policies

However, while the consensus among analysts suggests that industry may have failed to exercise decisive influence over the basic choice of trade policy, it would be a mistake to dismiss it as without importance or to ignore the implications of a given choice for its political as well as its economic role. Such policies are complex affairs, the dominance of one economic interest does not mean the irrelevance of another. Trade policy choices may have exposed the relative weakness of industry, but invariably such policies also assigned it a particular role in the overall political economy. An understanding of its role under different policy regimes is necessary for a proper appreciation of the general context of state-industry relations.

1922-32: The maintenance of open markets

In the first violent and unstable decade of the new state's existence a clear direction in trade policy was provided by the ruling Cumann na nGaedhael party. The most important factor shaping its decision was its perception of the interests of agriculture. The economist, George O'Brien has written of the Minister for Agriculture in these years, Patrick Hogan, that he

> "started from the assumption that agriculture was and would remain by far the most important industry in the Free State and that the touchstone by which every economic measure must be judged was its effect on the prosperity of farmers" (quoted in Johnson, 1981:22).

The fundamental assumption of policy was that if agriculture prospered the economy in general would prosper, farmers with money to spend would provide a market for home industry and services. (Mennan 1978, Daly 1981). The second major assumption was that a prosperous agriculture depended on successfully exporting to the British market. The British market was fiercely competitive, open as it was to food-exporting nations from Poland to New Zealand. To compete effectively, it was argued, required the restraint of input costs to the lowest level possible. The creation of high tariff barriers was regarded as a major threat to this strategy, protection of vulnerable native industrial interests would certainly lead to significant cost increases.

However, it would be mistaken to assume that all of, or only, agriculture's interests found embodiment in economic and trade policy. The government's perception of its interests reflected the concerns of

> "large commercial farmers, mainly located in the east and south, as against those of the small scale farming communities mostly located in the less commercially developed west and north" (O'Malley 1989:55).

Moreover, in one of the key policy investigations of this period, the Fiscal Inquiry Commission recommended against the imposition of tariffs on the basis that the consequences would be detrimental to overall economic development and the stated interests and preferences of large sections of industry (Meenan 1970, Girvin 1989). The Commission opted to safeguard the interests of long established industries which were in the main composed of large firms depending on export trading (e.g. brewing, distilling, jute industries), and those relatively few large firms spread through other industries which operated successfully in international markets. Thus free trade was maintained not simply because it satisfied the needs of agriculture but because it satisfied the needs of dominant elements within agriculture and within industry.

Moreover, notwithstanding the findings of the Fiscal Inquiry

Commission and the strength of the agricultural lobby within the governing political party, domestically oriented industry was not without some success in winning protectionist concessions. Economic depression in Britain in the early 1920s led to dumping on the Irish market (Daly, 1981). The maintenance of the sterling link meant Irish goods were overvalued against continental imports and had great difficulty in competing successfully. While the narrow range of goods covered, the deliberate slowness of the process and the low levels imposed all testify to its reluctance, these pressures and the consequent worsening of the unemployment problem did persuade the government to settle tariffs on a number of goods. These ranged from shoes, soap and certain types of clothing to motor bodies and wooden furniture.

Evaluations of these policies have varied. Meenan argues that, given the reality of the Irish position, the policies pursued were broadly correct and relatively successful. More critical observers point out the weakness of the thesis that agricultural prosperity would create the conditions for indigenous industrial growth. On the contrary, they suggest, it was more likely to boost imports of foreign manufactured goods (Daly, 1981:142). For present purposes, however, what is particularly relevant is the logic of economic policy and the interests which it placed foremost. Agriculture was to be the engine of growth, integration with world markets was essential if this was to be harnessed. Existing large industry was to be allowed to continue much as it had done before independence. While the concerns of large commercial farmers may have been pre-eminent, trade policy neither solely reflected their interests nor was wholly dependent on their support. The losers were smaller and more vulnerable manufacturing industries which were, for the most part, to be exposed to international competition and had to rely on the prospect of agriculturally generated growth in home demand for expansion, and less commercially developed segments of agriculture.

1932-38: Self-Sufficiency and Protection

Two developments led to the overturn of the set of policies pursued by the Cumann na nGaedhael between 1922 and 1932. The first, the Great Depression, was unavoidable and internationally general; the second, the coming to power of the first Fianna Fail government, was local and highly contingent. However, in their consequences for Irish trade policy, they were mutually reinforcing. The signal for a change in tariff policy came with the decision by Britain in the autumn of 1931 to impose a range of protective import restrictions. Though reluctant and internally divided (Nowlan, 1978), the Cumann na nGaedhael government did respond, expanding both the range and size of duties. In the election of 1932, however, the government was defeated by a Fianna Fail party which was not only convinced of the virtues of protection as a response to international depression, but was passionately committed to the principle of self-sufficiency both as a strategy for development and as a fulfilment of nationhood. Its principal spokesman on economic affairs, Sean Lemass, had declared in 1928 that

> "(we) believe that Ireland can be made a self-contained unit, providing all the necessities of living in adequate quantities for the people residing in the island at the moment and probably for a much larger number" (Meenan, 1978:74).

Cumann na nGaedhael had accepted the inherited pattern of economic and trading relationships, attempting only to maximise performance within these constraints. The Fianna Fail government had pretensions to alter fundamentally Ireland's position within the international division of labour.

As we have seen, the former policy favoured in its operation and depended for its support on a small number of large industrial exporters and a large number of farmers led by cattle producers selling to the British market. The new Fianna Fail policy presented a challenge to these interests. The new government approached the problem on two fronts, both sanctioned by an ideology of self-sufficiency. It was decided that industrialisation should be pursued by means of an import substitution strategy. Current imports should be replaced by home-produced output across the widest range of goods possible. Though exporting was not actively discouraged the traditional large exporting industries were constrained to adapt to a new regime which accorded a much lower priority to their interests. Furthermore, it was decided that Irish industry should be owned by Irish nationals to the greatest extent possible and to this end the Control of Manufacturing Acts, 1932 and 1934, were passed. Although far from watertight in their operation, these controls were important symbolic elements of the programme to facilitate the economic dominance of indigenous capital (Daly, 1984).

The second element of the self-sufficiency strategy was concerned with agriculture. It was proposed that the output profile of agricultural production should be radically restructured. The overriding principle of the new policy was production for the home market. There was still a place for exports but they were to be the 'residual of production not the prime end' (Meenan, 1978:75). At its crudest, this boiled down to a shift toward tillage, particularly wheat, production and a retreat from cattle rearing and exporting. This latter aspect of the existing structure of output was especially disliked by many in the Fianna Fail party, being primarily the activity of large farmers many of whom supported Cumann na nGaedhael and presenting a major threat to the party's ideal of retaining the maximum possible number of people on the land (Bew et al, 1989).

Furthermore, cattle production embodied the country's economic dependence on Britain. Where tillage production promised independence from world markets, pasture farming only made sense as an exporting operation. Social, political and ideological divisions coalesced to produce a strong anti-'rancher' bias within the Fianna Fail party. Moreover, the highly political nature of Fianna Fail's economic programme was accentuated by the outbreak of an 'economic war' with Britain. Efforts to restructure trading relations were given additional force by the reciprocal imposition of a range of punitive tariffs. The relative under-compensation of cattle traders for the losses suffered compared to other producers was further manifestation of the Government's hostility to the industry.

The effects on agriculture in general were dramatic with the value of exports in 1929 not being reached again until 1948. Cattle prices collapsed though much of the burden was passed on by the cattle 'ranchers' to the calf producers on small farms in the west and in dairying areas (Daly, 1981:149). However, they were not pressed to their ultimate conclusion. Public support for the necessary implementing steps was not forthcoming; in 1934 a more radical attempt was made to raise prices and reduce cattle numbers by the provision of a bounty on calf skins but the public outcry at the mass slaughter quickly led to the shelving of the scheme. More fundamentally, however, agricultural and industrial policies were in serious contradiction. Essentially, agricultural policies were designed to reverse the trend towards pasture farming over the previous century or more, maintain people on the land, and break free of dependence on Britain (Johnson, 1981). Yet to pursue such a break while seeking to promote rapid industrialisation proved an intolerable strain. As Bew and Patterson note, the first Coal-Cattle pact in 1935, which saw Irish cattle traded for British coal, brought home the fact that "despite some initial illusory appearances, the raw materials and other necessities of industrialisation could only be bought by the money obtained from the sale of cattle to England" (Bew and Patterson, 1982:21). The simultaneous transformation of agricultural and industrial relations with the outside world (Britain) was simply unfeasible and was eventually abandoned.

Moreover, when the economic war finally came to an end in 1938 with the Anglo-Irish trade agreement, the limits of any programme designed to revolutionise agricultural production which proposed no accompanying social and political revolution had become clear. Cattle numbers had only fallen marginally. Wheat production had risen from 2,000 to 111,000 acres, but much of this had been achieved by switching out of other crops. The search for new markets had failed dismally in the unpropitious climate of the 1930s. Daly summarised the position:

> "The impact of Fianna Fail's efforts to radically alter Irish agriculture was slight. Cattle remained the dominant enterprise, despite a severe price decline and, while the links with the British market were temporarily distorted, they quickly became re-established." (Daly, 1981:149)

However, while agricultural policies largely proved a failure, within manufacturing industry considerable advances were made in expanding productive capacity and in providing employment for those who could not follow the traditional option of emigration in the depressed '30s. In this respect an economic policy deriving from the ideological traditions of Irish nationalism proved partially effective in the economic conditions of the time. The political and economic debate over the 'appropriate' policy response to depression which raged in many countries, eventually throwing up solutions ranging from Nazism to proto-Keynesianism (Gourevitch, 1984), was in Ireland bound up with a long-standing debate about the relationship of Ireland to the British and international economies. A radical response to the functional crisis of the inherited economic system and its patterns of trade was facilitated by its long-standing ideological crisis in Ireland. The failure of the international economic system induced little trauma in a political party which had long been disaffected with Ireland's relationship to that system and had enthusiastically planned disengagement from it.

However, in the longer term, the effort to build a new economy around the interests of domestically oriented tillage farmers and industrial producers foundered on economic and political realities. Cattle ranchers were too powerful, both economically and politically to antagonise persistently. Domestically oriented farmers and industries, while ideologically and politically compatible, could not resolve basic problems of raw materials provision, etc. Under Irish conditions, protection in industry was dependent on the successful pursuit of an export-oriented strategy in agriculture.

1938-58: Protectionism Refined

By 1938 the limits of this radical attempt to restructure the profile of economic production in Ireland and the trade patterns which sustained it had become apparent, a change in direction was clearly needed. The Anglo-Irish agreements of 1938 which laid the basis of economic policy for the next two decades reflect the Irish government's implicit recognition of the weaknesses of its programme and embodied a subtle compromise of its strategy. While in their political elements at least the agreements have been generally perceived as a remarkable success for the Taoiseach, Eamonn de Valera, and the Fianna Fail party, in the specific trading provisions there was undoubtedly something of a capitulation. It was accepted that industrialisation was not compatible with disengagement from international trade in an economy so heavily dependent on imported raw materials, capital goods and semi-manufactures. What the government now proposed was a more subtle confection of ideological commitment and economic reality. Thus the principal goal of Irish negotiators in the 1938 trade talks was to achieve the maximum degree of free access for Irish agricultural exports to the British market. Considerable relief on duties for Irish industrial exports was also a feature but this was always of secondary importance. Agriculture was entrusted with the task of export earner. Once again agricultural production was linked to the needs of the British food market and with it the primacy of cattle in Irish agriculture, and in Irish trade policy, was unambiguously restored. However, the re-establishment of cattle did not roll back the policy initiatives of the previous half-decade completely. For all its inefficiency, poor quality, and high costs, the programme of protected industrialisation stood. Though the phase of dynamic growth had petered out by 1936, the government remained firmly committed to the principle of Irish industrialisation and to the necessity of continued protection for its achievement. Certainly, in return for free access of agricultural exports to the British market, concessions were made on the industrial import side, with agreement being reached on a preferential tariff rate for British industrial goods and provision being made for a review of tariff levels after two years. But the Irish government would not concede a return to the previous pattern of almost total integration with the British economic system. As Bew and Patterson remark, "economic nationalism in the industrial field required its abeyance in agriculture" (Bew and Patterson, 1982:21); but economic nationalism remained a vital principle of government policy.

These compromises of ideological principle and economic interest produced a trade policy which had a contrasting sectoral character. Continued industrial protection was linked to an increasingly open agriculture policy. Moreover, continued industrial protection was dependent on agriculture's ability to earn foreign currency, facilitate the importation of necessary industrial raw materials and stimulate domestic demand. While the role allotted to agriculture was reminiscent of the 1920s, protected rather than export-oriented industry now filled the other side of the equation. While the former remained the decisive factor in determining government policy in respect of bilateral relations with Britain, the requirement for low cost inputs was no longer allowed to overwhelm industry's demands for protection. Politically, though agriculture was in the ascendent the growth of protected industry and its contribution to overall levels of production and employment together with its powerful nationalist ideological claims gained it significant, if far from dominant, leverage over government policy.

1958: Reintegration with International Markets

After two decades, however, the economic underpinning of this arrangement had eroded and once again a new balance of interests had to be struck. The debate about the proximate causes of this policy change has already been discussed but it is worth emphasising again the relatively marginal role of an industrial sector which had grown in size considerably from a very low base in 1932. While the long-term consequences of the decision to re-integrate with international markets taken at the end of the 1950s has been, finally, the economic dominance of the industrial sector, it again reflected the subordinate place of industrial interests in the general equation of socio-economic power. As on previous occasions, the major costs of a shift in strategy fell on the industrial sector and its pursuit was in conflict with the preferences of the great majority of existing firms. Again, the advancement of agriculture was at the heart of a strategy of liberalisation. The government's (First) Programme for Economic Development, published in 1958, identified agriculture as the principal motor force of development. Farming interests had been most sensitive to the benefits of policy change. Already by the late 1940s farming organisations were engaged in considerable debate over the possible advantages for Ireland in integrating with European markets when few others in Ireland were giving the subject serious consideration (Hederman, 1981). While anxious to maintain preferential status in British markets the possibility of new markets opening up, or rather for the development and operation of controlled markets, was always attractive to agricultural interests. As early as July 1960, following the failure of bilateral talks with Britain to produce major gains, the National Farmers' Association were publicly lobbying the government on the issue of EEC membership (Maher, 1986:119).

It was this interpretation of international opportunities which prevailed in government policy making while the contemporaneous anxieties of industry that liberalisation could spell disaster and the frequent calls by its representative associations for government to reaffirm its commitment to the maintenance of protection met with a decreasingly satisfactory response. When policy change came, it was industry which was asked to shoulder the burden and costs of adjustment, though with state support. Its fate was not unimportant but its problems could not outweigh the potential benefits to the agricultural sector identified as politically and economically superordinate.

Throughout the period of independence till the 1960s, the overriding fact of relative economic weakness conditioned the political and policy influence of industry. This weakness was reflected most clearly in the debates about trade policy. Here it was clear that, while industry's broad interests were always relevant, and indeed they grew more politically and economically salient as time passed, they were never primary. The specific interactions of state and industry were heavily circumscribed by this broader pattern of relations. It is also apparent that the decisive shift to a policy of export-led growth and determined industrialisation challenged both the specific operation of state-industry relations and this general context.

Trade Policy and Industrial Policy

While the place of industry within the political economy under different trade policy regimes has been broadly sketched, a deeper understanding of state-industry relations can only be gained if the related industrial policies which governments implemented are analysed. Only then can the implications of a given trade policy regime for the development of associational politics be gleaned.

Any given industrial policy is composed of two main elements. The first, concerns the basic relationship between state and market; where are the lines drawn between them, what are the legitimate areas of intervention? The second, extending this basic choice, is concerned with the specifics of policy; the detailed objectives and the mechanisms established to achieve them. Together they determine the terrain on which much of the interaction of state and industry will take place. In this section, the character of industrial policy and the nature of the relationship it fostered between state and industry under protection and following the decision to liberalise in 1958 will be examined.

Protection

The relationship between trade and industrial policy development is clearly evident during the inward-looking period from 1932 to the 1950s. Isolation from world markets was to be accompanied by a policy of protected industrialisation. The institutionalisation of this policy after 1932 set the parameters in which associations operated and developed for the next quarter century. By its very nature it afforded considerable powers to the state to intervene in the operation of markets.

However, the consequences of this new policy depended greatly on how the state saw its role. Protection, as a mechanism of intervention, is distinguished by its respect of fundamental market mechanisms. As Gourevitch has noted, "although the purity of the market has given way to government interference, that interference still works directly through the market" (1986:47). While manipulating the level of tariffs and quotas and hence the incentives which shape the behaviour of market actors, the price mechanism per se and its function within the market is respected. In adopting this policy, the government could hope to exercise considerable influence over the behaviour of capitalists while, to a significant extent, maintaining the clear boundary between state and market which is fundamental to liberal economics. Similarly, capitalists seeking shelter from international competition can hope to gain it without surrendering control over investment.

How the state implemented this policy revealed the extent of its ambitions. Protection was pervasive and substantial. In 1938 the 'Economist' magazine estimated that no less than 1,947 individual items were subject to restriction or control in the Irish State (Whitaker, 1983). Ryan (1948) has estimated that the average level of tariff protection rose from 9% in 1931 to 45% in 1936 while comparatively, Irish barriers were exceeded in Europe only by Germany and Spain and stood at twice the level of the United States and 50% above that of the United Kingdom (Haughton, 1987:30). However, it was never discriminatory in its actions. At no point was protection employed to guide the development of industry. Rather, the level and incidence of tariffs and quotas was a manifestation of the government's anxiety to comply with industry and firm requests for protection. A leading official of the government department responsible for the operation of the system, that of Industry and Commerce, described the typical course of an application:

> "Broadly speaking, the attitude of the Government was that any firm or group of firms or individual prepared to establish a new industry or to extend an existing industry could make application for the grants of the duties necessary to give ample protection and so create conditions

> in which external competition was, to a large extent, eliminated. The work of examination was done principally in the Department of Industry and Commerce and generally in consultation with those interested in the application. Owing to the necessity of preventing forestalling, it was not generally possible to consult the trades interested in the import or sale of the goods in question." (Ferguson, 1945:43)

An attitude more favourable to pro-protectionist industrial capital is difficult to conceive. Under this system the initiative as to which industry should be developed was left largely to private capital and its assessment of opportunities. What followed, in a haphazard fashion, was the creation of large numbers of firms which undertook the production in Ireland of finished and intermediate goods which previously had been imported. Though some attempt (largely unsuccessful) was made to achieve a wide geographical spread of development, little apparent effort was made to encourage industrialisation along any particular path, for example, sectoral, market orientation, etc. Furthermore, no attempt was made to promote a greater integration of agriculture and industrial activity leaving the heavy reliance on imported raw materials unchanged. Elements of the production chain of a given product or industry were transferred to Ireland creating employment and generating profits for Irish capital but without reducing the overall dependence on imports (Haughton, 1987). As the Federation of Irish Industries itself later argued

> "protective policy was not dictated by the long term capacity to become internationally competitive, but by the technical capacity of the proposing firm to substitute imports" (FII, 'Challenge' 1968:6).

Thus, the state's application of protection largely reflected a preparedness to intervene massively to alter price and competition levels and a great reluctance to formulate any strategic position on industrial development. Some additional powers to intervene more directly in the economy were assumed. The Control of Manufactures Acts, 1932 and 1934, designed with the primary intention of controlling foreign investment in industry, did equip the state with a number of important policy instruments. The Minister of the day was empowered to issue a 'Reserved Commodity License', or, in effect, to grant a monopoly, subject to certain conditions relating to price, etc. In the case of larger industries dominated by a small number of firms, prices were to be subject to control, either by direct agreement between the firms in the industry and the Department of Industry and Commerce or through the operation of a Prices Commission which was empowered to investigate complaints of overpricing. Under the provisions of the Control of Prices Act (1937) the Commission, as part of its investigation, was to consider the appropriateness of tariff levels for a given industry and recommend adjustment where it was thought necessary. In practice, however, these powers were little exercised. Only one legal monopoly was granted, though this was supplemented by de facto monopolies in the sugar and cement industries (the former a public enterprise), in each of which only one operating licence was granted. Direct price controls were not regarded as feasible for the majority of industries and they were subject only to a general supervision by the Prices Commission. Supplementary initiatives, like the formation of the Industrial Credit Corporation in 1933 to provide finance for new projects through loans and underwriting services or the establishment of important new publicly owned companies in sectors which failed to attract private investment, were important contributions to development. In addition, the government was quite willing to invite foreign companies to set up production units in the country when indigenous capital was deemed to be incapable of satisfying demand for a good (Girvin, 1989:96). However, while the state's industrial policy was vital for industrial growth, it did not direct it or seek to direct it. Though protection bound the state and industry closely together in some respects, in others the level of state intervention was minimal and the autonomy of the firm was virtually unconstrained.

When, in a later period, the limitations of protection as a development policy compelled the government to adopt a more critical stance, the weakness of its powers proved a major obstacle to reform. Thus, for example, when the Minister for Industry and Commerce, Mr Sean Lemass, attempted to promote greater efficiency through the threat of tariff reductions he was hampered by the clumsiness of tariffs and quotas as instruments of selective intervention. As mechanisms for encouraging and rewarding the efficient and progressive firms and punishing the inefficient they were unwieldy and impractical, removal could damage both the efficient and inefficient while reimposition could save both. Finding the 'appropriate' level which could provide necessary, but not excessive, protection was an almost impossible task. In 1947/48 the government did attempt to create a set of more dexterous instruments. An 'Industrial Efficiency Bill' was formulated to strengthen price control mechanisms and to establish industry development councils designed to supervise the activities of particular industries but, in the event, the electoral defeat of the government saw the proposals shelved and the piecemeal pattern of protection continue unabated. Government policy continued to be characterised by considerable, if narrowly focused, intervention combined with minimal direction. While protectionist policies entailed considerable state regulation of economic activity, it did not involve significant state direction of the economy. As practised in Ireland, it was a highly circumscribed form of intervention.

Liberalisation and Industrial Policy

As noted in Chapter One, while a change in trade policy will inevitably feed through and alter industrial policy, if only by changing the complexion of problems, it does not necessarily occasion the adoption of a particular policy. The state has considerable leeway in deciding how the new problems should be confronted and objectives achieved.

In analysing the impact of economic opening on industrial policy, and by extension for state-industry relations and associational politics, two distinct phases can be discerned. Each one had quite different implications for the relationship of state and market and for the mechanisms of policy implementation.

In response to the challenges of economic liberalisation, the government developed a new 'twin track' industrial policy. The objectives of these two approaches, were quite distinct:

(1) the attraction of new, mostly foreign, capital; this had been greatly facilitated by the decision to integrate with Europe and the loosening of controls on such investment in 1957.

(2) the adaptation of existing industry to meet the demands of international competition.

Their pursuit required quite different forms of action by the state. The first involved the development of a range of tax and grant incentives which would attract inward investment. Promotion of this package was to be undertaken by the Industrial Development Authority and, in the case of grants, implemented by An Foras Tionscal, the body responsible for disbursing cash aid. Crucially, the relationship between state and industry which characterised this policy was one where an individual firm related directly to a government agency or agencies. The principal demands it placed on the state were for resources and the creation of efficient promoting agencies. No intermediate bodies were necessary nor was there any need for reference to industry as a whole in the process of implementation. The establishment of these new policies and instruments was facilitated by the fact that the majority of firms in receipt of these benefits were setting up operation in Ireland for the first time. Although some elements of this strategy had been set in place from as early as 1950, it essentially stood outside of and in some respects opposed to, the system of protection and the network of relations which it had engendered. Moreover, although it operated quite successfully throughout the 1960s, its period of greatest ascendancy came between 1970 and 1982, after the IDA was accorded semi-state status (i.e. enjoying the status of a public enterprise rather than an administrative department of state) and was effectively entrusted with the task of formulating industrial policy and awarding grants as well as promoting Ireland internationally as a location for investment. It thus gained a dominant policy position even in respect of indigenous industry.

The second objective, the adaptation of existing industry to meet new economic conditions, presented more difficult problems of implementation. Though the export sales tax breaks and capital grants for new investment were also available to these firms (though they were awarded by a different public body, up to 1966, which was perceived to be more stringent in its criteria leading to a good deal of resentment among native capitalists against supposed favouritism towards foreigners (FitzGerald, 1968:240), the problems they faced were of a different character from those of new foreign investors who often arrived with highly developed production systems, products and markets. Existing firms had been weaned on the structure and incentives of a small protected market and now had to adjust production, product and marketing strategies to meet the demands of a larger and more competitive one. The attraction of new foreign investment was largely a matter of persuading foreign firms to locate in Ireland rather than elsewhere. While this was no easy task in itself, it presented far fewer problems for the state than the task of inducing the wholesale modernisation and reorientation of strategy by already operating firms. In this instance, the number of actors with which the state had to deal was far greater and the nature of the problems demanded closer intervention in the very operation of firms. The attraction of new industry, like the administration of protection, allowed the state to keep its distance from the management function of firms. Applications simply had to satisfy basic criteria in relation to project viability, employment targets, export potential, etc., before grants were made. The adaptation of existing industry, however, necessitated an attempt to alter the behaviour and objectives of management. Both represented new forms of intervention by the state in the economy but the complexity of the latter task required more subtle and refined forms of intervention. The simple manipulation of basic market incentives, in the manner of protection, was not likely to prove adequate to meet the new challenge.

To achieve this adaptation of industry three major requirements were identified by the state: (1) accurate information on the existing state of affairs; (2) the provision of financial support to enable firms to take appropriate measures; (3) the effective mobilisation of industry to recognise and meet the challenges which lay ahead. This third requirement was the most fundamental of the three. The simple provision of financial support to individual firms was, of itself, unlikely to succeed in fostering the necessary reorientation of activity by firms and the necessary restructuring of industrial activity in general. Investment had to be directed towards the kind of project which had some chance of surviving in the new trading environment. Previous practice offered little guidance. Moreover, to be effective and achieve a rational adaptation of industry the actions of firms had to be compatible. With such a high percentage of manufacturing output sold to the domestic market, a successful and minimally disruptive shift towards exports would require some degree of coordination; if only to the extent of shared expectations about future market trends. Such an orchestration of general adaptation was immeasurably complicated by the fact that firms had to respond to a process of economic liberalisation which was perhaps inevitable but nonetheless uncertain in terms of the precise economic conditions it would generate. New policies and new relationships were developed in the context of rapid but unpredictable change. While the general goal might be clear -closer integration with international trading blocs - at various stages it was not certain which bloc, under what terms, within what period of time, with what consequences for industry in general and with what sort of differential impact across sectors. Moreover, long-term trends in trade policy interacted with short-term fluctuations in economic performance and conditions making predictability and planning doubly difficult.

The decision to alter foreign economic policy immediately raised the complex problems of implementation and it was in this uncertain transitional period that policy and institutional initiatives had to be taken. While immediate integration with European markets certainly would have been disastrous, a lengthy period of transition to this position required a high degree of long term strategic planning by firms. A major survey of industry undertaken in the early 1960s gave little cause for comfort when it concluded that in most firms anything vaguely approximating a company plan was virtually non-existent (CIO, passim). This second strategy was fundamentally conditioned by these problems of transition. The task of stimulating and guiding pre-emptive action by firms presented major difficulties for a state which previously had avoided involving itself too closely in the immediate operational life of industry.

These two policy approaches thus reflected two different sets of objectives each of which dominated at different periods. The objectives of industry adaptation predominated in the 1960s when the focus was on preparation for change. Here, the necessity of stimulating virtually all existing manufacturing firms to take the appropriate action eliminated the possibility of recreating the 'individual firm-government agency' relationship which was evolving in respect of new industry. New problems demanded the development of more complex instruments and instrumental relationships. In contrast, the industry attraction approach, while operational in the first period, came to dominate industrial policy only in the 1970s and early 1980s when anticipatory adaptation gave way to the need to attract new investment to replace the casualties of liberalisation.

1960s: Adaptation as Industrial Policy

The state's general prescription for industry in the 1960s, then, was a wholesale rationalisation of productive and marketing strategies. Its commitment was to the promotion of this rationalisation in advance of market 'disciplines' thereby circumventing painful economic and, potentially, political disruption. This was the general context of state-industry relations and the efforts to implement this programme formed the basis for interaction between state agencies and organised business interests.

Effective preemptive rationalisation, however, required a proper assessment of the nature of the problems and the adoption of compatible strategies by different firms and sectors. Moreover, if market disciplines were to be avoided some partial substitute system of 'communication' and 'reconciliation' of conflicting firm strategies, was necessary. Cooperation and collective action were perceived by the state as a resource which might be capable of fulfilling these functions. Cooperation would harness all effort towards the one goal, organisations of collective action would provide the practical means for implementing the necessary changes.

The first major manifestation of the cooperative approach came in 1961 with the creation of the Committee on Industrial Organisation (CIO). It was composed of representatives of government departments, trade unions (at their own request after initially being excluded) and the leading trade (Federation of

Irish Industry) and employer (Federated Union of Employers) associations. Its principal task was to specify and clarify the problems which a move to free trade would present and to make recommendations as to the measures which might be taken to mitigate them. It was hoped that a cooperative definition of problems would facilitate their cooperative solution. It sponsored detailed surveys of some 26 industries (the cost of which was borne by the state) which taken together employed approximately 58% of the total labour force engaged in manufacturing industry. Supplementing surveys of industries closely linked to agriculture and industries dominated by a single firm were undertaken by the Departments of Agriculture and Industry and Commerce respectively. In total some 70% of manufacturing industry was subject to detailed investigation. The reports highlighted the infrequency of specialised production, the pervasiveness of diversification and the degree of dependence on the domestic market. It noted, for example, that of some 22 of the largest industries, in no more than 7 cases did exports exceed 20% of output while in half the cases they fell below 10% (Brock, 1965). A considerable improvement of these figures was to be a central task of policy in the period of transition.

Having sponsored these surveys the CIO went on to recommend a system of incentives which would facilitate the necessary reorientation of production. Following its suggestion, 'technical assistance' grants (up to one third of costs) to finance the employment of consultants and adaptation grants of up to 25% of costs to modernise plant and machinery were instituted, while increases were made in the level of existing capital allowances and marketing support grants. A scheme of interest-free and deferred capital payment loans was also set in place although it proved less popular than outright cash grants. Thus the Committee exercised influence over both the objectives of public policy and the initial mechanisms of implementation selected to achieve them. Moreover, the cooperative basis of these initiatives helped the state legitimise its general policies. Only in respect of a proposed national redundancy scheme did the consensus within the CIO break down and the state was confronted with the task of adjudicating between labour and management; it took three years to achieve a solution fully acceptable to all parties.

The CIO's recommendations were not confined to the establishment of incentive schemes but extended to the consideration of systems of cooperative implementation of changes in production practices, product policies, etc. To achieve this task it proposed the establishment of 'Adaptation Councils' for each industry. These were to be charged with the tasks identified by the CIO report teams as most susceptible to cooperative accomplishment. Their functions were to include:

> "(a) promoting standardisation and specialisation, developing a competitive product policy for the industry, encouraging mergers, cooperation on a group basis where desirable; (b) Improvement of design; (c) Industrial Research..(d) joint marketing; (e) joint purchasing; (f) factory design, working conditions; (g) improved training of operatives and other personnel..." (CIO, 1962f).

Concerned principally with the problem of production and marketing, etc., it is significant that the tripartite structure of the CIO was not carried over into ACs. They were envisaged by the CIO as the "the instruments of industry" (Report on Progress of Industrial Adaptation, 1966). Their relationship with existing trade associations was uncertain. As Fitzgerald has remarked the fact that completely new institutions were thought necessary owed

> "a good deal to the underdeveloped character of most existing industrial associations, which had tended hitherto to confine their efforts to negotiations with trade unions over wages and conditions, and with the government over tariffs and quotas" (FitzGerald, 1968:145).

In practice where industrial association existed they tended to take on the task of creating an adaptation council, where there was no previous association an adaptation association was created which then elected a Council. However, the purpose of their design went further than simply plugging gaps in the existing representative system. With up to a third of their costs covered by the state and their programme delineated in reference to the CIO's analysis and the state's evolving industrial policy, they were a peculiar cross between trade association and development agency. Furthermore, there was some attempt to strengthen their hand - and heighten their attractiveness - through the exercise of incentives/sanctions. The Department of Industry and Commerce disclosed that applications for grant aid for the purposes of adaptation would

> "be dealt with more expeditiously ... where projects are conceived within industry-wide or group adaptation schemes sponsored by councils and which clearly form part of an overall plan for the future"[3].

Industries which managed to establish an effective council could anticipate the good will of the government and its agencies, industries which failed to do so 'need not expect the same sympathy'.[4]

ACs, then, represented a state-sponsored effort to promote the modernisation of industry by organising industry around the programme of adaptation. They embodied an attempt to encourage industry to self-administer industrial policy with arms-length financial support from the state. As a government Minister (Patrick Hillary) explained they exemplified an arrangement in which

> "the Government have provided the means, it is for the industry itself by its own efforts to make the most effective use of Government aids".[5]

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[3] Management, 1964 Vol. XI No.10.

[4] Ibid.

[5] Irish Industry, 1966, p.49.

Separate and parallel 'Trade Union Advisory Bodies' (TUABs) were to be set up and cooperation with Adaptation Councils was encouraged, but their role was essentially marginal both in theory and practice.

The second major policy initiative launched which was predicated on a new relationship with interest groups was a system of economic planning or programming. In addition to formulating the general outlines of a new liberalising economic development strategy, the Department of Finance's report 'Economic Development', which formed the basis of the government's 'Programme for Economic Expansion', had also advocated the shifting of public expenditure away from 'social' towards 'productive' uses and suggested the fostering of closer and mutually beneficial ties with interest groups as important facilitating conditions. Resources were to be deployed in a more coherent manner and the legitimate concerns of various economic interests in the practice of public policy were to be recognised and utilised. Although the report and the subsequent programme were more concerned with setting an agenda for action and selecting policy priorities, it was subsequently perceived as a first step in the process of evolving a sophisticated system of economic planning.

The 'Second Programme' was published in 1963 and represented a qualitative leap in terms of methodology and detail. It aspired to be less a guiding framework for policy as itself a mechanism facilitating modernisation and expansion. It adopted a system of comprehensive national accounting, setting targets for each sector of industry and seeking to achieve consistency between them (Fitzgerald, 1968). The programme described its function as 'educative and indicative' helping to guide the private sector while ensuring the adoption by the state of whatever measures were deemed necessary to ensure the most effective use of resources. The underlying rationale drew heavily from contemporary practices in Europe. The initiatives taken by the British government in the 1960s were influential while the French system offered the most impressive operating model. Although the developmental task of the Irish state was far more difficult than that facing these countries, many of the institutional innovations made in this period were closely modelled on French practice and British innovation.

The objectives of planning were ambitious. Most fundamentally, it was hoped that a planned policy approach would remove bottlenecks to progress in both the private and public sectors. The most serious of these was perceived to be psychological. The legacy of economic stagnation was believed to have conditioned the investment strategies of both private and public sectors raising the problem of dangerously self-fulfilling prophecies of short-term expansion followed by contraction. Even at moments of relative buoyancy the expectation of retrenchment ensured that important public investment in housing, education, transport, telecommunications, etc., and private investment in future productive capacity, were not undertaken. Long-term planning was concerned with altering the time horizons of economic actors and breaking this damaging cycle. Moreover, it was hoped that the setting of targets and the yearly reviews of performance would provide adjustment mechanisms enabling the effectiveness of current policies to be measured and changes made where necessary.

While proclaiming a new partnership between public and private actors, planners were at pains to dissociate their activities from any hint of 'socialistic' state direction. Planning was to be indicative, essentially acting as a supplement to rather than a substitute for the market. By generating information in addition to that conveyed by the price mechanism it was hoped that the level of market uncertainty could be reduced and the way cleared for sustained investment and growth. Planning would "assist free agents to improve their allocative decisions through information flows organised by the centre"

(Katsiaouni 1978:221). Thus, while promising a more active role by the state it was intended to reinforce, or augment, the operation of market mechanisms rather than displace them.

The implementation of planning had important implications for state-industry relations and industry associations. The principal institutional innovation was the creation of the National Industrial Economic Council (NIEC). Originally conceived as a tripartite body concerning itself with matters of pay policy, the refusal of the trade unions to participate on these terms saw its centre of gravity shift away from labour relations towards the problems of industry modernisation and expansion. It rapidly established itself as an influential part of the policy mechanism standing somewhat outside the public service and effectively critical of its actions (in spite of the presence of leading civil servants on the Council). In addition it assumed responsibility in the first three years for conducting the annual reviews of progress under the plan which analysed the performance of the economy in relation to the targets, and highlighted policy failures.

However, while the role of the NIEC was important, the detailed work of planning took place at a lower level and on a bilateral basis between the public service and industry. The formulation of the initial targets was conducted on this basis and most of the early review consultations were similarly organised. As envisaged by the programme the role of these organisations would be "to consider the reasonableness and practicality of the programme, and to advise on the best means of realising it (Second Programme, 1963). Through this procedure of consultation it was hoped to secure "the maximum degree of common acceptance of the aims of the programme and of common purpose to achieve them" (Second Programme, 1963). As the NIEC itself argued

> "If the targets are to be accepted as a guide to action, those who make the attempts to achieve them must be involved in fixing the targets and in indicating the

> assistance they will require from policy in solving the problems" (NIEC, 1965:12).

Much of the energy of planners and planning agencies went into organising a system of consultation and review. Planning involved far greater participation by the public service and placed a greater burden on the 'peak' encompassing associations of industry. Where ACs operated primarily at the industry level, planning required a more integrated system of associations linking the national and industry levels. Where in the case of ACs the relationship between the state and the industry or industry sector in question had been quite distant, the operation of planning required a more organisationally taxing series of direct meetings and discussions between firm, industry and peak associations, and state representatives.

The earliest Second Programme discussions about the provisional target growth rates were between the Federation of Irish Industries and officials of the public service. Originally it was intended that the Federation itself would undertake much of the preparatory statistical work but lack of resources combined with technical and data problems to prevent this, leaving the task to the public departments (FitzGerald 1968:124). Once the general planning targets were formulated detailed discussion with industry and industry sector groups were organised. Here the role of the FII as intermediary was central. Its representatives conducted an initial meeting with the industry explaining the purposes and procedures of the exercise before direct talks with state representatives took place - these included officials of the Departments of Finance and Industry and Commerce, and representatives of the government exports promotion agency, CTT. In 18 industries, accounting for 34% of output in 1960, discussions were held with the relevant representative associations - in most cases ACs. In a further 21 industries, accounting for an additional 34% of output, where a small number of firms were dominant, direct talks between firms and the state were held. The remaining industries were either too small, too sheltered from imports to be worthwhile canvassing, or fell under the aegis of the Department of Agriculture and were marginal to the central process of consultation (FitzGerald, 1968:125).

The organisational demands of planning continued after the initial stage of target setting into the annual reviews. The first three were conducted by the NIEC and were designed to facilitate discussion of progress and contribute to appropriate adjustments in policy. In this period the planning process gained its greatest independence from existing public departments and agencies and its greatest coherence. The NIEC review reports played an important part in speeding up legislation against dumping by foreign firms, in establishing a new manpower service, a new state department responsible for matters relating to the labour market (here in the face of strong resistance from existing departments), and exercised an important influence over the debate on changes in educational policy (FitzGerald, 1968:148-155). Planning embodied a relationship between state and industry associations which differed radically from that which had obtained under protection. Policy formulation and implementation became enmeshed in a network of inter-organisational relationships which, if developed sufficiently, promised to alter the inherited pattern of state-industry relations in fundamental respects.

1970s: The Industrial Development Authority and Industrial Policy

The major shift in the emphasis of industrial policy at the end of the 1960s and the beginning of the 1970s had three major causes. Firstly, the moderate success of adaptation policies was contrasted with the growing success in attracting new foreign investment. By 1974, new (mostly foreign) industry accounted for 60% of industrial output (Haughton, 1987:39) The latter was perceived as a better bet and greater resources were invested in it (See Table 2.2). Secondly, openness was increasingly a reality rather than a project. The time for anticipatory adaptation had passed and with industry experiencing major losses in new, more competitive conditions, the procurement of replacement investment became the central objective.

Table 2.2
Jobs Promoted by Industrial Development Authority
(1960-1973)

1960-68 (Annual Average)	2,880
1969	11,100
1970	10,906
1971	6,400
1972	10,303
1973	20,151

(Source: adapted from Black, 1977:67).

In effect, the state moved away from bipartite and tripartite policies of cooperation and elevated industry promotion policies which offered the hope of generating new investment and which relied for their execution on an active promotion agency negotiating an aid agreement with an individual, usually foreign, firm. A greatly strengthened Industrial Development Authority was charged with prosecuting this strategy. While still ultimately under the control of the Department of Industry and Commerce, it was taken out of the civil service/public administration and invested with far greater independence and the legal status of a 'semi-state' company, similar to that of many productive public enterprises. Its mode of operation was termed a 'direct industry strategy'. This involved the establishment of basic selection criteria for product priority areas, the selection of actual products, the screening of company leaders in various product areas and finally, the making of a direct approach to the shortlisted companies (McMenamin, 1975:188).

Negotiations then focused on the agreement of a package of subsidies, tax breaks and job commitments. Although its method of dealing with indigenous capital was necessarily somewhat different, with far less selectivity in the firms dealt with (Ruane, 1987:393), this basic paradigm of intervention was maintained.

The expanding tasks of the IDA covered almost every aspect of government industrial policy by the mid-1970s: they included the preparation and implementation of Regional Industrial Plans; making grants to manufacturing industry towards the costs of fixed assets, reequipment costs, manpower training, research and development, new products and processes, reduction of loan interest and factory rentals; the guaranteeing of loans and the encouragement of diversification through licensing agreements and joint ventures; securing the provision of the physical infrastructure for industrial development, i.e. land, services, factories and housing; the provision of industrial estates, advance factories and housing for key industrial workers; the carrying out of promotion and publicity campaigns at home and abroad, etc. Its regional offices supplied a wide range of services including information and advice on grants available, site and factory availability, labour resources, water supplies, etc. In pursuing these tasks it worked closely with regional development organisations, county development teams, local authorities and voluntary development organisations (McMenamin, 1975:181-184). In short, it became the central agency of industrial policy, in respect of both policy formulation and implementation, and the fulcrum of its operation was the direct relationship with individual firms, largely by-passing collective associations and marginalising their role in the operation of industrial policy.

Although many other specialised agencies were established (CTT, exports; IIRS, research and development; IPC, productivity) most of the state's resources for industrialisation were centralised in the IDA (Girvin, 1981:85). Where the participation of the administrative Departments of Finance and Industry and Commerce had been central to the operation of planning and adaptation, after 1970 the IDA assumed the leading role in formulating as well as implementing policy. As Girvin (1981) has remarked, the IDA was virtually immune from public and parliamentary scrutiny while, until the early 1980s, it went effectively unchallenged "by any other power centres inside or outside the state in its formulation of industrial policy" (Wickham, 1983:174). In this phase of integration, the state's domestic adjustment strategy was refocused on investment attraction while planning initiatives withered and adaptation policies declined in importance. A new set of industrial policies which had few requirements for trade associational participation became firmly entrenched and shaped, to a significant extent, the interaction of state and business until well into the 1980s.

Liberalisation and Employers' Associations

However, while the interaction of state and trade associations flowing from industrial policy choices became more marginal in the 1970s and 1980s, interaction with employers' associations rapidly grew in frequency and importance. With the establishment of an open market, factors such as cost competitiveness assumed much greater significance and with this the importance of industrial relations grew. Anxious to minimise import penetration and maximise exports, no longer able to manipulate tariffs or quotas, and still without the power to affect the exchange rate which was locked into a one-to-one link with the pound sterling, wage inflation increasingly emerged as a matter of grave concern to the government. In 1969, a dispute by skilled workers had threatened almost to destroy the existing representative associations of employers and labour and unleash a damaging series of pay claims and strikes directed towards the protection of pay relativities between different classes of workers (McCarthy, 1973). At the crucial moment of integration, the prospect of industrial relations chaos with serious consequences for the competitiveness of existing industry and the attraction of new foreign investment particularly alarmed the government. Its response was to foster a series of collectively negotiated National Wage Agreements (1970, '72, '74, '75, '77) between union and employers designed to moderate wage inflation while stabilising the industrial relations system. While bilaterally negotiated, the state played a crucial role in animating the process. Towards the end of the decade these gave way to broader 'National Understandings' (1979, 81) which saw direct state involvement and encompassed taxation and employment creation policies. Thus, throughout the 1970s and into the early 1980s, the redirection of industrial policy was accompanied by a growing emphasis on nationally negotiated pay deals which relied for their organisational basis on employers' rather than trade associations. The issues at the core of state-association relations had altered and with them the identity of the principal relevant associational actors. Together, these developments in policy significantly altered the way in which the pressures of liberalisation on industry and its representative associations were mediated by state action.

Conclusion

This chapter has examined three key factors of central relevance to the evolution of the role and the development of business interest associations. First, trade policy choice has played a decisive role in shaping the pattern of economic development since the foundation of the state. Second, such choices, and their political and economic underpinnings, play a crucial role in shaping the interaction of state and industry. Broad coalitions of powerful actors set the context and laid the constraints for the more specific relationship between the state and industrial interests. Thirdly, closely linked to the prosecution of a given trade policy is the selection of an appropriate domestic adjustment strategy. This will embody both a basic relationship between state and market and a set of concrete policy objectives and mechanisms within and around which state and industry relations, and the role of associations, will be built. An understanding of the basic thrust of such policies under the different trade regimes is vital for a proper analysis of the role and development of industry associations within industry-state relations. Fourthly, with the realisation of open market conditions, matters of industrial relations peace and cost competitiveness inevitably assume greater importance. To the extent that this occurs, there is a significant shift in the substance of state-industry relations in general and, where trade and employers' interests are separately organised, in the relations of the state with specific associational actors.

Chapter Three

Protection and Industry Associations

The operation of protectionist industrial policies profoundly shaped the role and development of associations and the complexion of the associational system in general. Through the structuring of market incentives and the operation of administrative bias, state policies significantly influenced the collective action choices of firms and associations. Through the selection of objectives and instrumental mechanisms such policies determined the needs of the state and its agencies in relation to cooperation with associations. This process will be examined in two parts. In the first section, the consequences of protection for the development of the associational system will be examined. In the second section, the relationship of associations and the state, and particularly the relationship of the national representative trade association with the state in the context of a 'protectionist logic', will be explored.

The Development of Associations

The impact of protection on the development of the associational system was felt through four major mechanisms. First, protection as a policy was inherently divisive and split business into pro- and anti- camps. Such patterns of alliance and conflict served to structure collective action in a very basic way. Second, the implementation of protection was a major factor in structuring intra and inter industry relations. Third, nationalism as the ideological justification for protection was an important discriminatory factor shaping intra-industry relations. Fourth, patterns of cooperation and conflict within business varied depending on the particular issue at stake. Thus, task orientation became an important factor in structuring associational development. Each of these mechanisms will be examined in turn.

Coalition and Conflict

The adoption of protectionist policies had critically divergent implications for different segments of industry. Most crucially, it set internationally oriented against domestically oriented firms. The differing experiences of these firms was starkly evident in the decade following the wholesale imposition of tariffs in 1932. For the former, growing isolation from foreign markets (due, it must be recognised, as much to the protectionism of other countries as to native policy), was quickly translated into decline. The most spectacular and economically important example was the drinks industry. The brewing industry, which in 1926 accounted for some 30% of total value added in industry and exported nearly three-quarters of its output, "was almost permanently impaired by the turmoil associated with the economic war and protectionist policy" (Kennedy et al, 1988:47). The Irish whiskey industry, already under considerable pressure, suffered further severe losses in export markets (Brophy, 1985); in the 1920s it had exported roughly one-third the quantity of the Scottish industry, by 1950 this had fallen to one thirtieth (Crotty, 1986). Between 1926 and 1960 net output in the drink and tobacco sector had fallen from 42% of total manufacturing output to 13.5% (Kennedy et al, 1988:230).

In contrast, the domestically oriented sector benefitted considerably from the new policies. Indeed, Daly has argued that

> "some policies designed to promote self-sufficiency and a nation devoted to frugal comfort led in practice to the creation of a new Irish capitalist class, dependent to some extent for their prosperity on State tariff and primary policies" (Daly, 1981:153).

Although incorporating many firms which had operated, however uncomfortably, in the exposed environment of the 1920s, the domestically oriented sector experienced a rapid expansion in the number of producers. Between 1938 and 1954 the total number of firms engaged in mining and manufacturing rose from 1,037 to 2,290 and their paid up share capital increased from 23.9 million pounds sterling to 65.5 million. (Meenan, 1970, Lenihan, 1962). A survey of management in Irish industry undertaken in 1964 recorded that, of the 47 firms employing over 500 people in transportable goods industries, 30 had been set up since 1930 "and of these, 27 had been set up as a direct result of protection or state encouragement" (Tomlin, 1966:xxiii). Of the total representative sample of 147 firms surveyed, over 50% had been founded in the era of high protection and of the remainder most had enjoyed some protection (Tomlin, 1966:xxiii). Moreover, this expansion was marked by a strong sectoral bias. Most of the 50 odd firms which had existed prior to 1930 and had derived little benefit from protection were engaged in the food processing industry. Although this continued to be the largest single sector, growth was largely concentrated in other industries with textiles, clothing and footwear, metals and engineering experiencing the greatest expansion in output (Tomlin, 1966). These three sectors more than doubled their share in total manufacturing net output, increasing from some 15.5% in 1926 to 34.5% in 1960 (Kennedy et al, 1988:231). The 'new bourgeoisie' was concentrated in these industries and was thoroughly dependent on protectionist policies for its survival and prosperity. The fundamental difference of objective between this group and the previously dominant outward-looking group, who perceived the maintenance of a liberal trading environment to be in its best interests, was the first and most basic factor structuring the development of associations.

Table 3.1.

% shares of main industry groups in total manuf.net output.

Various years, 1926-1960.

Sector	1926	1946	1960
Food	24.2	22.4	23.1
Drink and Tobacco	42.0	21.8	13.5
Textiles	3.5	8.3	10.6
Clothing and Footwear	3.4	10.7	8.6
Wood	4.4	4.8	3.2
Paper	8.4	9.0	9.9
Chemicals	2.4	3.8	4.7
Minerals	.8	2.7	4.5
Metals and Engineering	8.7	11.4	15.2
Miscellaneous	2.2	5.1	6.6
Total	100	100	100

(Source: Adapted from Kennedy et al, 1988:230)

A related matter concerned the relationship between manufacturing and financial companies. The latter had long enjoyed extremely close ties with the City in London. In their outward (i.e. British) focus they were similar to the larger and more established firms in the drinks industry and opposed the project of national protected industrialisation. Significantly, however, their interests and orientations were more fully accommodated by government policy. Even after the adoption of industrial protection, the government made no effort to extend its regulatory powers over the financial system or to inhibit in any way the operation of long established links with the British financial system. Whether the failure to curtail these investment patterns led to a shortage of capital for Irish industry was the subject of considerable debate in the 1930s. The government department responsible for industry, that of Industry and Commerce, believed that "there was a scarcity in the supply of long-term capital to industry from a banking system which opted for sterling assets" while the department most closely linked to the financial sector, that of Finance, "tended to the view that any such problems arose only because the return on the long term projects was uneconomic" (Kennedy et al, 1988:175). However, irrespective of the merit of these arguments, it is clear that protection had the effect of reinforcing existing divisions and fragmenting business interests. Export-oriented manufacturing, the financial sector and import substitutors all possessed distinct interests and orientations and quite different perspectives on government policy. These distinctions exercised a basic conditioning influence over the evolution of business interest associations, with no trade association during the protectionist period proving capable of spanning them.

The implementation of protection.

While direct state influence over the production and growth strategies of individual firms may have been minimal, indirect influences, through the structuring of market incentives and the operation of administrative bias, were considerable. The development and structure of industry, the character of inter- and intra-industry relations were all significantly shaped by the pattern of protection and the methods of implementation. Most crudely, this is evidenced in the sheer proliferation of associations which sprang from the increasingly interventionist policies of the state. At the state's foundation there were few industry trade associations in existence. Outside the woollen manufacturing and flour milling industries there was only a loose organisation among brewers and, at local level, among builders, while within the engineering industry, a few firms maintained links with a representative federation in Britain. Beyond this there had been little associational development (Ferguson, 1945:51).

Such meagre development was due above all to the limited extent of industrialisation in the south of Ireland, the centralisation of economic power in London for over a century previously, and, after the achievement of independence, the satisfaction of many existing firms with the continuing operation of free trade. Initially, in fact, it would appear that much of the pressure for the creation of associations came from the state. In the early 1920s, after the creation of a Department of Industry and Commerce, a system of 'Industrial Advisory Committees' was set in place to represent different industries and to facilitate consultation and cooperation. At meetings of these committees it was the policy of the Department of Industry and Commerce to press for the creation of truly representative industry associations (Ferguson 1945:51).

While this pressure combined with industry's reassessment of its own interests to generate the gradual emergence of a more comprehensive, if complex, associational system, the spur to a more rapid development came with the adoption of protectionist policies. Not only was there more industry to organise but protection greatly enhanced the importance of politics and the state for the profitable operation of business. The determining, and largely uncontrollable, forces of international markets were partially superseded by the local, and significantly malleable, economic and administrative policies of a national state. The value of associative action was clearly enhanced and it is no accident that the major national representative body for industry, the Federation of Irish Manufacturers (there were name changes in 1934, 1938, 1958 and 1970), was founded in 1932 at the birth of protectionism. The pressure for collective action was such that the handful of associations in existence in the early 1920s had given way to over 100 trade and employer groups by the end of the 1950s (Harbridge House, 1967a).

It is not sufficient, however, merely to note the proliferation of associations. Protection may have played a major role in stimulating their creation but it was also responsible, in various ways, for limiting their development. This influence was most evident in the complex character of inter- and intra-sectoral relations. Through the manipulation of incentives protection effectively intervened in, and reshaped, the pattern of relations within and between industries. Competition and price levels which had previously been determined by the balance of market forces were now subject to administrative and political action. Competitive and trading relations now assumed a political focus which, while inevitably enhancing the attraction of collective action, also altered the character of relations between firms within industries and between different industries.

With respect to inter-industry relations the impact of protection was pervasive. As has been noted in Chapter Two, the policy of the Department of Industry and Commerce was to impose a tariff and/or quota on a product following examination of a particular proposal to manufacture a similar product in Ireland. However, in many cases the item subject to protection was destined for incorporation into the product of another manufacturer, i.e. it was a raw material or intermediate stage product. Potential users of this material had a choice between buying the home-produced good or importing the equivalent and paying the necessary tariff. There were a number of grounds upon which exemption could be gained. Payment of the tariff might be waived if the goods in which the materials were to be incorporated were for export or if the particular type of material required was not being domestically produced at that time.

The opportunities for conflict were numerous. As a government report commented:

> "The decision as to whether or not a grade of material is being manufactured at home is taken generally after the advice of the material's suppliers themselves has been obtained: several cases of differences of opinion or of definition have arisen where suppliers state that they do produce the materials and manufacturers state that it is

> not of the quality or type which they require" (CIO, 1964:14).

Applications for a special import licence by a manufacturer often had to be signed by suppliers in acknowledgement of their failure to produce the material in question and of the necessity for its importation.

Conflict over the availability and quality of materials was often closely connected to a more fundamental controversy over the operation of protection. The foundation and survival of one industry was often directly dependent on increasing costs for another. Meenan has made the point that "industries were founded on the tariffs imposed on goods which were raw materials for other, and sometimes much more important, industries..." (Meenan, 1970:322). One consequence was the fragmentation of interests and the politicisation of relationships. The general consensus within industry on the desirability of protection against foreign competition was shadowed by a divisive secondary conflict over the distribution of the costs and benefits of such a strategy.

The textile and clothing industries offer a good example of how these factors affected inter-industry relations and the development of trade associations. Both were major beneficiaries and supporters of protection while their productive operations were closely interconnected. Price, quality, demand, etc., many of the key determinants of production and, ultimately, of profitability were in each case significantly affected by the performance of the other industry. Tariffs, quotas, import licences, etc., played a vital role in shaping this trade and, in consequence, each industry expended considerable energy in trying to manipulate these conditions and alter the terms of the relationship. An increase in tariffs and a reduction in quotas for textile goods was likely to mean an increase in cost and a narrowing of variety for clothing manufacturers while a relaxation of protection, whether through the reduction of tariffs, the increase of quotas or the granting of special import licences, was likely to result in a weakening of demand for the output of Irish textile mills.

This underlying conflict of interests endured through the years of the systems operation with repeated representations made to government by the respective trade associations to shift the advantage, or 'fair balance', one way or the other. For the clothing industry the relevant 'group' of the FIM argued that "Irish manufacturers were being seriously hampered by the higher prices, unsuitability of quality, lack of variety and slower deliveries of cloth from Irish mills" (CIO, 1963d:71/72). In response the Association of Woollen and Worsted Mills passed the responsibility for higher costs onto the yarn makers, the source of the mills raw materials, and demanded that the existing supplementary import allocations (tariff free), which the Federation group wanted expanded by 20%, be cut back in the interests of the woollen and worsted industry (CIO, 1963d:71/72).

These conflicts, played out within the relevant sections of the Department of Industry and Commerce, afforded an important role to industry trade associations. The common interest of firms in a given sector or industry in achieving the desired level of protection for both inputs (low) and outputs (high), offered a solid basis for collective action and it is clear that such objectives did indeed dominate the agenda of trade associations. Equally, they are indicative of the vital arbitrative function performed by the state and the importance of its decisions for the specific operation of individual firms, despite its eschewing of an active directive role. The form of its intervention decisively influenced the pattern and objectives of associational activity.

However, the effects of protection did not end with the creation of an industry or sector-based focus for collective action. Much of its influence served to undermine associational solidarity as much as generate it. The tendency of certain kinds of inter-industry dispute to promote associational activity and close links with the administrative apparatus of protection should not obscure the existence of other, and often more powerful, forces undermining such a collective response to general industry problems. The unifying pressure generated by the need to communicate with the state, and to defend an interest against the communication of other industries or firms, was counterbalanced by the disintegrative pressure of market incentives. These stemmed from two principal factors: (a) the level of competition in protected markets and (b) the degree of isolation of the domestic market and of domestic producers.

(a) Notwithstanding the existence of a number of monopolistic or oligopolistic sectors - in the early 1960s some twenty-one industries producing 34% of industrial output were dominated by a single firm, or a very small number (Fitzgerald, 1968:125) - in general the effect of protection was to increase the number of firms producing for and competing on the domestic market. Though efficient production and low costs may not have been the outcome, in the majority of sectors competition rather than collusion was the order of the day. The protectionist period saw a significant increase in the number of firms operating in most sectors. Textiles, clothing and footwear, metals and engineering, among the principal beneficiaries of protection, all experienced a sharp increase in the number of firms and a high level of internal competition after 1932. (See Table 3.2)

Table 3.2
No. of firms in selected industries, 1931-1958.

	1931	1958
Textiles	101	199
Clothing and Footwear	138	377
Metals and Engineering	136	354

(Source; Census of Industrial Production, 1931. Lenihan, 1961/2).

Footwear typifies the pattern of development in these industries. When the initial tariff was imposed in 1924 - a modest 15% - the industry employed a mere 250 people producing 297,000 pairs of shoes per annum. Sheltered behind this low tariff wall employment grew to 1,125 and production to 660,000 pairs by 1931 and, following the massive extension of protection in 1932, expanded to 5,644 people and 4.7m pairs in 1939 (CIO, 1962b:61). Indeed, by the end of the 1930s there was considerable productive overcapacity and competition was intense. The net effect was that the common interest in the maintenance of protection was counterbalanced by the precarious position of most firms. What had created the strong domestic market for indigenously manufactured products had also accentuated the level of competition between domestic firms. A government survey conveyed the picture when it characterised the sector's members as having an "undue attachment to the independence of each" (CIO, 1962b). Some 75% of the firms were members of the Federation of Boot Manufacturers but this association, with no fulltime officials and narrowly focused objectives, was as much an expression of the sector's disunity as it was of its shared interest in securing tariff protection. While footwear, due to the low costs of setting up production, was perhaps more competitive than most industries, the competitive 'zero sum' edge lent to inter-firm relations by the sheer proliferation of productive units selling on the domestic market was fairly general. Common interests in ensuring the continuation, or even increase, in protection coexisted with highly conflicting interests over competitive survival.

(b) The intensity of this conflict was partly a product of the extremely high levels of protection which had been put in place. A government-financed report on protected industry in the early 1960s commented:

> "in general terms.... the effect of this degree of protection is that the home market is largely a 'captive' one and that Irish firms are encouraged to supply as great

> a variety of its needs as possible... As a result, much production has been undertaken on a scale smaller then the optimum and the policy of protection has encouraged firms to provide as great a proportion of home demand as possible. This has resulted in a low degree of specialisation, great diversification and all the attendant possibilities of higher production costs." (CIO, 1965f:23/24)

By shaping the productive structure to fulfil the needs of a small home market, protection also militated against the development of a significant export trade. The same report noted that the majority of firms were content largely to service the national market and showed little interest in trying to achieve a high level of exports. Analysts of the tariff and quota system have argued that it operated a strong bias against exports across almost all industries (O'Higgins, 1977). Thus the 'captive' home market, in its turn, 'captured' the domestic producer. The isolation of the home market and the almost complete dependence of domestic firms on the home market left them very vulnerable to the danger of exclusion from that market.

Thus, for example, a survey of another branch of the textile sector - that of linen, cotton and rayon producers - commented that manufacturers were fearful of refusing an order for any material, however uneconomic its production, for fear of opening the gate to imported cloths or ceding advantage to competitors:

> "Frequently, the differences in specification are very small and do not seem to serve an important purpose. Nevertheless, they necessitate setting up a new run of cloth with the inevitable diseconomies which this entails. It would be to the mill's advantage if this feature of the distribution system could be eliminated but while, individually, they recognise this, competition between them ensures that customers' requirements are fulfilled." (CIO, 1962a:81)

Similarly, in the case of the footwear industry, internal competition was stimulated, and its disintegrative consequences for associational development increased, by the power of the distributive (retail) trades. Confronted by a narrow range of outlets for their product, firms frequently preferred to break ranks with their fellow producers rather than risk effective exclusion from the market place. Dependence on a small home market also meant dependence on relatively few buyers; the overwhelming necessity of retaining their custom ensured the dominance of competitive over co-operative strategies. In many instances the firm closest to the final consumer enjoyed considerable power and exercised it freely. Certainly, relations between manufacturing industry and the distributive trades were generally marked by suspicion, if not hostility. Associational action, possible in relation to actors external to the market, such as the state and trade unions, proved singularly unavailing in the face of the market's competitive pressures.

These trade associations were representative of particular industries or industry sectors. As organisations their task, caught as they were between the consensus on the desirability of protection and the competitiveness of the home market, was to carve out a role for themselves and perform it effectively. The existence of some 'objective' function for associative action and the slenderness of its base is perhaps indicated, on the one hand, by the proliferation of associations and, on the other, by the fact that only four could muster sufficient support and resources to employ fulltime staff. The vast majority were little more than standing-committees manned by the representatives of member firms. The operation of protection was, at once, the unifying interest and policy of the greater part of manufacturing industry, the major basis of collective action at industry sector level and the divisive force undermining attempts to develop larger, more organisationally developed and more encompassing associations pursuing broader and more inclusive strategies. The typical trade association which emerged was almost wholly responsive to the economic calculations of its members, subject to the logic of membership and sustained by the 'soundness' of government trade and industry policies.

with few exceptions, they were merely an extension of competitive market behaviour in the form of limited collective action rather than political aggregations of complex interests.

Nationalism.

The fragmentary impact of protection on associational development was not solely the consequence of its ramifications for market relations. As a policy, it was inseparable from the political ideologies of its advocates and the ideological rationalisations of many of the business people who flourished under its auspices. Protection was rooted in nationalist politics and nationalism exercised a major influence over the associational system which it spawned. The desire to retain industrial development in Irish hands was embodied in the Control of Manufactures Acts, 1932 and 1934. The desire of the native industrialists themselves to ensure such an outcome further weakened and fragmented the development of industry associations. The effect of nationalist ideology was most evident in the development of the FIM, the only broadly based national trade association. It defined Irish industry in a very narrow and exclusive way. Its objective, stated in the articles of memorandum, that "as far as possible consistent with national requirements that industrial development shall be retained in the hands of Saorstat (Freestate) nationals" was far more than mere rhetoric.[1] Not only did it campaign for more stringent measures against foreign investment than was actually provided for in the Control of Manufacturers Acts, 1932 and 1934, but it also refused membership to already existing firms which it deemed to be foreign or 'insufficiently' Irish (Daly, 1984:266).

The implementation of this policy was often rigorous, at times confused and occasionally comic. Both Irish Ropes and Irish Enamelware, two major firms set up in the 1930s with

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[1] Federation of Irish Manufacturers, Articles of Memorandum.

majority Irish interests, were denied membership on the grounds that the minority foreign involvement represented too great a degree of 'contamination'. At the same time, as the President of the FIM acknowledged,

> "members of the Federation were working amicably with foreign firms in Trade Associations,.. these trade associations has grown considerably and...they formed the bulk of the contact work with Government" [2]

With the passage of time and the gradual expansion in the number of foreign firms and Irish firms with foreign connections, the definition of Irishness became more difficult, if not ridiculous. When the textile manufacturer, Sunbeam Wolsey, moved to block the establishment of a spinning plant by the English firm of Salts on the grounds that they were themselves considering setting up just such a plant, the Federation refused to lend its support on the grounds that Sunbeam had itself 'passed into external control' through its partnership with the English firm of Wolsey. This revelation of confused and contradictory principles was compounded by self interest; Sunbeam's plans were loudly denounced by its hostile Irish competitors who declared that they would refuse to purchase from any spinning plant which it set up (Daly, 1984:270-271).

Whatever the confusion and uncertainty, however, the Federation's persistence did much to undermine its own representative legitimacy. Unrepresentativeness was the principal reason for its exclusion from the vital process of tariff review under the terms of the 1938 Anglo-Irish trade agreement.[3] Yet a proposal in 1938 to broaden its membership base to become more fully representative nearly split the organisation (Daly, 1984:260). Throughout the 1940s and 1950s, its relatively narrow membership base was a significant factor in relegating it

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[2] FIM, NC minutes, 13/1/1939.

[3] Ibid.

to the margins of the policy making process. Full representativeness could not be achieved while large elements of industry were excluded from its ranks. Moreover, the increasing interpenetration of native and foreign capital through partnership, licensing agreements, technology leasing arrangements, etc., rendered nationalist distinctions increasingly debilitating. By the early 1960s a study of some twenty-six industries revealed that in no less than fifteen cases 25% of employment was in firms which had external connections of one kind or another (Brock, 1965).

Moreover, the exclusion of foreign firms not only rendered the FIM less representative but also promoted the formation of a range of industry associations which welcomed foreign concerns and, in certain instances, competed directly with the product groups of the FIM. This latter occurred most particularly in sectors where there was a large concentration of foreign investment. The Committee on Industry Organisation survey noted that

> "in 5 industries and one industry sector the major part of the industry, measured by value of gross output or employment, was either under external control or governed by licensing agreements or manufacturing agreement with external firms" (CIO, 1965f:12).

The industries in question included motor vehicles, chemicals, and electrical equipment. Thus, the establishment of new foreign dominated industry associations in, for example, the chemical and electrical equipment sectors not only meant competition for the FIM in these areas, but ensured that it was weakest and least representative in the most technically advanced and capital intensive sectors. It was in severe danger of being relegated to representing those parts of the economy which were least likely to generate long-term economic growth and raise national income.

With the passage of time the native exclusivism of the FIM undoubtedly wavered, Sunbeam Wolsey and Irish Ropes eventually were allowed into membership, the nationalist obscurantism of its first generation leadership gradually gave way to a more outward-looking cadre. Its President in 1957/58, Mr J.I. Fitzpatrick, had extensive connections with foreign concerns (Bew and Patterson, 1982). However, the basic pattern of the associational system had been laid down by then and most foreign firms saw little reason to join an organisation which for so long had been hostile to them on principle and in practice. As the sole national trade association the FIM remained strongly biased towards the representation of the 'pure' protectionist firm - native-owned, wedded to the ideological correctness and economic necessity of protection. When in the 1960s major efforts at reform were undertaken, widespread suspicion among younger managers of the FIM's narrow protectionist past was evident (Harbridge House Europe, 1967). Certainly, this tough stance at the national level contrasted with the growing complexity of industry and its foreign connections (direct ownership, licensing, complicated share arrangements designed to conform to, or circumvent, the provisions of the control of Manufacturers Acts, etc.) and contributed to the fragmentary development of the associational system in general and to its competitive aspects in particular.

Task Orientation.

The fragmentation of the trade associational system engendered by the operation of protection combined with nationalist ideology to foster further division on the basis of task orientation. Most crucially, during these years the most basic and enduring division in the associational system was institutionalised, that between the national employers' association and the national trade association.

As has been noted, protection tends to generate divisions within capital, pitting domestically oriented producers against internationally oriented ones and, in some instances, foreign against native capital. In combination with the effects of the system's day-to-day operation, it is these fissures which shape the trade associational system. With respect to inter-class relations, however, this system may well be ill-suited for the task of combating trade union activity. There is every possibility that employer-labour bargaining structures will not conform to the pattern of inter-sectoral associational divisions generated by protection. In the Irish case, for example, in contrast to product-industry related trade associations, many of the more important employers' groups had a regional character and a broad spread of members from manufacturing to service sectors (e.g. both Cork and Limerick cities had strong independent employers' unions). Although industry-specific wage bargaining and employer's associations (e.g. in the construction industry) were not uncommon, the decisive factor was not the integrity of the productive process but the pattern of bargaining structures and union activity. In some cases this proved compatible with the pattern of trade associations, in others this was not the case and the trade and employers' association functions remained separate. Moreover, this highly varied pattern of associational development was facilitated by the lack of any legal basis for a distinction between trade associations and employer unions until the introduction of industrial relations legislation in 1941 requiring the acquisition by employers' unions of a negotiating license. Until then, different industries and different associations were entirely free to adapt to the often contradictory pressures of the protectionist system and industrial relations as they saw fit, the general effect being complex and irregular associational structures.

While it is entirely possible, as Gourevitch notes, that protection may well effect a "cross-class coalition" between elements of capital and labour in the domestically oriented sector in conflict with a similar alliance in the internationally oriented sectors (Gourevitch, 1986:47), it is doubtful whether such an alliance can completely override fundamental class cleavages. Where, despite the existence of such implicit alliances, workers continue to organise on a class-wide basis in relation to some issues at least, the protectionist trade associations system will be poorly placed to respond effectively. Where trade union solidarity is confronted by an associational system riven by division over trade and industrial policies (or exclusive of significant elements of capital because they do not accept the majority position), the likely result is success for the trade unions or the creation by employers of a parallel system of associations built around solidaristic opposition to trade union activity. In this case, for example, an upsurge in industrial unrest in 1937 was quickly followed by the formation of a new national union of employers (the Federated Union of Employers) which moved rapidly to establish itself as the only national organisation open to employers from all industries and sectors and the only association exclusively concerned with labour relations (O'Brien, 1987a:57, Fitzgerald, 1992:4-7). By focusing on the industrial relations task it could appeal to firms from all branches of business, from both internationally and domestically oriented industry and to both foreign and native capital. This broad appeal saw it quickly outstrip the FIM in size, its 1200 members in 1957, drawn from manufacturing, distribution and service sectors, was double that of the FIM's 600 odd (though relatively large) manufacturing members (Harbridge House Europe, 1967a). The ability of trade unions to rise above the divisions engendered by protectionist policies prompted the creation of a system of employer unions which could reflect, and bring to bear, the unity of capital interests on certain issues in a way that the fragmented trade associational system could not.

The division between trade and employer associations at the national level has been the most enduring aspect of the associational system which emerged under protection. For the most part relations between these organisations has been cordial but occasionally clashes have occurred. For example, in 1946 the FIM, fighting the fragmentary pressures of protection sought a firmer basis for attracting and retaining members and considered registering as a trade union to enable its product/sector groups to undertake their own negotiations with labour and to generate additional service fee income for the Federation itself. The Federation denied any intention of competing with the FUE but the proposal was viewed by many as a predatory one and in the event it was not pursued. More significantly, their different perspectives tended to promote quite divergent perceptions of state initiatives. A proposal to create new bipartite or tripartite relations struck at the intersection of labour and trade association functions and indicated the greater willingness of the FIM to countenance a new role for itself through participation and the FUE's firm resistance to the incorporation of trade unions into management or industry review structures. In 1953, information that the FIM was considering participation in a number of 'Joint Councils of Industry' with the state and trade unions, prompted the FUE to urge its reconsideration and to "stress to the Federation of Irish Manufacturers that they had no mandate from employers generally to proceed as they are doing".[4] Similarly in 1958, FIM consideration of participation in proposed 'Works Councils' provoked the antagonism of the FUE.

These incidents were the exception but clearly illustrate the divisiveness of claims to national representativeness made by both organisations. Where the functional distinction between trade and employer associations was not clear, conflict over mandates to action and legitimacy were inevitable. Underlying these antagonisms were incompatible conceptions of class unity which reflected the tensions induced in capital by the pursuit of protectionist policies. Only a dual system of associations

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[4] FUE, NC minutes, 14/4/1953.

divided along task lines could reconcile and express the complex of common and competitive interests.

The State and the National Trade Association

It is evident from the above that the operation of protection did afford a role for small highly specialised trade associations. Within the constraints of highly fragmentary pressures such associations served a vital purpose for both their membership and the state, representing the interests of the former and providing the latter with basic information about the needs of industry. The general tendency to grant requested tariffs satisfied the associations while the occasionally competitive nature of industry demands gave the state a commanding position as arbiter. What is also evident, however, is that the general agreement on the need for protection did not translate into a resource exchange between the national representative association of industry and the state, or close cooperation in relation to policy-making matters. This is despite the fact that the principal national trade association, the FIM, was founded in 1932 with the explicit purpose of furthering the protectionist interests of native Irish industry.

The state did afford a certain degree of recognition to the Federation. Its delegations were frequently received by the government. In 1938 a system of liaison was instituted whereby an officer from the Department of Industry and Commerce attended meetings of the National Council and reported on its proceedings and policies to the Department. Moreover, periodically it provided important information to government to facilitate its operation of trade treaty arrangements with Britain. However, on countless occasions the Federation's attempts to establish itself more securely within the policy making process were summarily rebuffed by the state. The operation of the 'emergency' economy from 1939 typifies the Federation experiences. At a National Council meeting on September 1st the Secretary reminded the members

> "that during the Great War the Federation of British Industries sat practically in the doorstep of the Board of Trade, and that its members were in continuous contact with the Government on all matters concerned with war."[5]

He suggested to the Council that they

> "co-operate in securing a similar position for the Federation of Irish Manufactures during the crisis. If the entire work of ordering industry were left in the hands of civil servants, the Federation's prestige would diminish with serious reaction from industry".[6]

The ambition to insert the Federation into the policy making process, thereby simultaneously protecting industry against state encroachment and enhancing its own position in the eyes of its members and potential members, was a constant feature of National Council policy in these years. The response of Government in this instance was equally characteristic. In reply to the Federation's advances the Secretary of the new Department of Supplies "said that his department was in the process of organisation and that at the moment he could not envisage the Federation taking part as part of the machine".[7] In October the Federation renewed its efforts but the rejection simply became more pointed. Having advocated the formation of a complete Clearing House for the purchase of all raw materials the "Federation Council asked the Minister for Supplies, Mr Sean Lemass, to receive a deputation in this question and was refused this privilege".[8]

The post-war period brought little improvement in relations.

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[5] FIM, NC minutes, 1/9/1939.

[6] Ibid.

[7] FIM, NC minutes, October 1940.

[8] FIM, Annual Report 1940.

With the Minister for Industry and Commerce pressing for improvements in industrial efficiency, Federation arguments that "a greater degree of consultation might be exercised to the common good" brought the reply from the Minister in question, again, Sean Lemass, that "he could not agree that consultation should be entered into in matters affecting the national welfare, as such were essentially a government matter".[9] On at least three occasions it sought the aid of the state to set itself up as a quasi development agency. In the brief 'honeymoon' period in 1948, following the election of a new government, the Federation had suggested to the Minister that "a practical working of the liaison and a beneficial one in the national interest would be consultations with the Council before acceptance of proposals from external interests for the development of new industry".[10] Not only did it desire a say in the entry of foreign interests but the Federation further suggested that the Government should provide the Council with information about whether there would be scope for new development.

> If "details or even outlines of suggested development were made available to the Council, the Minister could be assured that much (sic) new industries if and when they came to function would be in the hands of Irish Nationals"[11]

Again, in 1956, a memorandum submitted to the Minister of Industry and Commerce proposed;

> "that the Federation would set up a small committee which would make itself available to give practical advice to the Minister in relation to projects for industrial development which the Ministers department might have under consideration".[12]

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[9] FIM, minutes of meeting, 2/4/1947.

[10] FIM, Record of meeting with the Taoiseach and the Ministers of Finance and Industry and Commerce 24/5/1948.

[11] Ibid.

[12] FIM, Annual Report 1956.

On each occasion the proposals were categorically rejected on the grounds of 'confidentiality'. In none of these instances was the Federation in a position to provide resources, services or legitimacy which the state required.

The lack of a significant role at the national level was reflected in the organisational development of the Federation. Although originally formed with a view to representing the views of industry as a body to national government and structured around an elected National Council responsible for both policy making and executive functions, the Federation's development took a quite different direction. Instead of devoting its energies to the aggregation of industry views and the lobbying of government an increasing proportion of resources had to be directed towards emergent industry groups. These groups developed in a largely ad hoc manner. Individual firms producing similar products or utilising common materials banded together on the basis of shared interests, gradually formalising their relationship within the Federation structure. Their effectiveness in enlisting membership and appropriateness for pursuing a specialised representative function with respect to tariff, quota and material supplies, won them the initial acceptance and, in the longer term, the active encouragement of the Federation proper. By 1945 the right of the groups to make representations to the state on behalf of their members without reference to the National Council was recognised.

Such was their importance that a Federation memorandum written in 1966, reflecting on these years, could comment:

> "The Federation in the past ...operated largely as a Federation of groupings and its main function was in servicing those groups...Specialist staff was recruited mainly as a service to groups and members."[13]

In the absence of any significant exchange with the state, it succumbed to the general centrifugal forces of protection which

[13] FII, Subcommittee on Articles of Memorandum 8/7/1966.

had shaped the system as a whole.

The absence of such a commitment was due to a number of factors which reflected the conflicting needs and perspectives of industry and state. Firstly, though both were committed to protectionist policy, they adopted rather different criteria for assessing its operation and objectives. For the former, the essential aspect was the development and prosperity of native capital. To this end it advocated very high tariffs, low quotas and more stringent restrictions on foreign investment. For the state, however, the principal requirement was for industrial development and the provision of employment. While it too supported the development of industry by native capital, it was not unaware of the limitations of this resource and tended to adopt a more flexible attitude toward foreign investment. Where native investors appeared to fail it was not adverse to looking outwards. Thus, in 1937 the Minister for Industry and Commerce, perhaps the most powerful political ally the protected industrial interest had, informed the Federation that the need for the development of intermediate and raw materials processing industries required greater foreign involvement. Although he asked for the Federation's support in this policy there is no indication that he felt bound by their attitude one way or another (Daly, 1984:270). Moreover, in the application of the Control of Manufacturing Acts, the Department of Industry and Commerce could be quite undoctrinaire. A historian granted access to the department's files records that officials were not unduly sympathetic to native capital, citing cases where the competence of Irish firms was strongly criticised and foreign investment was viewed as offering healthy competition to a monopoly native producer who had used his position to maximum advantage. In other instances the department advised foreign interests on how to circumvent the restrictions on foreign investment without drawing either themselves or the department into public controversy (Daly, 1984:267).

Over time the logic of a small highly protected market undermined the possibility for industry-state cooperation at the national level, irrespective of the party in power, by localising problems and politicising relationships. By isolating the domestic from the international market the implicitly divergent interests of the firm --in the protection of its wellbeing through maintaining profitability, achieving greater market share or whatever strategy it adopts-- and the government --in the successful performance of the economy at a macro level and the achievement of its political and social goals-- became more salient. This tension was exemplified by the Government's initiative in 1937 to push forward the process of import substitution into the area of intermediate good and raw materials production. Such an initiative was likely to increase the costs of inputs for existing highly protected producers and the Federation was very wary in its response (Girvin, 1989:115). The operation of protection tended to decouple efficiency in production, growth in output, etc., from the 'successful' operation of the firm through the encouragement of short production runs, concentration on the home market, diversification, etc. Effective manipulation of market opportunities by a firm was, in the longer term and as a general effect, negative in its consequences for economic growth. The longer a protected market endured the more industry adapted to its dynamic and the less capable it was of overcoming its constraints. As time wore on this process became increasingly difficult to confuse with economic development.

In the absence of foreign competition, and given the structure of incentives in the domestic market, only action by the state could counter the inherent tendencies towards inefficiency, profiteering, the production of low quality goods, etc. By politicising market incentives and industrial performance to such an extent, failure by industry to fulfil its assigned role in the overall development strategy inevitably led to tension between the state and the representatives of industry. Relations were marked by increasing tensions over the appropriate levels of protection, poor quality goods, and gross inefficiency. For example, in the post-war period repeated meetings between the FIM and the Minister of Industry and Commerce and his officials were dominated by the former's demand for the immediate re-imposition of massive protection and the latter's no less trenchant calls for greater efficiency as a quid pro quo. The Minister felt that industrialists had done "well out of the war" and that the market needed to shift more in favour of the consumer while FIM called on him to reaffirm the government's commitment to protection[14]. The government's concern at the weakness of protection as a development strategy and the FIM's anxiety that its commitment might be wavering continued to dominate relations over the next decade until the policy was indeed abandoned.

A second major factor was the position of industry within the broader coalition which sponsored trade policy. As has been noted in Chapter Two, the government's commitment to protection rested on an overall economic policy which placed greatest emphasis on the needs of exporting agriculture. To a significant extent the weakness of industry within this overall policy undermined efforts to achieve a greater input into government decision making. While native industry had got many of the policies which it had desired, it did not get them solely because it had desired them. It could do little to influence an industrial policy which was determined as much, if not more, by its compatibility with the needs of agricultural policy as by the wishes of industry itself.

Moreover, when the government did involve industry representatives more closely in policy-making the consequences for the Federation could be dangerous. For example, in 1948 a

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[14] FIM, Record of meeting with the Minister for Industry and Commerce 17/12/1947.

change in Government brought a temporary improvement in relations. At a conference with the incoming Taoiseach (Prime Minister), and the Ministers of Finance and Industry and Commerce, in May 1948, the Federation voiced its concerns with regard to the impending re-negotiation of the 1938 Anglo-Irish trade agreement:

> "Industry felt in 1938 that it had been sold, and there was a certain uneasiness in its mind today that again it might be sacrificed, for example, in favour of agriculture"[15]

To calm Federation fears and ensure the representation of industry's interests the Minister for Industry and Commerce extended an invitation to the Federation to send two representatives with the negotiating team to London.

At its June meeting the President of the Federation informed the National Council that:

> "Irrespective of what was contained in the new agreement, that (he) was satisfied that full recognition of the Federation had at least been achieved and that a most valuable precedent had been achieved".[16]

However the events of subsequent months only served to undermine this optimism and illustrate the very real divergence of interests between the Federation and the state which weakened any prospect for genuine co-operation. Following the conclusion of the trade talks in London the Federation representatives faced severe internal criticism from the many industrialists who perceived the agreement as essentially embodying the interests of agriculture at the expense of industry. Co-operation with Government had only served to implicate the Federation in an unpopular outcome. Any industry association which moved too close to the state on these terms risked a backlash from important sections of its membership who were less than reconciled to industry's subsidiary role. Any likelihood that

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[15] FIM, Record of meeting with the Taoiseach and the Ministers of Finance and Industry and Commerce 24/5/1948.

[16] FIM, NC minutes 30/6/1948.

the state would offer better terms was limited by the wider character of the policy coalition and the opposition of the powerful Department of Finance which, within the state apparatus itself, maintained a persistent hostility to the protectionist programme for economic development and strongly favoured the free trade (agricultural) policy option (Girvin, 1989:16).

In truth, the Federation had little to offer the state in return for such participation. The government had won what kudos were available for its pressing of protectionist policy; satisfaction of the Federation's demand for a more rigorous implementation of existing policies would have availed it little in terms of political support or economic success. More importantly, by the mid-1950s there was a growing conviction among certain influential political and bureaucratic players that industrial growth was only achievable by a reversal of the policy of protection. As government policies began to embrace these principles there was even less to be gained by affording the Federation a greater role so long as the latter persisted in its championing of protection. Ironically, the growth of the Federation and the strengthening of its position in national politics flowed directly from the Government's decision to abandon protection, remove many of the restrictions on foreign investment and slowly move towards integration with European markets. The first vital step in its development as an organisation and the improvement of its relations with the state was the overturning of those very policies which it had long been its central aim to safeguard.

Conclusion

It is evident that protectionism played a fundamental role in shaping the evolution of the associational system. Its very imposition provoked basic divisions within business. Its implementation generated powerful centrifugal forces which undermined the integrity of all but the most narrowly focused of trade associations. Under these conditions, the logic of collective action was very closely tied to the logic of market behaviour.

These pressures were reinforced by the nationalist ideological underpinnings of protectionism which further fragmented industry and militated against the emergence of any cohesive integrated system. In turn, fragmentation among trade associations opened the way for the development of a dual system of representative associations divided along task lines. Small, highly focused, trade associations, rational within the context of protectionist policy, were ineffective in dealing with a more cohesive trade union adversary and a relatively powerful broad-based national employer's association emerged to meet this challenge.

While government's commitment to protection was supported by the greater part of business, this general coincidence of views was not translated into a close relationship between state and associations. Protectionism, while affording a role to small trade associations seeking stronger barriers against imports proved far less hospitable to the operation of relatively large encompassing trade associations seeking a more fundamental partnership with the state. General agreement on the broad outlines of policy gave way to a more adversarial relationship in respect of their detailed implementation and a sharp demarcation of association and state boundaries was one of the consequences. In short, while protection had contributed to the emergence of an extensive if poorly developed network of associations, there was little in its operation which might predispose the state to enter into a close exchange relationship with BIAs.

Chapter Four

The State and Associations in the Transitional Years

Introduction

In Chapter One, a set of causal connections between liberalisation and associational politics were suggested. This chapter will assess the consequences of the state's volte face on trade policy and its elaboration of new and related industrial policy initiatives for its relationship with trade association and for the latter's development in the 1960s. Of major concern will be the question of whether and in what ways liberalisation altered existing patterns of relations. How profound were the consequences of jettisoning protection and through what mechanism were they felt? Secondly, what were the consequences for the development of associations themselves? Did the general change in the state's economic policies impact significantly on inter and intra organisational patterns? In short, how were the patterns of state association relationships and the structure of the associational system itself which evolved under protection affected by the reorientation of policy?

In examining these issues, the interaction of state and associational actors will be of central concern. How did they behave and who, if anyone, was in control? To the extent that the protectionist pattern was subverted, how was the replacement pattern delineated? Were developments state directed, reflecting the dominance of a new logic of influence? Or did associations themselves play a key role in determining the direction and extent of change? While the principal concern is to establish what was the impact of liberalisation, it is also necessary to analyze the factors and actors shaping any new evolving system of associations and relationships. If a basic change in associational politics was necessitated by liberalisation, who exercised the greatest influence over the nature of the response?

Liberalisation and State-BIA Relations

The decision to integrate with the emerging system of international markets profoundly altered the basis of government industrial policy, state-industry and intra-industry relations. By reorienting trade policy new problems were created and new forces set in motion which undermined the complex set of relations established under the system of protection. Policies and policy instruments predicated on minimising imports and reducing the competitive pressures faced by indigenous industry were rendered defunct. Systems of communication and cooperation which clustered around the administration and manipulation of protection lost their relevance and their raison d'etre. The pressures unleashed by the initial decision to open the economy both undercut existing relationships, interests and collective actors and profoundly shaped the process of their reconstruction. The jettisoning of one group of trade and industrial policies immediately necessitated the formulation of a replacement set, the development of new instruments of implementation and the confrontation of problems of transition.

A number of factors in particular served to undermine existing practices. Protection had fostered diversified, small batch production and in the great majority of cases, an extreme dependence on the home market. Economic opening inevitably brought a considerable increase in the level of import penetration and the gradual erosion of market share. Essentially, the logic of the strategy was that losses in home markets would have to be compensated for by vastly increased exports. Except for those which operated in relatively sheltered sectors and could hope to benefit from a general rise in the level of economic activity, firms would have to survive and grow through successful exporting. This had major implications for both the strategy of firms and the state. For the former the challenge of opening up alternative markets would require radically different production and marketing techniques. For the latter, industrial policy had to be fundamentally redesigned in order to promote export initiatives and facilitate adjustment to a more competitive home market. Both undercut existing arrangements and the basis of existing relationships.

It is evident that the selection of an alternative policy by the state will have major implications for the logic of influence and, by extension, for the kind of exchange between interest associations and the state. Reliance on pure market mechanisms to achieve rationalisation may minimise the need for any kind of close links, while any effort to promote actively the adjustment of industry may require a good deal of organisationally based cooperation. Thus, as argued in Chapter One, the impact of openness on the role and development of associations will be influenced strongly by the particular responses of the state to the challenges of transition and of economic development, by its efforts to reshape the organisations of civil society in a way which will facilitate the achievement of its policy objectives and by the response of associations to these initiatives. It was through just such a process of policy development that the relationship of state and industry during the 1960s was largely determined.

In the following sections, attention will be focused on the relationship which developed between the state and trade association's during the 1960s in the context of public policy innovations. In particular, it will examine the degree of success with which the state met in its attempts to restructure the associational system along lines congruent with its policy goals. In pursuing this analysis, three specific issues will be addressed. The first concerns the power relations which underlay the new exchanges which evolved from the late 1950s. Here it is evident that the inequality of power, and the defensive character of industry's response played an important part in shaping events. The second concerns the terms of exchange between the state and associations. What did each side to the bargain seek from the other and what was each prepared to concede in return? The third issue concerns the effectiveness of this exchange in stimulating associational development. A key part of the government's strategy depended on the emergence of a stronger and more coherent associational system; to a significant extent its policy vis-a-vis associations was determined by this general objective. In this final section, attention will focus on the extent to which the state successfully manipulated associational structures to further industrial policy objectives, and the extent to which this attempt was undermined by uncontrollable changes in intra-industry relations. As noted in Chapter One, any association will have to address itself to two constituencies, what is of concern here is the extent to which the new logic of influence proved compatible with or transformative of inherited patterns of relations between associations and members.

Together, analysis of these three issues should enable us to understand the mechanisms by which state industrial policies formulated in response to trade liberalisation informed and shaped the process of rationalising the collective representative organisations of industry.

Exchange and Coercion

Before examining the terms of an exchange between state and association and the consequences of such an exchange for associational politics, it is necessary first to clarify the conditions which underlay the process itself. It should be recognised that the exchange of resources between the state and the Federation in this period did not occur in a power vacuum nor did it reflect a perfect coincidence of interests or equality in relations. The general parameters of the policy agenda were set by a government under pressure from international events and past policy failures, and left the FII with no right of outright rejection. The FII's response was shaped by its perception of the unavoidability of change. It pointed out to its members that "a new era of free trade was developing in Europe which inevitably would bring about fundamental changes in the conditions in which Irish industry was accustomed to operate". It advocated adaptation on the grounds that protection had had its day and "industry must look to the future -a future of fierce and heady competition where victory goes to the efficient and the bold".[1] For the Federation itself the choice was between engaging in a new kind of exchange with the state, or marginalisation. Once the initial decision to participate had been made the question became not whether but in what way new policies should evolve.

Thus, the principle of establishing a programme of economic adaptation was not controversial for it had been demanded by the Federation itself as the necessary price of economic liberalisation, if the obliteration of industry was to be avoided. Indeed, 'adaptation' was a far more attractive prospect than free trade itself and, especially in the late 50s and early 1960s, the appeal was made by the Federation for the longest period of transition possible. Conflict did not occur over the principle, or the principle objectives, of adaptation and economic expansion but, rather, over the instruments and institutions of implementation. The creation of a new relationship between industry and state raised important questions about the independence of trade associations, the role

[1] Industry Review, Vol. 10, No. 4:4.

of new tripartite institutions, the freedom of industrial management, and the appropriateness of voluntaristic or legalistic mechanisms. An active state was required if adaptation was to prove effective but the legal and institutional nature of that involvement and the uses of information generated and disseminated by its sponsored institutions and surveys was carefully monitored by the Federation and unwelcome developments resisted.

This process of bargaining the conditions and terms of exchange was most clearly evident in the discussions over the creation of the CIO, Adaptation Councils and the institutions of planning. Each, in turn, raised a new and important matter of power and principle. In relation to the CIO the major issue of dispute concerned the tripartite nature of the committee and the possible uses of information generated by its activities. Readily willing to participate in the setting up of the committee and to help in the prosecution of the industry surveys which it sponsored, it was only under intense government pressure that the FII conceded a more active role of review and recommendation for the CIO. Information, and the availability of information to committee members was the chief concern. It was feared, for example, that trade unions might gain a considerable advantage in wage negotiations from access to detailed information about individual firms. The FII's final agreement to continued membership was only forthcoming following guarantees from the government that committee members would be denied access to such material.

However, the anxiety of the Federation concerned more than the activities of trade unions. Alarm was expressed over the possible uses of information generated by the industry surveys by the state. In May 1962 a special meeting of the National Executive Committee of the Federation agreed;

> "that where any such development committee or council was recommended by the C.I.O. survey team for an industry , a committee or council or some other form of organisation,

> set up voluntarily by the industry was much to be preferred to any type of 'official' organisation which would either be subject to direct Government control or would have some statutory basis while being free from direct State intervention in its activities".[2]

This concern was linked to a fear that the Government might act, in respect of grants of financial aid, in a discriminating manner on the basis of information supplied by the industry surveys. In May 1963 the Director of the Federation drawing the Executive Committees attention to the importance being attached to the C.I.O. report on the various industries by the Taoiseach and Government spokesmen, expressed the suspicion that survey teams were being:

> "encouraged to comment privately on individual firms' prospects...there was some reason to believe that An Foras Tionscal (the grant awarding agency) and the Industrial Credit Corporation (State investment bank) would rely heavily on these individual reports in dealing with applications for financial facilities".[3]

Closer cooperation with government and trade unions inevitably raised the question of legitimate spheres of activity and the appropriate relationship of actors. Greater availability of information opened up the possibility of constraining the independence of management and the Federation was acutely conscious of this danger.

The creation of adaptation councils was greeted with enthusiasm by the FII. In a review of AC's the Director General of the Federation recognised that in circumstances in which a tremendous amount of reorganisation and adaptation had to be completed within a very short period of time, a considerable degree of co-operation would be necessary between firms which hitherto, as competitors, had remained completely independent, "an Adaptation Council seems to provide a reasonable framework

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[2] FII, NEC minutes 23/5/1963.

[3] FII, NEC minutes 16/5/1963.

within which this co-operative effort can be made effective".[4] However, having acknowledged their intrinsic merit he then argued that a refusal to participate was impossible in any case as it had been made very clear to the Federation "that decisions to make available facilities, including grants, to individual firms may depend on the degree of co-operation by these firms with an officially recognised adaptations council".[5] On occasion such gentle coercion was reinforced by a more overt type. In June, for example, the Director noted that

> "(t)he Taoiseach has also made it clear that industries or firms which drag their feet will be forced to adapt. Government intervention therefore could easily take the form of setting up adaptation councils with statutory authority.
> Therefore, to keep the adaptation movement in the control of industry and to avoid the necessity for direct Government intervention, industry must take vigorous action to set up active Adaptation Councils...any vacuum left by industry will be filled...by direct Government action".[6]

With the decision to open the economy and the consequent necessity to adapt industry to the new competitive conditions, fresh areas of state-industry interaction were opened up. Policy and institutional initiatives served to dissolve the inherited boundaries of state intervention and firm competence. The essential feature of these new 'zones' of contact was their organisational bias. Areas not filled by institutions or organisations were viewed as 'vacuums'; not to fill them would be to risk their colonisation by potentially hostile forces. To fill them adequately required considerable organisational resources. The potential advantage to the FII of participating in new policies and establishing new relationships with state agencies was allied with the fear that refusal to do so might provoke more active and aggressive state intervention.

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[4] FII, Report of the Director-General to the NEC 16/5/1963.

[5] Ibid.

[6] FII, Report of Director-General to NEC 10/6/1963.

The creation of the National Industrial and Economic Council, the evolution of planning and the explicit threat by the prime minister of a 'shift to the left' if present policies were to prove ineffective, reinforced the Federation's conviction that a rapid strengthening of organisation would provide the only adequate defence of industry's interests:

> "Industry should have available to it expert advice and information similar to that available to Government. If industry faces up to this responsibility it can ensure that the system of National planning will be based on effective co-operation rather than on central direction and control. The opportunity to consult with the Government is available; at this critical juncture the quality and effectiveness of industry's participation will greatly influence the extent of the Governments 'shift to the left'".[7]

The prosecution of planning also revived the fears about tripartitism and the role of trade unions. In particular, the proposed creation of tripartite Development Councils at industry (ie., sector) level raised the prospect of trade union involvement in the management function. As we have seen, this clearly went considerably beyond the operation of A.C.'s which aimed at the adaptation of industry by industry, with Government aid but without outside involvement. The memorandum went on to clarify 'the principles arising for management'.

> "The important principle involved here for Management is that up to the present all matters affecting their business except those which directly affected workers....were dealt with by the management organisation alone. In accepting the principle of Development Councils and the responsibility which they will have for concerning themselves with all matters except wages and industrial relations, Management is accepting the principle that the workers should be brought closer to the problems of the industry other than those with which they are directly involved".[8]

Furthermore, it was feared that the participation in Development Councils by officials of the development branches of the various

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[7] Ibid.

[8] FII, NEC minutes 25/11/1965.

Departments presaged the assumption of a much more active role by the state in the development of each industry.

The issue for the Federation, then, was the diminution of management control. The impetus for a change in the relationship of the 'social partners' now reached a watershed. Previous initiatives had respected, essentially, the traditional spheres of independent action enjoyed by industry. Economic and industrial policy change had been a matter of altering the structure of incentives to produce a particular type of behaviour without challenging the established demarcation boundaries separating the 'management function' from the role of trade unions in labour relations, and the legitimate task of government in fostering economic development. Planning came closest to overturning this pattern of prerogatives and Development Councils appeared to threaten a departure which would leave it behind. What, precisely, these Councils would do was not clear but the prospect of their creation was sufficient to arouse industry to much greater feats of collective action.

The immediate response of the Federation was to play for time; delaying agreement to the report and convening a meeting of industrialists to consider what action to take. At this conference, following an opening address by the Prime Minister pressing the case for improved planning structures and stronger organisations the conference agreed that

> "(1) a. National Planning is here to stay; b. National Planning is good for the country; c. industry should take an active part in the planning system and this must be a positive and constructive one.
> (2) Effective participation involves delegation and representation ...
> (4) Delegation and representation can be effective only through efficient organisation".[9]

The rationale of this 'organising' response was presented in a speech by the President of the Federation:

"Our task here today is to discover how we can organise

[9] FII, Record of the Conference 3-4/1/1966.

> ourselves so as to bring to bear on the National planning operation the full influence to which we are entitled ... if we fail to exert our full influence it can result in only one thing -industry's future will be planned and directed, not by us, but by the trades unions and the State".[10]

Thus, particular emphasis was placed on the defensive necessity for organisation. The level of organisational development in business was contrasted with the trades unions who "speak with one big voice ...through the ICTU" (Irish Congress of Trade Unions).[11] An adequate response required vastly increased organisational resources and a clearer definition of what were the interests of industry. Indeed, defensive action became perhaps the most important resource which the FII derived from the new logic of influence. An advancing, threatening state lent to trade associations the sort of allure which a strong trade union movement lent to employers' unions. Faced with a clear external threat, common interests in the protection of property rights, management freedoms, etc, were more likely to inform the actions of firms under such adverse conditions, overcoming the more short term competitive considerations which might more typically prevail.

How the project launched at this conference fared will be treated in a later chapter. The key point is that associational development and the redefinition of industry's interests in the 1960s were to a significant extent a reaction by industry to the opportunities and dangers generated by government policy. The exchange between the state and the FII was unequal and complex. The operation of the logic of influence was as often subtly coercive as cooperative. The basis of the exchange was a development strategy which required the radical restructuring of industry irrespective of the latter's wishes and the process of exchange reflected this fundamental relation of power.

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[10] Ibid.

[11] Ibid.

Notwithstanding the frequent divergence between government statements and action, it is evident that the degree of pressure applied was sufficient to promote a major reassessment by the FII, and by many firms, of what was required to protect and advance their interests under the new conditions.

The Terms of Exchange

Notwithstanding the exercise of basic coercion by the state, there was also a considerable amount of negotiation over the precise terms and conditions of exchange. The state was willing to offer support as well as make demands; for both sides there were costs and benefits. This process is most explicit in the state's relationship with the Federation of Irish Industries.

From as early as the end of the 1950s, contacts between industry and state had not concerned the new direction of policy so much as the terms of transition, the compensation to industry and the character of the relationship between the associations and the state under the new conditions. Discussion of these matters were led on the industry side by the Federation and the outcome took the form of an exchange of resources and support between the Federation and the state. This exchange was never made formal nor constitutionally developed. The relationship evolved over time and as part of the process of developing and implementing specific policies. However, a number of basic recurrent themes are evident irrespective of the particular matter at issue. Both the state and the Federation had a set of long term objectives which conditioned the demands they made upon each other and the price they were prepared to pay to elicit cooperation. In respect of the state, it had four principal requirements of the Federation.

(a) Representativeness. An important recommendation of the report 'Economic Development', published in 1958 and the basis of the government's new policy initiatives, was for more active consultation with the various interest groups in the economic field to further the effective formulation and implementation of policy. As has been noted in Chapter Three, during the period of protection the Federation had been largely excluded from any significant role in the policy formation process. From the late 1950s, however, the government made it clear to the Federation that a larger role might be appropriate if it achieved a greater degree of representativeness. At a meeting at the Department of Industry and Commerce, the Minister, Mr S. Lemass, explained to the FII that its ability to be of

> "assistance to the Department and the effectiveness of consultation with the Federation would be influenced to a considerable degree by its representative character and the extent to which the Federation represented industry in the country".[12]

Despite the vicissitudes of the following three decades this has remained a core element of governmental policy towards business interest associations.

(b) Legitimation. Implicit in the demand for greater representativeness, and the offer of a greater role, was a second demand that the Federation accept as legitimate the governments liberalising policies and that it propagandize on their behalf. This demand struck at the heart of the Federation's commitment to the concept of protected indigenous industrialisation. The offer of greater participation for organised business in the policy process was conditional on the jettisoning of its major policy plank of the previous two and a half decades -- the lifetime of the association. Whether the majority of members would have chosen to make this exchange -- the moves towards which began before the government's public commitment to liberalisation -- if conditions had allowed a freer choice is neither here nor there, the perceived inevitability of trade liberalisation given international trends was widely accepted and the concessions made to the state were seen in the context of these changes.

(c) Developmental commitment. In addition to demanding the FIIs

[12] FII, Record of meeting with the Minister of Industry and Commerce 11/7/1957.

legitimation of its new policies, the state also demanded that it actively contribute to their implementation and to the general task of mobilising industry behind them. Participation and consultative rights were to be exchanged for the acceptance by the Federation not just of the organisational imperative to become more representative but also of the need to perform a quasi-development agency role vis-a-vis its own members.

At the annual general meeting of the FII in 1959, Mr Lemass, by this time Taoiseach, argued that it was through "the increased flow of Irish industrial products into export markets .. by which this country can get in time the resources it needs to solve its social problems". He envisioned the role of the FII as that of facilitating agent for the modernising firm:

> "It is this federation, the organised manufactures, ... (which) must help this company. In the belief that they are organising themselves to do so, it is a great satisfaction to me personally".[13]

(d) Social partnership. In addition to demanding that the Federation actively participate in the programme of development, the government also demanded that they do so in a new spirit of 'social partnership' with the trade unions, where the government deemed such a relationship to be appropriate. Thus, in respect of the CIO the government made it clear to the Federation that members should not "merely be representative of particular interests, whether Departments, business or trade unions" but should carry out their task on the principle that

> "searching, uninhibited and objective surveys are the only kind worth undertaking as a serious preparation for adjustment to the realities of participation in the European Economic Community".[14]

The incorporation of industry into a new and more intimate relationship with government was to be part of a more general

[13] Irish Industry, 1958, Vol. 26, No.3.

[14] FII, Letter from the Dept. of Finance 27/7/1961.

process of mobilising social sectors and interests behind the programme of economic development and it was a condition of inclusion that this underlying rationale be accepted.

In return for the Federation's acceptance of these terms the state was prepared to confer a number of important benefits. Firstly, as is implied in the above, representativeness, legitimation, and developmental commitment would be rewarded by greater state recognition of the Federation's pre-eminence among associations and greater input into policy formulation. A seat on the plethora of new public bodies as the representative voice of industry in matters outside labour relations, greater access to the economic ministries, more participation in the implementational aspects of policy were on offer. Secondly, active state support for the Federation in its drive to establish its own organisational dominance within the trade associational sector and in overcoming its long-term difficulties in attracting and retaining a broad spread and high density of members. This support took two forms. First, strong government backing for structural reform of the Federation and its recruitment campaigns. For example, in 1968 with the Federation embarked on a major expansion to create large inclusive sector associations, the Minister of Industry and Commerce, addressing a gathering of industrialists arranged by the FII, expressed the view that "the development of cooperation activities .. is greatly facilitated by the existence of strong sectoral organisations" and 'earnestly' urged "all sectors who have not a strong representative organisation, to form one without delay and, more important, to give it their confidence".[15] Secondly, and more practical still, the state was prepared to financially support the Federation's attempts to expand membership, enhance representativeness, improve services and increase its competence

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[15] Irish Industry, 1968, Vol.36, No.8.

to participate in national planning and policy making. The initial suggestion came from the Federation. Its President pointed out to the Prime Minister that

> "although it was recognised that industry must ultimately accept responsibility for maintaining the Federation, a lack of financial resources hampered the Federation in its progress towards the implementation of its development plans".[16]

The latter's support was forthcoming on the basis that "that the Federation's plans were in line with the Government's wishes".[17] The sum finally paid over, at 25% of the Federation's total income, was calculated on the basis of total expenditure less administrative expenses and group and adaptation fees. Granted under a 'Technical Assistance' scheme designed to provide financial support for the modernisation of firms, it was explicitly linked to the role of the Federation in planning structures and the corresponding need for its organisational development.

For its part, the Federation had a clear perception of what it could gain from a new exchange with the state. Recognition by government and greater participation in policy making had long been objectives. Its status would be considerably strengthened by participation and membership would be easier to attract and to retain. With the change in government policy the opportunity for industry associations to establish themselves more securely was greatly increased. Not only was government support for industry more active and financially significant, making influence over the formulation and operation of its policies even more important for industry associations and a better basis for the attraction of members, but the importance of industry within the overall economy and for the success of the new development strategy was expanding making its needs and wishes ever more

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16 FII, NEC minutes 22/10/1964.

17 Ibid.

important to policy makers. In this new economic and political climate the Federation hoped to procure from the state organisational resources and resources for industry. The economic interests of members and the opportunity to expand the role and capacity of the organisation appeared to be not only compatible but the furthering of the former depended on the successful achievement of the latter.

Thus, in respect of most of the state's demands, the Federation responded positively. The call in the report 'Economic Development' for greater cooperation with interest groups was greeted enthusiastically. Its annual report for 1958 commented

> "such consultation with representative organisations would be welcomed and the survey and white paper could then form a most useful framework within which these organisations could draw up their own plans for action in their different spheres." [18]

At its annual general meeting in February 1958 the President, J.I. Fitzpatrick, argued that these changes would "enable the Federation to take its rightful place in the administration of the country's affairs" and asserted that "it is a function of a Federation such as this to assist Government in the discharge of its duties".[19] Referring to the past failure to fulfil this function he laid the blame squarely on the Federation itself;

> "the fault lies in ourselves...If he (Minister of Industry and Commerce) is to consult the organised groups within industry, he is faced with the task of consulting roughly 40 different organisations...The means has not yet been devised whereby that consultation might be carried out effectively, expeditiously and with the necessary protection of confidence. I sincerely hope that the F.I.I. under its new Constitution will be able to provide such an avenue and thereby assist our Government to govern."[20]

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[18] FII, Annual Report 1958.

[19] Irish Industry, 1958, Vol.26 No.3.

[20] Ibid.

In relation to the government's new policy initiatives, it supported their legitimacy, lauding innovations such as the creation of the CIO as the herald of a "new era when the cooperation of all sections in the community will be necessary in the new conditions".[21] Indeed much of its energy was spent trying to claim credit for the various adaptation policies instituted by government. Thus, for example, the government's announcement in 1962 of its intention to create AC's was greeted by the claim that the Federation deserved "the lion's share of credit for the Governments scheme for the creation of adaptation councils and the promotion of joint export marketing undertakings" as these two matters had been to the forefront of the Federation's deliberations for some years, "in fact, ever since the possibility of this country entering the Common Market was first foreseen".[22] Moreover, the Federation readily adapted to its developmental task. Concrete contributions, such as its active support for the creation and servicing of ACs, were matched by vigorous propaganda campaigns designed to mobilise support behind them.

A new relationship between state and Federation was built around the programme of adaptation and planning. While coercive state pressure in the context of fundamental economic policy reorientation may have been the basic conditioning factor, both state and Federation felt it necessary and feasible to seek new and closer links based on an exchange of resources which could satisfy their changing aspirations and requirements.

<u>Resource Exchange and Associational Development</u>

The state sought closer links with industry associations in order to facilitate the implementation of adaptation and planning measures. However, such close links could only be effective if

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[21] FII, Annual Report 1961.

[22] Industrial Review, September/October 1962.

the associations involved enjoyed high membership densities. The second objective of the state's policy was to create associations where none previously existed and strengthen the size and representativeness of existing associations, in order to draw into the policy network as much of manufacturing industry as possible. The resource exchange with industry associations in general and the FII in particular was designed to achieve the second as well as the first of these objectives. Associations enjoying a more secure financial base, greater input into public policy and an important role in implementation were, it was believed, better placed to attract members. It was anticipated that the establishment of more intimate relations between associations and state would facilitate organisational development by shifting the terms of the relationship between association and members in favour of the former.

However, in practice this task proved difficult. Some of the difficulties stemmed from weaknesses or ambiguities in government policy while others stemmed from the uncertainty of a relationship between associations, members and potential members subject to highly unstable economic conditions. The task of reconciling the twin imperatives of the logic of influence and membership and effecting their productive interaction proved highly vulnerable to these problems. The actual contribution of the resource exchange between the state and associations to associational development can best be analysed by focusing on the two principal areas of operations, one a failure and one a success, and analysing their operation.

(A) Adaptation Councils

As has been noted, ACs were conceived as instruments of adaptation. By 1965 twenty-four adaptation councils were established. Some were sponsored by the Industrial Re-organisation Branch of the Department of Industry and Commerce, others by the FII. Significant gaps in the coverage of industry associations were plugged. Yet their numbers belied their weakness and within a few years of their establishment they were universally perceived to be disappointing failures. In analysing their progress due recognition must be given to the difficulty of their task and the inadequacy of their design. A considerable part of their poor performance could be attributed to flaws in their basic design and the programme with which they were charged. Firstly, by asking them to do too much, their ability to do anything was impaired. By linking generalised functions such as the provision of services to individual members (e.g. technical and marketing information) with the more contentious tasks of facilitating mergers, coordinating the rationalisation of production, etc., the ability of ACs to establish some sort of acceptable role was diminished. In principle the appointment of an independent chairman drawn from without the industry and therefore able to gain the trust of all member firms was intended to resolve the tension which this dual role engendered, but in practice it was found extremely difficult to find individuals with the necessary combination of independence and knowledge to fulfil the role. In addition, the sheer scale of the agenda was beyond the resources and technical capacity of Councils which continued to resemble standing committees rather than complex administrative structures.

Secondly, ACs were confronted by the consequences of the government's frequently unintegrated, if not irrational, policies. For example, the difficulty of establishing a sound basis for collective action was exacerbated, in many instances, by the ambiguities of government policy. Grants of financial aid for adaptative measures by firms tended to be awarded on the basis of the rationality of a particular firm's development plan rather than for its benefit to the industry in general. Often the affect was to sustain overcapacity and hinder real adaptation. One particular survey reported that both management and unions were critical of the manner in which state aid had been made available to firms in the industry. Assistance which had been provided in certain cases, it was claimed, was merely prolonging uneconomic production and allowing the firms in question to continue "weak selling practices thereby undermining the ability of other, more efficient, firms to trade properly" (COIP, 1972a:63).

However, while these weaknesses were significant, much of the experience with ACs was attributable to more fundamental difficulties in transforming a system of associations and their operations. It is evident that innovation on the part of the state was insufficient of itself to achieve an effective restructuring of the policy network. In trying to perform their tasks ACs also had to adapt to changes in the general economic environment which affected the interests and objectives of their members. From the perspective of the state, the attempt to restructure its relations with industry associations along lines determined by economic and industrial policy initiatives was often confounded by a confused and confusing shift in the forces shaping competitive and cooperative relations within industry. Frequently, new logic of influence factors were in conflict with the changes in the relationship between associations and members caused by market conditions. The relatively stable, if not stagnant, competitive market of the 1950s, which had at least lent a certain predictability and security to relations between firms and associations, was massively disturbed by the onset of comparatively rapid economic growth and prospective radical changes in the competitive environment. Government policy, formulated on the basis of a general interpretation of the nature and the difficulties of change was ill-matched with firm responses which were shaped by short-term market signals.

Association builders faced a number of key problems. Firstly, while protection no longer provided a basis for collective action, it was less than clear what 'principle' of cooperation might replace it. ACs embodied an assumption that an industry or industry sector - i.e. firms engaged in the production of similar products - offered the most fruitful new basis for collective action. Firms engaged in a given sector would be faced by similar challenges, particularly in respect of economic opening, thus generating shared interests on which a programme of cooperative action could be built. The state's provision of financial support to ACs reflected the implicit belief that the primary obstacle to organisation lay in the costs rather than in the identification of common interests. However, this proved to be a gross over simplification of the issues. The impact of change could fragment industry and industry sectors, complicating rather than easing the difficulty of establishing a policy platform attractive to potential members. For example, in the first place, the impact of economic change varied considerably. Within an overall pattern of considerable expansion (Table 4.1) some sectors enjoyed especially rapid growth (e.g. chemicals and engineering) and grew increasingly important within the economy while the general economic structure underwent some diversification (note 'other manufacturing'). Moreover, experience varied considerably over time with sectors like clothing and footwear thriving in the first five years, almost matching the rate of total manufacturing growth, but falling behind in the following decade. The CIO had always anticipated a significant differential in the impact of opening from industry to industry, but this had been a matter of degree rather than of kind. The extent of this diversity of experience and the variety of economic problems and conditions which sectors and firms faced undermined the applicability of the same model of collective action across all sectors of industries in the way which had been envisaged.

Table 4.1
Annual Average % Rate of Change in Output By Sector
(periods 1958-63 and 1963-1973)

Industry Sector	1958-63	1963-73
Food	4.3	3.8
Drink/Tobacco	1.9	3.4
Textiles	6.6	5.4
Clothing/Footwear	5.5	2.5
Wood/Furniture	5.9	2.9
Paper/Printing	5.0	3.2
Chemicals	7.5	6.8
Minerals	8.6	4.6
Metals/Engineering	8.6	4.6
Other Manuf.	10.4	6.2
Total Manuf.	6.0	4.6

(Source: O'Hagan and McStay, 1981).

Table 4.2
% Shares of Main Industrial Groups in Net Output
Various Years

Sector	1946	1960	1973
Food	22.4	23.1	22.6
Drink/Tobacco	21.8	13.5	9.6
Textiles	8.3	10.6	7.6
Clothing/Footwear	10.7	8.6	7.2
Wood	4.8	3.2	3.6
Paper	9.0	9.9	7.5
Chemicals	3.8	4.7	8.6
Minerals	2.7	4.5	7.5
Metals	11.4	15.2	21.3
Miscellaneous	5.1	6.6	4.4
Total	100	100	100

(Source: Kennedy et al, 1988)

Secondly, the CIO reports had recognised the wide degree of variation in the preparedness and ability of firms within particular industry sectors to adapt to new conditions, but had laid greatest emphasis on the fundamental similarity in the position of all firms irrespective of their particular weaknesses or strengths. It was this shared experience which was supposed to provide the basis for cooperation. However, the actual onset of liberalisation tended to provoke a great variety of responses within a given sector, reflecting the differences between firms in relation to objective position, management philosophy, links with foreign firms, etc., despite the underlying similarities. While the general challenge of liberalisation may have been the same for everyone, the sheer novelty and confusion of the situation militated against the adoption of a common strategic response by firms. It was one of the functions of ACs to foster a shared perception of events but, to some extent, to function effectively they required its prior existence.

Thirdly, in practice 'anticipatory' cooperation proved extremely difficult. The pace of growth in home demand, especially up to the mid-1960s, outstripped the rate of import penetration with the result that there was an acute disjunction in many sectors between present experience and future prospects. The benefits of a liberalising strategy preceded the costs creating a buoyant hiatus. In this climate, the defensive cooperation embodied in the design of ACs had great difficulty in flourishing. A series of reports analysing the progress of adaptation in a broad span of industries identified the problems experienced by ACs in achieving genuine cooperation in a period of expansion. For example, in the clothing industry, considered to be seriously threatened by the prospect of freer trade, short-term prosperity almost wholly overrode the perceived long-term benefits of collective adjustment (COIP, 1970a). Firms were more responsive to immediate market signals than to long term prognostications about the likely condition of the economy and sought to respond to buoyant market demand rather than anticipate the pattern of future changes in it. What might be gained by committed membership of an AC was more than outweighed by what could be gained through the independent pursuit of individual interest. Industrial rationalisation through cooperative action almost inevitably failed in a period of economic expansion.

This was especially so because the novelty of expansion was coupled with the still ongoing condition of isolation. Longstanding bitterness was a legacy of the introverted 'zero-sum' competitiveness of protection in some industries and presented insurmountable obstacles for many councils. Firms were especially concerned about possible disclosures of information to rivals. To be a feasible alternative cooperative action required an 'enemy without'. To the extent that firms perceived their most serious threat as coming from firms within the industry or association, collective action was made that much more difficult. While protection could no longer provide the basis for collective action, it continued to exercise some of its deleterious influence through the structuring of competition. The Committee on Industrial Progress, reviewing developments at the end of the decade, remarked that while firms continued to compete with each other in a protected home market ACs may have been before their time, but it was precisely this function of preemptive adaptation which they were designed to foster (COIP, 1972b).

Where these factors were modified, Councils could hope to enjoy some positive achievement. Perhaps the most successful council was the Footwear Adaptation Association (FAA). The association gained the support of the existing trade and employers in the industry and attracted almost four-fifths of operating firms accounting for approximately 95% of production. In its five odd years of operation it made substantial progress in the provision and arrangement of services for members; the improvement of the education and training of employees; the conduct of surveys; the provision of information about technical changes, marketing opportunities, fashion trends, etc. Moreover, it managed to achieve a fair degree of cooperation in more sensitive areas; the exchange of information about production methods between member firms; the achievement of a degree of component standardisation; a series of cooperative export initiatives (sharing of agents and, on occasion, of export orders); the subcontracting of some manufacturing operations to other members in order to avoid unnecessary installation of new plant; the arrangement of a small number of mergers between member firms.[23]

The relative success of the FAA stemmed from a number of factors. First, the industry was very clearly vulnerable to the freeing of trade. Failure to adapt production and develop new markets would almost certainly result in its decimation. Even in the confused atmosphere of the mid-1960s this was patently clear. Second, this clear perception of its vulnerable position and the relatively coherent response was facilitated by the industry's experience of technological change. Firms were already under pressure from technical changes in production and significant shifts in consumer demand away from traditional leather footwear and towards rubber-based products. Thus, to a greater degree than in many industries and sectors the negative aspects of transition had already begun to bite. Thirdly, the industry possessed a relatively clear identity. The range of products produced was not so great as to render collective action impossible nor was it so closely linked to other industries as to render independent action impractical. This contrasted, on the one hand, with some sectors such as engineering, in which the variety of goods produced was so vast and the corresponding problems faced by firms so varied in their detail as to offer

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[23] FAA, Annual Reports 1964 and 1965.

little basis for cooperative rationalisation and, on the other, with those ACs in the clothing industry which were so narrowly based (reflecting the associational structure and industry categorisation of the protectionist period) as to be virtually incapable of taking significant effective independent action. In these cases Acs tended to reflect statistical categories, administrative practices of the state, or the legacy of protectionist identities, rather than 'productive' groups with a set of genuinely shared interests. Fourthly, the association was fortunate to have as independent chairman a particularly gifted and dynamic figure (Mr Michael Killeen) who subsequently went on to become a major influence on industrial policy and the managing director of the Industrial Development Authority.

Even in this case, however, the structural weaknesses of the Councils and the inherent contradictions of their programme were only temporarily overcome. As early as 1965 the council was reporting slow progress in certain areas due to the "excessive demands on the time of our Council members ... arising from the heavy programme".[24] The level of resources available to ACs was simply inadequate to meet the tasks with which they were charged. More significant was the second destabilising factor which was related to one of the major technical problems involved in shifting from a highly protected to a relatively open economy and indicated the potentially divisive impact of the transition process. Because tariffs were not systematically scaled in proportion to the degree of processing involved in producing the goods, moving from very low tariffs on raw materials to high tariffs on consumer goods, some industries were less protected than the raw materials employed in production. When protection remained at an extremely high level this presented few difficulties. However, with the gradual reduction of protection, final goods producers could be squeezed by cheap imports while

[24] FAA, Annual Report, 1965.

unable to secure raw materials at competitive prices due to the continuing high levels of tariffs on these materials (Fitzgerald 1968:145/146). Thus the process of transition from protection to free trade in certain cases, (most notably textiles and clothing), only served to exacerbate already existing tensions.

While this problem tended to sour relations between industries and industry sectors rather than within them, the relative weight of tariff and quota instruments of protection could provoke the same divisive tension within industries. Thus the demise of the FAA as an effective association was precipitated by a dispute between quality goods producers in the industry who favoured a shift towards tariff protection and low quality 'mass' producers who depended on quantitative protection to forestall a potential flood of low cost imports.[25] The process of dismantling protection under the AIFTA agreement exposed these conflicts of interest and seriously undermined the FAA's cooperative efforts. Patterns of cooperative action built upon protectionist policies could be destroyed by problems of transition to more liberal conditions.

The significant contribution of the FAA and the more modest contribution of other Councils (e.g. the AC for iron foundries generated product lists while the AC for the pharmaceutical industry agreed new patent procedures and a number of cooperative research and development programmes) does indicate the presence of some potential for associational development based on changing economic conditions. By the late 1960s it was patently obvious that ACs had failed to perform the function assigned to them, but this reflected the weakness of their design, the complex character of their programme and the misapprehension of what might constitute a secure basis for the establishment of interest associations, rather than a rejection of the benefits of collective action per se. Indeed, as the 1960s faded into the

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[25] Ibid.

'70s, ACs were frequently absorbed into newly emerging systems of associations. This process was explicitly supported by the government and its agencies; the industry reports of the state-sponsored 'Committee on Industrial Progress' tended to recommend that the function of ACs should be taken over by developing industry associations. It is evident that it was not collective action which had failed but the form of it embodied in ACs. What was needed was either a more coercive policy by the state in support of the councils or a more flexible way of modulating the interaction of government policy, associations's initiatives and the logic of membership. Without the exercise of strong coercive measures, the capacity of the state to restructure the collective organisations of industry was severely restricted by the complex changes which were simultaneously occurring on the other side of the organisational equation. A new logic of influence, explicitly designed to create a more developed associational system, tended to conflict, rather than productively interact, with the logic of membership. They did represent an important transitional step from a patchy, underdeveloped associational system based on protection to a more highly developed, broadly based system designed to service the representational and developmental needs of industry in a liberalising period. However, ACs also exposed the difficulties facing the state in its attempt to mould the associational system for its own purposes, without taking adequate account of the changing interests and perceptions of firms themselves.

(B) The FII

The state's policies towards the FII proved more effective in fostering associational integration and development. The shift in the relationship between them quickly found reflection in the latter's organisation and operation. Its new national role ensured that the fragmentary pressures of protection were replaced by new integrative forces. As has been noted in Chapter

Three, though originally established without internal product/territorial divisions an ad hoc 'group' (i.e. product or sector) structure had evolved over the years with much of the Federation's resources following this decentralising trend, reflecting the interests of the majority of members, and with a minimum left available for the coordinating of activity and the formulation of policy. This weakness was reflected in its internal operational arrangements. Much of the executive work was undertaken by the Federation's governing body, the National Council, with the result that important matters were often given inadequate attention while

> "conversely, it (was) not unusual for much of the time of council meetings to be devoted to routine or minor matters .. which could more properly be delegated to sub-committees or to the staff".[26]

With the offer by government of a new and more significant role, this decision-making machinery was rapidly overhauled. This were strengthened by the creation of a small National Executive Committee charged with the executive function, while the policy formation function of a national council freed from the cares of supervising the day to day running of the organisation was to be aided by the creation of a series of specialist policy committees which tapped into the expertise of member firms. Thus, with the change in the extent and form of state intervention, a corresponding shift in the focus of the Federation's activities and expenditure from detailed and specific 'product group' to national matters was evident.

More fundamental, however, was the impact of this new exchange relationship and the policy changes in general on the dynamics of organisational development. Prior to 1958, the Federation's level of resource autonomy had been minimal. Efforts to expand and develop the Federation's organisation were severely constrained by the difficulties of raising membership

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[26] FII, Report of Director-General to NC 3/4/1959.

subscriptions which, aside form a small sum paid by industry groups for services and a modest dividend on investment, were the sole source of income. The Director General had continually to sell the value of the organisation to its own members. In 1953 he was reassuring them that "there is no immediate intention of increasing Federation subscriptions" while pointing out that it cannot but be of value to get matters of this nature in their proper perspective and "for members to bear in mind that development and progress by the Federation must be geared to its annual budget".[27] In the 1955 annual report, commenting on the general subscription increase instituted that year, its satisfaction that the rise which it had been expected "would probably be inevitably followed by some loss in membership" had in fact been received favourably, was noted.[28] The following year the financial position was stated to be "on a more secure basis than it has been for very many years".[29] But by 1960 financial pressure again forced an increase in subscription rates and further fears of membership resignations. If the Federation was to expand this dependence would have to be lessened and its resource autonomy increased.

The relationship between financial resources and organisational development had been clear in the period before 1958. The degree of expansion was largely determined by the estimated and actual preparedness of the members to pay for improvements. The government's new policies, and the Federation's place in them, were perceived by its own staff to offer the opportunity, as well as creating the necessity, for overcoming this problem and gaining greater autonomy. With the pressure to develop its organisation increasing, the Federation's Director argued in 1959

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[27] FII, Annual Report 1953.

[28] FII, Annual Report 1956.

[29] FII, Annual Report 1957.

> "that the approach should be that, as far as possible, an effort be made to adjust financial resources to a reasonable and acceptable programme of action rather than that the work and activities of the Federation be continually curtailed and restricted though lack of reasonable funds".[30]

He believed that if such an approach was adapted a pattern of dynamic growth could be initiated. While recognising that mere additions to rates of subscriptions which are not accompanied by apparent or obvious improvements in services to members would naturally meet resistance, he insisted that properly organised activities would "result in better service to members which would be discernible to them".[31] It was argued that the industrial adaptation programme provided the Federation with an opportunity to establish such services and convince existing and potential members of the value of supporting its expansion. The justification of the case for new staff and greater resources was generally based on their necessity for the furtherance of adaptation. For example in the case of Adaptation Councils it was argued that the employment of adequate staff with the "specific responsibility of promoting adaptation work is the key to the solution of (their) difficulties".[32] The Federation believed it could provide the "necessary organisation structure to encourage and to help its industrial groups to carry out industry-wide re-organisation".[33] With this set in place:

> "An industrial adaptation division would need to be set up with specialist staff of the highest calibre. Top quality wholetime operating staff, who would be specialists in such areas as production engineering and marketing for the industries seeking the services of this division, would be employed as needed and as agreed with the industries concerned...In this way the work of adaptation and re-organisation would be facilitated and accelerated and the

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[30] FII, Report of Director-General to NC 3/4/1959.

[31] Ibid.

[32] FII, Report of Director-General to NEC 16/5/1963.

[33] Ibid.

> Federation would be intimately associated with this vital stage in Irish industrial history".[34]

Government adaptation and planning initiatives offered the Federation a unique opportunity to establish itself at the centre of business life, in the role of intermediary with the state. In such a position its own indispensability would be established and many of its problems in attracting members and resources resolved. By harnessing a new logic of influence the relationship between the association and its members could be rebuilt on a new, and more associationally productive, basis.

To maximise the benefits, this process of harnessing the resources generated by the new exchange with the state could be linked to a programme of service development set up to tap the potential generated by the changes in the economic environment wrought by liberalisation. The Federation identified a possible role for itself as a support agency for industrial development. Looking to Europe for role models it was particularly struck by the important developmental and support services provided by large associations on the continent. In the past such activity had been almost wholly absent from the practice of trade associations in Ireland. Specifically, it was felt that given the small size and limited resources of even the largest Irish firms, venturing forth into a new, vast and extremely competitive market would generate informational requirements beyond the capacity of most firms to provide for themselves. Trade association officials envisaged a role in supporting technical, distribution and marketing improvements and in facilitating cooperative ventures in research and development. In the past, it was argued, "trade associations tended to assume that things would remain much as they were and they therefore concentrated on defending what they had....today, and for the future, all stress is on growth and expansion stimulated by ever accelerating

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[34] Ibid.

technical development and research".[35] The combination of small scale industry and an increasingly complex environment offered fertile ground for associational development.

The Federation identified a number of key services which associations might usefully and more efficiently provide:

(1) Gathering and circulating information on export markets

(2) Setting up and administering quality standards and quality control

(3) Collecting, interpreting and disseminating statistical and other economic information which particularly concern industry

(4) Providing members with information about techniques and methods of production.[36]

These new services would be expanded further, and their attractiveness to firms enhanced, by membership of the EEC, when a whole new body of administrative regulation would be added to, and exchanged for, existing systems and when a new complex of institutions and organisations would come to seriously impinge on Irish industry.

By imaginatively employing the resources generated by a new logic of influence to capitalise on the opportunities thrown up by a changing economic environment, the vicious circle of severely limited resources, poor services and low membership commitment could be replaced by a virtuous one of improved services, membership growth and expanding resources. In combination these factors enabled the FII to alter the basis of its relationship with members and to pursue an unprecedented programme of expansion.

However, the effective mobilisation of these new factors faced some major obstacles. Firstly, professionalisation and the improvement in services had to be undertaken in advance of any likely sufficient increase in the number of members or in the willingness of existing members to pay ever increasing

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[35] Industrial Review, 1966, Vol.13, No.2.

[36] Ibid.

subscription and service fees. Even if a shift from a vicious to a virtuous circle of growth was a possibility, considerable resources were required to effect the transition. It was in this context that government decided to grant financial aid to the Federation in 1965, enabling it to pursue its ambitious plans. Although the size of the grant varied from year to year, for a period of five years it remained an important element of the association's income: It amounted to approximately 40% of subscription and fee income in 1965, almost 60% in 1966, 18% in 1968 and 19% in 1969.[37] Financial support from the state thus played a vital part in facilitating the Federation's efforts to professionalise its organisation, develop its services and thereby strengthen its position vis-a-vis its membership. With the appointment of two new senior officers to develop and coordinate new services a process of staff recruitment was set in train which continued well into the 1970s (See Figure 4.1).

Secondly, the existing structure of the association was incapable of providing the necessary services and attracting new members. Notwithstanding the improvement in the Federation's policy making capacity and in the provision of services over the first half of the 1960s the expected growth in resources was slow to materialise. As expenditure raced ahead the pick up in membership subscription income was alarmingly slow in coming. An examination of subscription and fee income indicates that after a surge of some 100% between 1960 and 1964 the figure remained virtually static for the next three years. Adaptation proved less of a money spinner than Federation officials had anticipated. Fees for services, although rising from about 6% of total income in 1960 to about 25% in 1965, proved extremely difficult to collect and the Federation, unable to command adequate sanctions, budgeted for a payment rate of just 50% of the amount due.[38]

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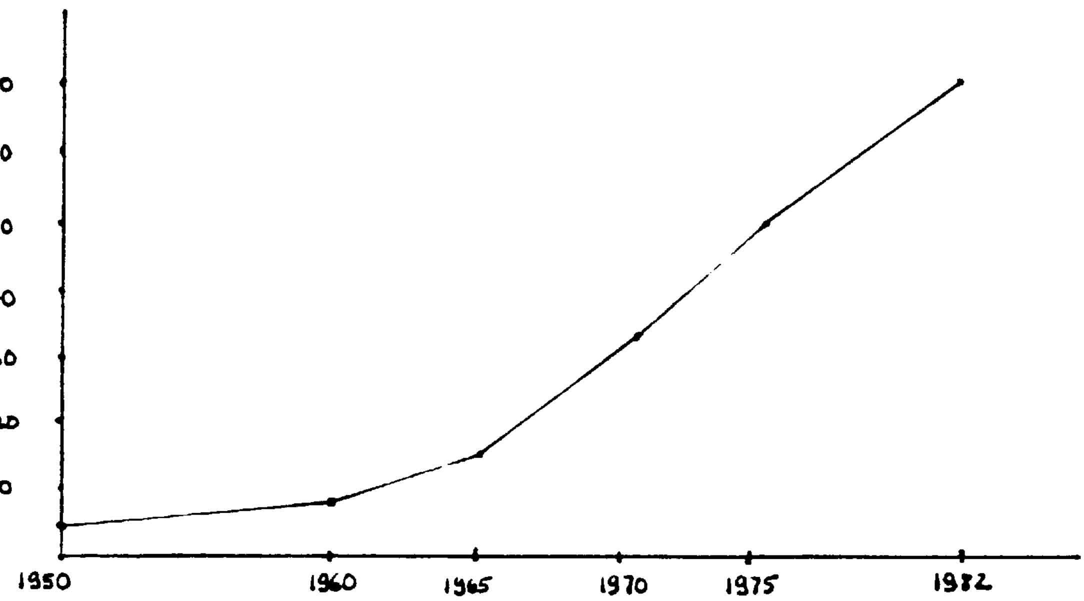
[37] FII, NEC minutes, various.

[38] Ibid.

Figure 4.1

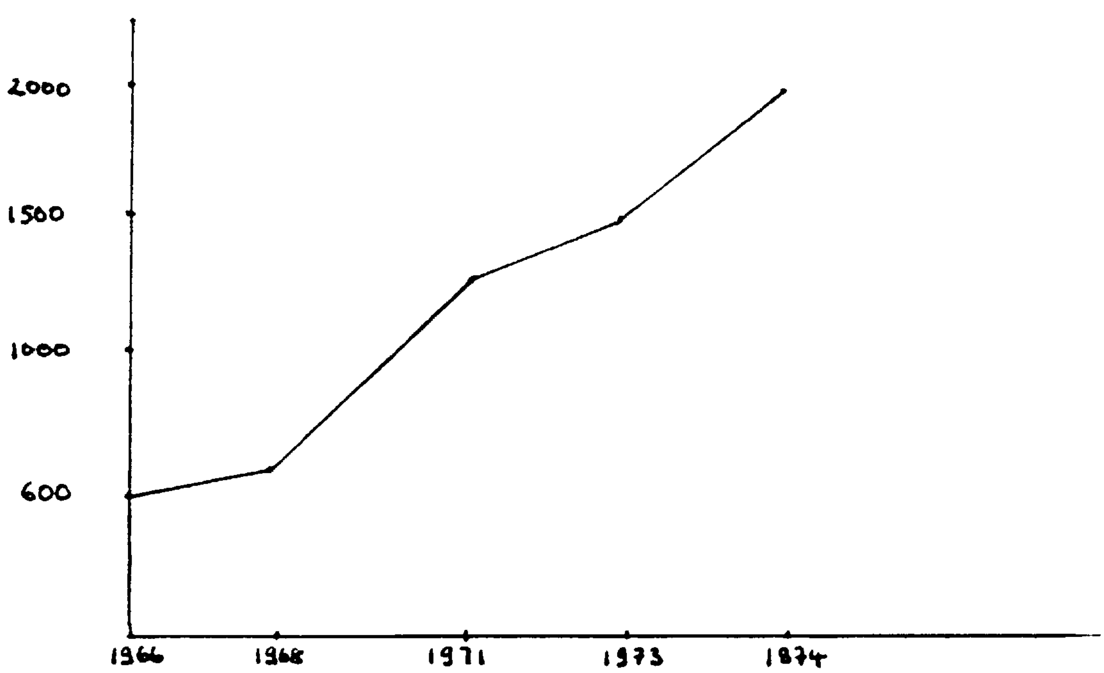
FII/CII Staffing levels, 1951-1982



(Source: Annual reports of FII/CII; Foley and O'Hagan, 1982)

Figure 4.2

FII/CII membership, 1965-1974



(Source: Annual Reports of FII/CII)

To gain the resources it needed and fulfil the role required of it by the state, the Federation had to undertake a programme of radical structural reform. Therefore, from about 1966 the attention of the Federation's Director General swung increasingly towards matters relating to the structure of the organisation, the parameters of its domain, the density of membership achieved and its relationship with other trade associations. Having strengthened the decision making and policy formulating capacities of the Federation at the centre, attention switched to a programme of expansion based on increased organisational complexity. In an interview in March 1968 the President explained;

> "without sound industrial organisation we can contribute little or nothing to defining industry's needs, little or nothing to secure industry's property. Without strong sectors the Federation can never be more than a head without a body".[39]

The strategy adopted involved a

> "fundamental change in structure ...decentralising the Federation into a number of homogeneous industrial groups and, clearly, making possible the separation of national level policy-making from normal trade association activities." [40]

In search of membership and resources the Federation transformed itself into a Confederation and spread its roots more widely, more deeply and more systematically into the industrial structure. In order to perform its new role adequately, the Federation had to set in place a more complex and comprehensive organisational structure.

The new strategy envisaged not only the vigorous mobilisation of previously weakly organised sectors but the broadening of the membership domain to include firms in service industries and the public sector. The new articles of memorandum

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[39] Irish Industry, March 1968 Vol.36, No.3.

[40] FII, Annual Report 1967.

(the legal status of the FII/CII was the same as any business) stated that any person, partnership, firm, company, corporation or State body formed or incorporated under the laws of Ireland "which are engaged in the production or manufacture of goods or commodities for sale or engaged in commercial activities shall be eligible for election as an ordinary member of the Federation".[41] In practice retail interests were excluded, existing trade associations were invited to affiliate, the independence of the building industry's association respected and competition avoided, the financial services industry actively recruited, public sector firms allowed into membership for the first time and all references to the nationality of firms expunged form the articles of memorandum.

Long the largest and most representative trade association the Federation now moved to become an encompassing one. In the space of a decade the response to state activism moved on from the consolidation of governing councils, the creation of policy committees and the modest professionalisation of services to the broadening of membership domains and a search for maximum comprehensiveness. Direct government pressure and support and the Federation's own drive to strengthen its position while maintaining its independence contrived to encourage an increase in organisational complexity. Only in a large and highly differentiated organisation could the required levels of resources and expertise be achieved. In the face of a dynamic state and the radically changing needs of firms the only alternative to such a strategy was marginalisation, with an association pursuing such a course neither of practical value to the state nor capable of providing the services required by firms.

The test of this new organisational structure lay in its capacity to attract new members and extract a greater financial commitment from existing ones. If the opportunities opened up

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[41] CII, Articles of Memorandum.

by new government policies and a changing economic environment were to be capitalised upon, growing organisational complexity and improved service provision would have to translate into higher subscription fees. Thus, parallel with this drive to expand membership and restructure its organisation, which in itself promised to generate considerable additional income, the FII resolved to press for a greater financial commitment from its existing members. Severely pressed for funds in 1968 when the continuation of government financial aid was uncertain, it was felt necessary to test the extent to which the new role of the Federation in national policy-making and implementation and the expanding services which it provided for member firms were sufficient to command a greater price for the privilege of membership. The level of increase imposed was such that income from ordinary subscriptions (ie, exclusive of industry group and affiliation fees) was budgeted to increase by well over 130% from £21,000 in 1967 to 51,000 in 1968.[42] It was a crucial test for the Federation and membership resignations did occur; the National Council engaged in an anxious damage limitation exercise contacting and pressurising recalcitrant firms to accept the new charges. However, in the event, the budgeted target for income was achieved and the Federation successfully pulled itself up onto a higher plateau of resource extraction.

In the longer term, the expansion in membership and the strengthening of the Confederation's position vis-a-vis affiliates and members considerably eased the financial constraint on development, further facilitating improvements in services and easing the difficulties of making further demands for increases. Although partly a response to inflation, the frequency of successfully negotiated subscription increases over the following decade (1968, 70, 73, 74, 75,76,77) and their magnitude (25-33% in 1976, 20% in 1977) confirm that, at least to some extent, a virtuous circle had been initiated. Total

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[42] FII, NEC minutes 28/9/1967.

income from individual firms and affiliated groups and associations rose from approximately £27,000 in 1966 to almost 550,000 in 1977 - an increase in the order of 1,800% in eleven years - to approximately 2.5 million Irish pounds by the late 1980s.[43]

Thus, in both terms of size and structure, the Federation experienced major changes which stemmed directly from the challenges of new state initiatives and liberalising market conditions. Anxious to strengthen its own position, the association proved adept at capitalising on the opportunities generated by a new logic of influence to renegotiate its relationship with its own membership, thereby considerably enhancing both its strategic capacity and resource autonomy.

Conclusion

It is evident that liberalisation and the accompanying industrial policy initiatives adopted by government had a profound impact on the development of associations. Different policies carried different implications for state-industy relations and the role of associations. However, it is also clear that the precise consequences of state initiatives were heavily dependent on their interaction with changing economic conditions and the factors which shaped association-membership relations. In relation to ACs, logic of influence and membership factors were significantly at odds while the level of resources devoted by the state was not sufficient to overcome this tension. In contrast, in relation to state-FII/CII relations, the association was able to mobilise the resource of a new logic of influence to reconstruct its relationship with its members. The systemic bias which undermined the national role of the FII under protection was reversed to favour the growth of an integrated association with an important degree of centralised control. The FII/CII was successful where ACs failed partly because it was free to harness

[43] FII, NEC minutes 17/11/1976: Irish Times 23/2/1988.

these new forces in the way it saw fit rather than having to conform to a particular blueprint. In effect it was left to define what were the development needs of industry and how they should be met.

Economic opening inevitably promoted change in both government industrial policy and in the general economic environment which shaped the need and interest perceptions of firms and their attitudes towards associations. The extent and corresponding form of associational development was greatly dependent on the interaction of these two logics and the facility of associations in reconciling them. While the state initiated the exchange process, its ability to determine the precise direction and degree of development proved limited. By the end of the 1960s its support had facilitated the strengthening of industry's representative trade associations, yet it exercised very little control over its internal operation or its basic policy choices. As crucial for the emergence of a new, stronger, and more complex association and a new type of associational politics, was the dynamic of intra-industry relations and its implications for collective action. State support, both in the form of financial aid and coercive pressure, and the patent threat from liberalisation, eased the problems of collective action which had overwhelmed the FII in the past and facilitated rapid expansion. But the programme to be adopted, the interests which were to be defined as the interests of industry derived not from state prescription but rather from a complex process of intra-industry politics. This process will be examined in the next chapter.

Chapter Five

Intra-Industry Relations and Associational Development in the Transitional Years

Introduction

The associational system which evolved under protectionism did not, as has been demonstrated in Chapter Three, merely reflect the relationship of business with the state. Underlying this pattern of small scale associational development lay a set of entrenched alliances and divisions between different segments of business structured around the main political and economic issues. Basic identifications of interests and opposition in relation to closed and open markets, basic divisions of interests between manufacturing, distribution and financial sectors, important distinctions between indigenous and foreign capital and between private and public ownership, all of these fundamentally conditioned the character of associational development. To understand the evolution of associational politics in that period, it is first necessary to recognise the existence and importance of these fissures within the business community.

Liberalisation challenged these basic patterns of alliance. Rapidly changing economic and political conditions necessitated a fundamental reconsideration by firms of who were their friends and enemies. With the strong commitment by government to integration with European markets, not only was the division between protectionists and liberals rendered largely defunct but the relevance and meaning of divisions between different branches of industry, foreign and indigenous capital, public and private enterprise, etc., had to be reviewed. The reassessment of economic opportunities, obstacles and dangers by industry inevitably involved the reconsideration of friends and opponents and the appropriate strategies to pursue. Firms had to establish where their best interests lay, with whom they could usefully ally to attain them, what kind of collective action, if any, would be most helpful in pursuing and protecting them and how much resources should be devoted to supporting it. New calculations of best interest and best practice had to be made. For their part, while the basic objective of associations to advance the politico-economic goals of industry remained unaltered, changes in ideology, political contexts, assessments of future market conditions, etc., (Gourevitch, 1986) necessitated a new effort to translate this objective into a coherent set of interests and policies. As the earth shifted beneath their feet, with the rationale for the existing pattern of basic alliance and division crumbling away, associations had to confront the task of articulating a new programme capable of winning the allegiance of firms. In the new conditions, what was the basis of collective action? How wide was the associational net to be cast and on what basis was the appeal to be made? Any association operating in this radically changed environment and seeking to survive and expand had to articulate a new definition of industry's interests and gain an understanding of what fundamentally united and divided business in the new era. Building a new alliance structure and finding a new set of basic policy orientations were effectively two elements of the same process.

Moves towards just such a fundamental restructuring were most evident in the middle years of the 1960s and the outcome of these initiatives has set the broad parameters of subsequent associational development. In 1966, a conference of leading firms was arranged by the FII. Its organisation was a response to a call by the Prime Minister for a thorough review of existing business organisations. Its form reflected the FII's awareness of its own incapacity to properly satisfy the need for a more radical and rapid programme of reform and development. Convening a meeting of the country's leading businessmen, it specifically requested the attendance of firms which had not hitherto taken an active part in Federation affairs.[1] The meeting was something of a watershed in terms of associational change for a number of reasons. Addressed by the Prime Minister who urged the development of greater organisational capacity by industry in order to participate properly in planning, the representatives of forty firms in attendance, having considered the urgency of the situation, accorded a 'semi-formal' character to the conference and appointed a steering committee of three members charged with exploring ways of fulfilling this requirement. By opting to stand outside existing industry organisations, the conference initiated a break with previous efforts at organisational development. Although closely linked to the Federation - the latter's president was a member of the steering committee - it explicitly appealed for the transcendence of the existing institutional divisions between industry associations. Moreover, the assumption of an executive role was supported by the willingness of members to back the conference financially. Within a short period of time a team of consultants had been retained to undertake the study and approximately forty to forty-five thousand pounds had been received from conference firms to fund the exercise, matching the entire operational budget of the Federation for 1965.[2]

The conference rationalised its actions in terms of a critique of current arrangements. Incapacity in the face of new demands was explicitly linked to outmoded perceptions of interests and the fragmentation of the existing system of associations. The President of the FII in his address to the conference argued that

"we ourselves (business) have taken a very narrow view of

[1] Irish Times 5/1/1966.

[2] Business and Finance 26/8/1966.

> what our interests are and have built such organisations as we have around this ... a great many of the sectoral industry groups which we have, and even the FII itself, were set up for one particular purpose, namely to secure and maintain the maximum possible protective tariffs from competitive goods from outside. This, necessary as it was, is a very narrow function; it is now a totally irrelevant one".[3]

An adequate response to change would require a redefinition of interests and a corresponding review of associational structures. The Federation's President acknowledged that "we cannot possibly expect the state to have full regard to our interests if we do not make it possible for the state to find out what our interests are, and indeed know ourselves".[4]

The fundamental concern was that business should not be trapped by the divisions of the past when the present demands coherent, coordinated action. In its statement of policy the conference declared that

> "we are today served by the FII, FUE, IMI, and all other letters in the alphabet .. we in industry set up these organisations .. we now need to know what are the best means of organising ourselves and these services for the future, what is their proper role and relationship".[5]

The new role of the state and the economic changes stemming from a gradual integration into the international economy and the dismantling of tariff and quota protection necessitated the creation of a more appropriate and rational set of associations.

The profound impact of liberalisation on existing intra-industry relationships is indisputable. Less clear, however, is the nature of the impact and the changes wrought. A number of different effects were possible. It may have served to homogenise industry, removing many of the basic divisions which had inhibited associational integration and development in the

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[3] FII, Record of the conference 4-5/1/1966.

[4] Ibid.

[5] Ibid.

protectionist period. Certainly, the perception that new conditions rendered the consolidation of associations not only more desirable but also more practicable underlay the thinking of many at the '66 Conference'. Economic change was assumed to have effected a homogenisation of business interests in the face of threatening international competition. Whereas protection had transformed market allocation decisions into administrative/political issues, often pitting supplier and consumer in the production chain against each other, free trade would eliminate this particularity of interests on which the existing system of tiny trade associations had been built. With the emergence of free trade and the changing character of state intervention in the economy, a workable basis for the consolidation of business associations was thought to have been established. The task which the conference set itself was the examination of how this altered state of intra-industry relations could be translated into effective organisational reform and development. In time, this broadened from the initial concern with the position of manufacturing industry to a review of intra-business relations and associations across all sectors. Associational development and interest redefinition were perceived to be inextricably linked, both being necessitated by the pressures of an active state and the threat of foreign competition.

While this optimistic outlook dominated the thinking of reformers, clearly other outcomes were equally conceivable. It was quite possible that liberalisation might generate a whole new set of divisions within industry, promoting the radical restructuring of the associational system but placing severe constraints on the degree of its integration. Divisions between sectors sheltered from international competition and sectors exposed to it, divisions between firms heavily dependent on exports and those not, between firms with close links with foreign capital and those without, or between labour and capital intensive firms, were all potentially significant. All of these factors might induce quite divergent attitudes in respect of the terms of integration with international markets, the precise character of industry aids, the proper policy vis-a-vis labour and trade unions in the new conditions and the extent of openness to foreign investment. While protectionist patterns may have been rendered defunct, the opportunities for the emergence of new divisions or the refinement of old ones were not negligible. The reconstruction of the associational system was inextricably linked to the process of redefining industry's interests in these new conditions.

As evidenced in Chapter Four, the FII/CII responded to these pressures by undertaking major reform of its structures and broadening its representative domain. This programme of reform was closely linked to changes in policy, most spectacularly in relation to trade and industrial policy matters. In its initial response to liberalisation the Federation was guided by its assessment that, due to international circumstances, it was

> "inevitable that a situation will develop in which there will be a progressive reduction of protective measures for Irish industry in the future and that this movement will almost certainly result in a free trade regime at least in so far as trade with Europe is concerned".[6]

Membership opinion was divided between those who supported a "continued policy of adequate protection for Irish industry despite international trends towards free trade" and those who saw no hope in succeeding against international pressures and suggested a policy of positive response.[7] This latter line was the one which informed the early exchanges with the state; acceptance of the unavoidable with the proviso that

> "responsibility must rest with the government to make available financial assistance of a substantial nature to

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[6] FII, NC minutes 9/11/1959.

[7] FII, NC minutes 24/3/1960.

> avoid unnecessary hardship to those who have invested or are employed in ...industry".[8]

By the late 1960s, however, this initial equivocal response gave way to an outright commitment to full membership of the EEC. Economic salvation was now seen to lie in the enthusiastic embrace of international markets. In 1967, its President proclaimed,

> "on our own we have no power to prevent Ireland from becoming a near deserted island on the fringe of the Atlantic, as a contributing member of the European Community we would be in the mainstream of the world's richest markets".[9]

Its central policy was to establish business as part of a broad and expanding coalition of support for a liberal trade regime and the recreation of the alliance between dominant exporting agricultural interests and internationally oriented capital which had collapsed in the face of the protectionist project during the early 1930s. Its success is indicated by its central role in the referendum campaign on membership of the EC in 1972, supporting a broad alliance of forces which stretched from the farming community through the two largest political parties and only excluded the Labour Party and the trade union movement.

In this period, the system was 'open' in the sense that the direction of development and the substance of basic policy orientations were undergoing serious review. As old policies and relationships withered, the formation of new alliances built around new policy orientations which could hope to exercise a major influence over associational politics was a real option. The redefinition of industry's interests and the refoundation of associational activity was as much a competitive as a consensual process in which particular business interests sought to

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[8] FII, NC minutes 1/10/1959.

[9] Management, 1967 Vol. XIV. No. 3.

establish a dominant influence over policies. Here lies the real significance of the '66 conference'. Explicitly confronting the demands of government and the new economic conditions, it sought to establish its leadership in the task of shaping the contours of associational development. In the first section of this chapter, this new leadership group, its position within the CII, the underlying patterns of alliance, its socio-economic position and its principal policy prescriptions will be examined. In this way, some understanding of the complex process by which the fundamental, dominant, political and policy positions of industry were established and institutionalised might be gained.

In contrast, the second section will examine the limits of associational integration and the extent to which liberalisation generated new divisions and tensions which undermined the '66 conference'-driven attempt to establish one big organisation to represent business interests. It will explore the broader experience of the conference and the nature of the divisions of interest and perception which it exposed. What was the nature of these divisions and what were the implications for the organised articulation and representation of business interests?

The Creation of a New Dominant Alliance

A defining characteristic of the '66 conference' group was its determination to establish its own position as the political voice of industry. In initiating the process of organisational review and development the conference members were clear as to their own role. Its statement of policy declared that

> "the leading Irish companies should now take the responsibility of deciding that the existing organisation and representation of management seem to be inadequate for the future of the Irish economy".[10]

[10] FII, record of the conference 4-5/1/1966.

They agreed that it was up to them to ensure that "industry understands what is happening and what will happen and why", that the "voice of trade unions is matched by the voice of industry", and that "industry is represented at a national level in a manner which will secure that a coherent industrial policy is achieved".[11]

Its success in establishing its dominance was due to three factors. First, though the conference itself survived only two years, its leading members successfully established themselves in the leadership positions of the FII/CII during the second half of the 1960s. This process is evidenced by the influx of conference members in the governing National Council of the FII (Table 5.1). However, a more accurate picture of the extent of the influence wielded by conference firms in the CII can be ascertained by examining the membership of the association's national executive committee, the steering committee of the organisation and, with a very few exceptions, the preserve of national council members elected by ballot of the individual members of the CII rather than its sectoral organisations.
As conference firms tended to be in direct membership of the CII and exercised their influence through these channels rather than through the system of sectoral federations, they enjoyed considerable advantages. Here the strong presence of conference firms is clearly evident (Table 5.2).

[11] Ibid.

Table 5.1
Representation of '66 conference' members on FII/CII National Council 1966-76.

Year	National Council (No of Members)	'66 conf' (No. NC Members)	'66' % NC
1958/59	30	8	26
1966	42	16	38
1968	43	18	42
1970	35 and 13	17	(52) 38
1972	36 and 18	18	(47) 33
1976	39 and 24	18	(45) 28

(Second column, from 1970 the figures refer to places directly electable by CII member firms and members elected by sectoral organisations. Fourth column, bracketed percentage refers to representatives elected by individual firms, unbracketed figure refers to percentage of total of national council seats.)
(Source: CII/FII Annual Reports)

Table 5.2
Representation of '66 conference' members on National Executive Committee of the FI/CII 1959-1975.

Year	National Executive Committee (No of Members)	'66 conf' (No. of N.E.C Members)	'66 conf' (% of N.E.C Members)
1959	15	4	30
1968	17	10	62
1970	14	8	60
1972	15	9	60
1975	14	9	64

(It should be noted that some firms had undergone name changes following further mergers/takeovers).
(Source: CII/FII Annual Reports)

The second major feature was the relative financial strength of these firms and their willingness to exercise it. In justifying their claim to leadership, conference firms emphasised that the alternative was an absence of adequate leadership. In seeking to strengthen the representative organisations of industry, it was concerned to fill a dangerous vacuum in leadership. Its activism was contrasted with the large group of firms which remained unaware or unresponsive to the changes which were occurring. The consultants retained by the conference characterised the problems in these terms:

> "the extent to which environmental issues ... affect individual companies' operations was not always fully realised by interviewees. Recognition of individual managers responsibility and opportunity to contribute... to national affairs was not generally apparent. As a result the managers were often conservative regarding ..(their) tendency to view such affairs as, at best, a necessary evil, and at worst, a total distraction from the job of managing their own business... while this attitude was detected primarily among managers of small business (where, of course, it is most understandable), the problem it poses is clear" (Harbridge House Europe, 1967a:102).

As the resolutions of the conference acknowledged, the nature of the threat required increased representativeness and greater organisational capability. The difficulty was to extract the resources necessary to build a strong organisation while keeping membership fees low enough to attract a sufficiently high, 'representative', density. Aware of this problem, the conference resolved to pay a greatly disproportionate share of the costs of strengthening collective organisations and subsidise the mass of small firms lacking the interest or the capacity to support their share of the burden. In the crucial years of expansion, their willingness to bear investment costs was vital. Many of the largest firms paid greatly disproportionate subscriptions and one-off voluntary contributions, in order to boost the process of associational expansion. In return for shouldering an unequal burden of costs, conference firms aspired to the leadership of this association and of industry in general.

Thirdly, this group displayed a unique capacity to elaborate a relatively coherent perspective on industry-state relations and economic and industrial policy. While many firms viewed the prospect of liberalisation with alarm, business was not broken down into well organised and well funded competing groups favouring a variety of conflicting policy prescriptions but, rather, was characterised by uncertainty and confusion, often compounded by ignorance, over what the future held and what should be the response to change. When the conference group began to espouse a particular line, there was no significant organisation in the arena of trade and industry matters around which an alternative strategy could be developed. In this respect, the conference was free to set the agenda of business politics and to develop a programme of action which reflected their perspective and interests.

Thus, the '66 conference' not only represented the opening stage in a decisive phase in the process of associational change, but it served to generate a leadership group whose influence survived the wind-up of the conference itself and was at the heart of associational development over the crucial following decade when the foundations of a new associational system and a new relationship with the state were laid. The response to the challenge of interest redefinition, organisational development and changing relations with the state was bound together in one complex process of adjustment. To understand this process, it is necessary to analyse the nature of this leadership group and the policies it sponsored.

Broadening the Alliance

If the conference's ultimate objective was the attainment of industry's leadership, its method was the formation of a new alliance of industrial interests in response to public policy pressures and liberalisation. Old patterns of cooperation and division were to be set aside and stronger and more encompassing cooperative organisations were to be established. It is evident from an examination of member firms that it overwhelmingly represented the interests of protected industry as opposed to those firms set up in the early to mid-1960s in a climate of trade liberalisation and, especially in the case of foreign investment, on the basis that further integration with international markets was the government's long-term policy. Over 90% of the firms in the '66 conference' were over ten years and over 80% at least fifteen years in operation and, therefore, had been originally founded, or had for decades operated, in a protected environment. While one member, an American pharmaceutical company, had only set up a manufacturing unit in Ireland in 1960, it had operated four wholly owned subsidiaries for a number of years previously.[12] In one way or another, they all faced the difficult task of adjusting their production and marketing strategies to meet the emerging conditions of freer trade.

The conference's mode of operation was to seek the widest possible representation of such interests compatible with strong and decisive action. This approach is evident both in its original membership and its subsequent expansion. In particular, there were three decisive breaks with the associational patterns of the protectionist period which in combination represented a fundamental change in the basis of collective action among business. The first major break came with the incorporation of long established subsidiaries of foreign companies into membership. As has been remarked in Chapter Three, protection was closely connected with nationalist politics and contributed to the fragmentation of associational structures. The '66

[12] Based on Thom's Directory, IDA News.

conference' clearly marked the end of these divisions. Eight member firms were subsidiaries of foreign firms which had long been in operation in Ireland. The majority had been set up in order to circumvent protective barriers and many were extremely large employers indeed by Irish standards. Fry-Cadbury (Irl) Ltd., Irish Dunlop Co. Ltd., Henry Ford and Sons Ltd., Philips (Irl) Ltd., all employed over one thousand persons in the late 1950s at a time when only thirty-one manufacturing establishments were returned in the official census of production as employing over five hundred workers.[13] Furthermore, through the operation of the Control of Manufacturers Acts, 1932 and 1934, which laid down complex regulations about the capitalisation of companies, the role of Irish shareholders, etc., these firms were deeply embedded in the Irish manufacturing and financial structure (for example, many had quotations on the Irish stock exchange). These economic connections were now finding expression at the level of political organisation. The end of their exclusion from the FII followed the change in its constitution and policy in the post-1958 period. By 1966 two of these firms were represented on the national council of the FII.

This decisive break with past practice was both necessitated and facilitated by public policy. In a period of active government and institutional initiatives, the need for adequate representative and defensive associations was no less urgent for foreign-owned, and deeply embedded, firms than it was for native owned industry. Moreover, in a climate of economic opening the dangers of foreign competition did not flow from the establishment of subsidiaries within protective walls but, rather, from growing import penetration - a threat equally real for established foreign owned subsidiaries and indigenous industry. Where protection is greatly concerned with questions of ownership, open markets tend to be more concerned with

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[13] Linihan, 1981. Thom's Directory.

questions of competition.

Furthermore, the challenges of adjustment blurred the distinction between indigenous and foreign owned firms. As the 1960s wore on, an increasing number of indigenous firms forged close links with foreign capital either through merger (full or partial), or by further developing existing licensing arrangements. Thus, in addition to the eight wholly owned subsidiaries which had operated in the protected economy, a further eight '66 conference' firms were taken over or forged significant shareowning connections with foreign non-resident firms in the early 1960s. Urneys, the largest indigenous chocolate confectionary manufacturer and one of the founding members of the FII was taken over by the American firm Grace Bros in 1963. In 1964 the only large electrical engineering enterprise, Unidare, saw 75% of its shares taken by Pye of Britain and the American firm Alcan. (These firms were in turn taken over by the Dutch firm Philips, which was itself represented at the '66 conference'). Robert Usher, a textile manufacturer, was taken over by the British firm Ashton Bros. in 1964. The leading shoe manufacturer in the country and sole representative of this industry at the conference was fifty per cent owned by the British company J and C Clark - a close relationship between these two firms had long been in existence. The giant British chemical corporation, ICI, took a minority interest in the paint-making firm Harrington and Goodlass Wall Ltd in 1965. (This firm was to provide a Federation President soon afterwards). P.J Carroll and Co, managed by one of the most influential voices in the '66 conference', Mr D. Carroll, was 40% owned by the British (South African) Tobacco firm Rothmans International; the stake was taken out in 1960. Arthur Guinness and Son, one of the firms which had initially suffered from the adoption of protection in 1932, had by this stage established itself as a major international company and had shifted its headquarters to Britain (Brophy, 1986; Restrictive Practices

Commission, 1978). Taking these firms together, it is clear that a sizeable bloc of conference firms were closely connected with foreign enterprise and that for a significant portion of conference firms, integration with the international economy through ownership links was a fundamental element in their strategy of adjustment.

The second major break with previous practice came in relation to its membership domain. During the protectionist period, the Federation had been almost wholly concerned with manufacturing industry. However, the conference actively sought to break free of this narrow perspective and build a new and more integrated associational structure based upon, and embodying, a more unified business community. Although initiated by the national trade association for manufacturing industry and composed of manufacturing firms, it enthusiastically sought alliance with other non-manufacturing business sectors. Perhaps the most important of these sectors was that of finance. As has been noted in Chapter Three, the financial community, led by the large clearing banks, had traditionally stood back from participation in industry associations. Marked by very close historical and business ties to the London financial community, it would appear that the weight of opinion and the dominant investment perspective in the financial sector was never committed to protection. Bew and Patterson (1982) have identified the important role played by the financial sector in pressing the case for the dismantling of tariff and quota barriers and the pursuit of integration with international markets. Such a policy would be in accordance with the financial sector's inclinations and interests while unlikely to provoke any serious threat from foreign firms to their own operations. Their incorporation into the '66 conference' and subsequent membership of the FII/CII was a significant stage in the elimination of inherited divisions between different sections of business and the creation of an alliance committed to international integration.

The third major change was the decision to incorporate public sector industry into the conference and, subsequently, CII membership. Hitherto, public enterprise had been completely excluded from trade associations. This had partly been a recognition of practicalities. Given the narrow range of tasks performed by trade associations prior to 1958 there was little basis for the participation of public enterprises. Where such enterprises had need of protection the lobbying of government could better be undertaken by direct approach; generally the government department responsible for the granting of tariffs and quotas was also involved in overseeing public enterprises. Furthermore, public enterprises had evolved largely as a means of undertaking investment in industries which had been bereft of private investment or where private ventures had failed and were in monopolistic or oligopolistic positions (Bristow, 1968:177). This meant that, given the extremely restricted membership domains which trade associations tended to assume, there was no genuine productive basis for a common membership of private and public enterprises. In addition to these practical obstacles it is evident that public enterprise had been generally regarded with suspicion by the private sector. Though its typical character as a form of investment supplementary to, and only rarely in direct competition with, private industry minimised the potential for disputes, ideological hostility to public ownership of manufacturing industry was fairly pervasive. In those few cases where membership of public enterprises may have made some practical sense, such as in the case of the FII, there is no evidence of any conflict or dispute; the possibility of such membership simply does not appear to have arisen.

The jettisoning of protection and the adoption by the government of industrial planning shattered this status quo. The general search for a wider and more encompassing basis for industry cooperation gradually extended to public enterprise.

The increasing focus on greater production and marketing efficiency, the improvement of management skills and the prospect of increased import penetration combined with the more active intervention of the state in economic life to narrow the gap between private and public enterprise. Certainly, in the discussions over the creation of a Irish Nationwide Business Organisation (NIBO) in 1966/67, a sufficient number of common problems were identified to overcome the endemic suspicion of public investment and popularise the notion among business that it was better to have public enterprise within the representative associations of industry than without.

A leading figure in the '66 conference', Mr G.P. Jackson, commenting on management standards in industry noted that "there is little difference between the standard of management in large State enterprises and large private enterprises". Rather, it was argued, the "criterion seems to be one of size rather than ownership".[14] What is particularly interesting here is the changing perception of what were the salient divisions within industry. Management of the enterprise, management of economic change, both now were linked and increasingly identified as sources of fundamental distinction between firms and of fundamental importance in mobilising industry behind organisations, and programmes, of collective action. The definition of what constituted the decisive divisions between firms was changing and the basis of cooperation and conflict was being reassessed. In this process of alliance-building, the 'public' nature of public enterprise no longer appeared the crucial defining characteristic.

This transformation in perspective had not been without tension. The government's (First) Programme for Economic Development, published in 1958, had raised the spectre of a more active and aggressive approach by state companies in the search

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[14] Management, 1967, Vol.XIV No. 5. p.41.

for economic growth. Existing public enterprises were encouraged to extend their activities into "projects related to their main spheres of operation and to test the profitability of new lines and new markets".[15] The creation of a new state-owned chemical company to produce nitrogenous fertiliser was proposed. This was to prove particularly contentious over the next few years with a private company (Gouldings Ltd.), claiming that this project threatened its development plans and arguing that the government was in breach of its own declaration that it favoured the system of private ownership of industry and will not be disposed to enter any manufacturing field in which private enterprise is already operating successfully[16]. There is evidence also of some tension in the food-processing industry where the monopoly producer of sugar, a state enterprise, had set up a subsidiary company to diversify into other areas of food processing. Although the dispute was less public, both the report of the CIO and of the COIP note the failure of a number of attempts to promote cooperation between the public and private sectors and the existence of a fair degree of suspicion, if not hostility (CIO, 1964e;COIP, 1970b). However, though important, these disputes remained isolated incidents. By the mid-1960s it was patently clear to many, perhaps most, industrialists that the public sector was not going to pursue a threatening diversification and expansion and that what united them in terms of trade and labour relations matters was greater than that which divided them in respect of ownership. Thus, trade liberalisation partially reconciled public and private enterprise by reducing the salience of their differences and enhancing the relevance of their common problems.

This broadened leadership elite was carried forward into the FII/CII and marked an important stage in that organisation's

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[15] Programme for Economic Expansion, 1959, p.15.

[16] Business and Finance 26/11/1965.

development. The alliance of large subsidiaries of foreign companies, large native producers determined to adapt and expand, the financial sector (mainly in the guise of the largest clearing banks), and public enterprises dominated the leadership of the FII/CII for the next decade. Some indication of the influence of these firms can be garnered from their strength in its decision-making councils with some 60% to 70% of members of the key NEC being drawn from this core group of 30 to 40 firms (Table 5.3). In the process of its expansion to include important sectors of business which had long stood outside its original private manufacturing base, the protectionist pattern of cooperative alliances and divisions was left even further behind. New problems and opportunities served to shift the balance of advantage shaping the cooperative strategies of firms and groups of firms. Different assessments of interests, and of the alliances required for their furtherance, found quick reflection in the leadership councils of the FII/CII.

Table 5.3

Representation of the broadened '66 conference', Financial Sector and Public Enterprises on the National Executive Committee and the National Council of FII/CII, 1968 to 1975.

Year	Total Seats NC.	Total Seats NEC	'66'Alliance NC (%)	'66' Alliance NEC %)
1968	43	17	18 (42%)	10 (62%)
1970	45	14	22 (44%)	9 (64%)
1972	54	15	22 (40%)	10 (67%)
1975	63	14	24 (39%)	10 (70%)

(Source: FII/CII, Various Annual Reports)

Indigenous Manufacturing Industry

The furtherance of the interests of indigenous manufacturing was at the heart of both industrial policy and associational activity during the protectionist period. Tariffs and quotas were designed to facilitate an indigenous import substitution industry and associational activity was directed towards maintaining and strengthening these mechanisms. It was this core group and its shared objectives which had given associational politics what cohesion and coherence it possessed during the protectionist period. However, under the new liberalising conditions and with the conference's efforts to broaden the appeal of associational activity, it was necessary to formulate an alternative basis of cooperation. While the divisions of the past may have diminished and the threat from state activism may have promoted defensive solidarity, a more fundamental choice of policy orientation was required if the new organisation was to gain cohesion and a sense of direction. A large part of the conference's efforts were directed towards articulating just such a new basis for cooperation.

However, in the process of formulating this appeal, important new divisions of interest and orientation within indigenous manufacturing industry emerged. The pattern of associational activity obtaining under protection could not be carried forward into the new order. Indeed, the process of reconstructing cooperative relations began with the very selection of invitees to the '66 conference'. As has been noted, the organisers explicitly envisioned effecting a radical break with the past. Although its radicalness was primarily evident in respect of relations with non-native and non-manufacturing firms, even within the indigenous manufacturing segment subtle, but significant, distinctions were emerging. In respect of their productive operation, conference firms were distinguished by three features.

First, their size relative to industry in general was exceptional. In drawing up the invitation list for the conference the FII specifically targeted the largest firms in the country. Leadership and size were explicitly equated. It is difficult to obtain detailed information about the turnover, profits and employment of individual firms in the mid-1960s but what material is available suggests that the Federation was fairly successful in attracting the 'right' sort of firms. Drawing on information available in various commercial directories, it would appear that, at a time when only approximately fifty firms employed over 500, some 15 of these firms employed over 500 and at least six over 1,000. Of the remaining firms the majority fell into the next size category (300-499).[17] A number of the smaller firms were invited for reasons of their long-term association with the FII (e.g. Cullen Ltd.) or strategic importance for the economy (e.g. Esso Petroleum Co Ltd.). In general, then, conference firms were exceptionally large, though it should be noted that even within the largest size category they were a minority, albeit a large one.

Second, they were disproportionately representative of those firms most dependent on protection and this characteristic is most evident in respect of indigenously owned industry. This is revealed by an examination of the sectoral profile of members. Initial comparison suggests few distinguishing features, with members drawn from across the range of manufacturing activity. Textiles and clothing provided 12 members, metal and engineering 5, electrical engineering 4, chemical/pharmaceutical 5, food-processing 6. The remaining 10 members were engaged in tobacco, oil, print and packaging, leather, cement, glass bottle-making, brewing, rubber products and footwear. Moreover, the relationship between the total number of firms and the number of conference firms drawn from particular sectors would seem to have been quite loose but, nonetheless, to have produced a fairly representative sample across most sectors (Table 5.4 on p.171). However, closer examination reveals a number of important features. Firstly, the important food industry is significantly

[17] Thom's Directory, Irish Exporters' Association Directory, IDA News, Committee on Industrial Organisation reports.

underrepresented. With a total of over 970 firms, only six were present at the conference compared to seven textile firms drawn from a total of 199 establishments. Though this was partly a reflection of the structure of the industry, with firms being generally small - some 839 firms in this industry employed less than 50 persons - and servicing local sheltered markets, it was also a continuation of protectionist practice where food sectors were never significantly dependent upon nor active in seeking the support of tariffs or quotas. Secondly, if the foreign owned, or partially owned, firms are stripped out, the bias of the remaining indigenous firms becomes more apparent. The list now reads; food 2; clothing and textiles 10; chemicals/ pharmaceuticals 1; metals and engineering 5; miscellaneous 5. This sectoral bias - clothing and textiles, metals and engineering providing approximately 70% of the conference's indigenous firm membership - matches the profile of productive operations which had benefited most from protection and, by extension, were among those most threatened by trade liberalisation. Thus, in respect of its indigenous component, the conference was most representative of the quintessential protectionist sectors. To the extent that the conference deviated from a fair cross-section (size excepted) of manufacturing industry, it tended to be more heavily drawn from those industries which were most dependent on a protected home market and less representative of more sheltered firms found in primary product-based industries such as food which had derived little benefit from protection.

Third, though children of protection, there is evidence to suggest that these firms were rather more outward-looking than the average of such offspring. This was partly related to size. The reports of the CIO generally convey the impression that, while acknowledging the low levels of exports overall, the larger firms in any industry/sector were more likely to engage in some export trade (see Table 5.5).

Table 5.4
Manuf'ing firms, '66 conf' firms,
Indigenous '66 conf' firms by sector (1958)

Sector	Total Firms	Total '66'	Indig'66'
Food	972	6	2
Drink/ Tobacco	136	2	-
Textiles	199	6	5
Clothing/ Footwear	377	7	5
Wood/Furniture	363	-	-
Paper/Printing	237	1	1
Chemicals, etc.	138	5	1
Clay Products	120	2	2
Metals/Engineering	354	9	5
Other Manufs	216	3	2
Totals	3,106	41	23

(Source: Lenihan 1961, FII records of '66 conference', Thom's Directory, Irish Exporters' Association , CIO reports).

Table 5.5
% Export by Firm Size in 1958
Transportable Goods Industries

Category (Employment)	% Firms Exporting	Total No. Firms	No. of Firms Exporting
500+	80.8	47	38
100-499	58.4	337	197
20-99	36.9	1,086	400
Under 20	2.6	1,692	62
Total		3,200	700

(Source: Irish Industry, January 1968)

It must be acknowledged that much of it may have been undertaken by firms with strong links to foreign enterprise. Although export policy varied a great deal from company to company, often depending on the relationship with its parent, it is undoubtedly the case that some were important exporters. J. Halliday and

Sons, by far the largest footwear manufacturer and 50% owned by the English company Clarkes, offers the most spectacular example of these factors; in 1960 it was responsible for 52% of total exports for that industry (CIO 1962b). However, further circumstantial evidence does suggest that even among the indigenous firm members a greater propensity to export existed. The membership lists of the Irish Exporters Association, an organisation formed to assist in overcoming the transportation, distribution and marketing difficulties involved in exporting, reveal the disproportionate presence of conference firms. In 1958, at a time when the association's membership barely exceeded one hundred firms, almost 50% of the '66 conference' companies had been members, the majority indigenously owned.[18] This does not suggest that these native-owned firms were thrusting forward into export markets to the extent that they could transcend dependence on protection. Any marginally greater propensity to export was less significant than the low absolute levels of exports. However, it does indicate that in a period of trade liberalisation they were better placed, both in terms of knowledge, contacts and psychology to respond positively to the new conditions.

Together, these characteristics indicate an exceptional capacity to contribute financially to cooperative action and to the task of defining a new way forward (size), an acute need to pursue rapid strategies of adjustment in the face of opening markets (protection) and a relatively exceptional readiness to 'internationalise' their thinking and operation (exports). It was this combination of need and attitude which generated the most exceptional trait of conference firms in general, and their indigenous component in particular. If the focus of analysis is shifted from structural profile to behaviour, to an examination of the response of conference firms to the challenges of

[18] Irish Exporters' Association Directory 1958.

liberalisation, there is significant evidence to suggest that these firms were most distinctive from manufacturing industry in general in their willingness to respond positively and dynamically to challenges of open international markets and that it was this distinction which facilitated the conference's subsequent expansion and cooperation with financial and public enterprise sectors.

This dynamic approach was most evident in the pattern of takeovers and mergers between 1958 and 1972 and the trend in industry concentration. A study of concentration undertaken by a government-appointed committee reported that

> "in 1968 13 industries out of 39 had four-firm concentration ratios of 50 or more (i.e. quite highly concentrated) accounting for 24% total employment. Eleven further industries with low concentration showed increases between 1958 and 1968, and they accounted for 25% of total employment. Thus concentration was high or rising in more than half of the manufacturing industries and these accounted for nearly half of total employment" (Restrictive Practices Commission, 1978:37).

However, these figures do not give the complete picture. Derived from data based on industrial establishments (i.e. a single operating plant), rather than enterprises (potentially multi-plant operations) such figures

> "underestimate, often to a considerable extent, the level of concentration in an industry at a given time and underestimate also the changes in concentration over a period." (Restrictive Practices Commission 1978:36).

Using supplementary data on mergers/takeovers the study concluded that in manufacturing industry, enterprise concentration tended to increase considerably through mergers and takeovers (Restrictive Practices Commission 1978:32). An examination of mergers revealed a considerable, if sectorally uneven, surge in activity. The extent of this concentration should not be exaggerated. Even large Irish firms were small by international standards and growing concentration occurred at a time of growing openness and import penetration. Thus the pattern of mergers/takeovers did not threaten the development of oligopolistic production patterns in any but a few sectors. Rather, it reflected the rationalisation of domestic production in the face of increasing foreign competition and it was on this basis of an active and positive response to economic change that conference firms managed to forge a common perspective. Their major involvement in takeover and merger activity is clearly evident. In total, no less than 25 of the 41 firms represented at the conference were involved in major expansion by merger or takeover in the transition years of 1958-73. This figure becomes more impressive when allowance is made for the inactivity of many foreign subsidiaries at the conference (e.g. Henry Ford and Sons, Irish Dunlop, Fry-Cadbury, Philips, etc). Of the approximately 200 incidents of merger/takeover recorded by the Restrictive Practices Commission as having taken place between 1958/59 and 1972/73, some 40% involved conference firms.[19] Furthermore, when one of the members of the conference was itself taken over, more often than not it was by another member firm. With a few notable exceptions, it would appear that the firms attending the conference represented the dynamic expansionary core of Irish manufacturing industry.

Attention has already been drawn to an important series of takeovers of Irish companies by foreign capital. The general impact of these takeovers was made all the greater by the fact that many of these firms had already themselves undertaken a programme of expansion through takeover. Batchelors (food processing), J. Halliday (footwear), Unidare (engineering), among others, had absorbed a number of smaller firms before themselves succumbing to predators. More striking, however, was the pattern

[19] Another 10/12% involved one small firm (J. Smurfit Ltd.), which subsequently became a member of the FII and sat on its NEC.

of takeovers among the native-owned firms. For example, in the textile and clothing industries an examination reveals the indigenous members of the '66 conference' to be by far the most expansionary. Seven of the twelve textile and clothing firms were involved in approximately twenty-five separate mergers and takeovers between 1958-1973. By 1971, the textiles industry was dominated by two groups, Seafield Gentex and Courtaulds, both of which emerged from participant firms in the '66 conference' (the first through the merger of conference members Seafield Fabrics and General Textiles and the second following the takeover of conference member Robert Usher Ltd. by the British firm Courtaulds). The clothing sector also witnessed the consolidation of 'conference firms' (Sunbeam Wolsey and Martin Mahony Bros) as part of an overall reorganisation of ownership while both Sunbeam and Glen Abbey Ltd. (also a conference firm) made major efforts to achieve a greater degree of vertical integration by buying a number of textile mills. Where conference firms were not active in these industries, records suggest an almost complete absence of rationalisation through merger\takeover (Restrictive Practices Commission, 1974). In metals and engineering, the process was even more complex with the four conference firms engaging in a series of joint ventures, often with each other, and takeovers of smaller firms before finally merging into one company (TMG Ltd.) in the mid-1970s (Brophy, 1985:84). Records show that by the early 1970s, enterprise concentration had increased considerably and, in the Committee on Industrial Progress report for the metal trades industry, a link was established between this process of rationalisation through merger/takeover and the improved capacity of some firms "to make substantially better progress both in home and export markets" (COIP, 1970c:27).

Thus, the textile, clothing and engineering industries, dominated by native firms which had been fostered by protection, witnessed a significant process of rationalisation in anticipation of an increasingly competitive environment. It was this commitment to economic adjustment which both facilitated cooperation between foreign-owned and native producers and prompted them to join together to assert their leadership of manufacturing industry in the face of external pressures. It was also this commitment which facilitated the broadening of the alliance to include financial and public enterprises. However, it is clear that such 'horizontal' cooperation, and the terms and conditions embodied in it, also served to generate vertical divisions within indigenous manufacturing. The degree of merger and takeover activity by indigenous manufacturing firms in the conference and their determination to take proactive measures sharply distinguished them from the mass of private companies which were uninterested in or incapable of seeking salvation through mergers or takeovers and were reluctant to surrender their independence. The creation of new forms of cooperation and collective action across industries was accompanied by the emergence of significant divisions within an indigenous manufacturing sector which had previously been united by common attitudes towards government industrial and trade policies. As has been noted, the financial sector had in general always been in favour of integration with international (especially British) markets. In the case of public enterprises, the relatively large size of these operations, their frequently monopolistic or oligopolistic position and their acceptance of the government's tutelage on such basic policy matters ensured their support for liberalisation. For subsidiaries of foreign firms, their international connections left them relatively well placed to respond to change while frequently their attitudes were dictated by the parent company, which in most cases was not hostile to the principle of freer trade. In respect of indigenous industry faced with the severest challenge, however, the response of firms was determined by a combination of factors, ranging from the degree of dependence on protection (and therefore vulnerability to liberalisation), firm size, and management philosophy. In this process, clear divisions emerged and the shift towards more broadly based collective action embodied in the '66 conference' must be set in the context of this fragmentation of indigenous manufacturing interests in respect of trade policy.

Policy Implications

The conference's determination to embrace market liberalisation rather than resist it was carried forward into the CII and clearly manifested in its basic policy orientation. Together these firms, and this perception of interests, shaped Confederation policy and its full-blooded conversion to a liberal, open market philosophy and the rigours of free competition. It determined to campaign hard for EC membership and fought hard against the residual resistance within industry towards the full removal of protection. More specifically, and controversially, it fought against the emergence of a new surrogate system of protection. By the late 1960s its support for government-sponsored programmes of cooperative adaptation was ebbing fast and it increasingly came to espouse a new perception of intra-industry relations and the legitimate objectives of industrial policy, and its own role in furthering these objectives. This was typified by its attitude towards the CIO programme formulated in the early 1960s, and largely accepted by the FII, which had envisaged a range of activities stretching from joint marketing initiatives through to cooperative rationalisation of the structures of industry by agreed merger. By 1967, the emphasis had moved away from cooperative rationalisation, with the exception of joint marketing, towards the provision of information and services to individual members; from being a pivotal agency of cooperative economic modernisation to being a representation and support service facilitating the adoption of appropriate measures by individual firms. Cooperation was not rejected as an instrument of policy, but it was now perceived as an adjunct to, rather than a partial substitute for, market operations.

This new perspective was most clearly evident in relation to the problem of selectivity in industrial policy. As the Federation itself noted, "the State's adaptation programme [had] been based on keeping the existing structure of Irish industry more or less intact" (FII, Challenge, 1968:42). The CIO, Adaptations Councils, planning, etc., had all pursued the politically secure path of providing aid to virtually all firms which requested it and encouraging a relatively painless process of adjustment by each individual firm. By the late 1960s, it was becoming increasingly evident that this approach was marked by economic failure.

The FII set up a 'Europe Committee' to consider the best way forward. Nineteen of its twenty-five members were representatives of '66 conference' firms and its conclusion reflected their expansionary ethos. It argued that

> "effective adaptation must involve a great deal more than simply brightening up the industrial structure developed under protection. It may well be that much of this structure can never be suitable for free trade conditions. Given the inevitability of free trade, we have the choice of either identifying now the parts of the structure which will not be viable and proceeding to their orderly demolition or ....it seems obvious that we should choose the first alternative." (FII, Challenge, 1968:41)

The national association of protected industry was now recommending selective industrial policies which would see the elimination of large segments of industry which had been nurtured by protection. Compensation for all now became the right of the strong to prosper. The President of the FII, Mr G.P. Jackson, argued in 1968:

> "Already I personally feel, we cannot continue to afford the luxury of handing out money to industries who have no thought for the morrow, and are using their funds to stave off what they regard as the evils of mergers and rationalisations ...I hope that .. we will give some serious consideration to the question of selectivity in the

> allocation of grants and incentives. In a perfect world the carrot should be enough but we do not live in such a world and in our world there must be a stick ... Should we not challenge the right of the business owner to neglect his own business?".[20]

The state's unselective industrial policies were perceived to be sustaining the unprogressive and preventing the necessary rationalisation through closure/takeover/merger, inhibiting, in fact, those very techniques of adjustment which were most marked among '66 conference' firms. The unity of protected industry, at least in relation to general economic policy, had now given way to a division between 'progressive' and 'unprogressive' and the FII/CII lobbied government to swing its industrial policies behind the former. This was a politically difficult task as unselected firms and their employees might suffer by rejection. The abandonment of large sections of protected industry would inevitably bring a spate of redundancies and, in the short term at least, increase unemployment.

Notwithstanding these difficulties, in 1971 the recently restructured Industrial Development Authority (IDA) invited the CII to cooperate in drawing up selection criteria. In considering its response, the National Executive Committee of the CII recognised that "selectivity would create problems for individual member firms" but agreed that "the CII must support the selectivity principle".[21] It accepted the IDA's invitation to participate "in the permanent consultative committee proposed ...which would give the CII the opportunity to supply practical expertise in determining IDA policy on this issue".[22] Damaging as it might be to industry's solidarity, or the CII as an organisation, the 'neo-protectionism' which had emerged under the guise of industry adaptation in 1960s had to be overcome and its

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[20] Management, 1968 Vol. XV No.5, p.14.

[21] CII, NEC minutes 27/5/1971.

[22] Ibid.

supporters within industry marginalised. To this end the new leadership alliance exercised its control over the National Executive Committee of the CII to damp down resistance. For example, fears of a dispute over trade policy in 1971 prompted the NEC committee to review the relationship of sector organisations to the central body:

> "It was agreed that Sectors must continue to be free to develop their own policies but that glaring inconsistencies would be of harm both to the Sectors concerned and to the CII as a whole. It was necessary, therefore, that Sectors be kept positively in touch with CII policy so that they can try and harmonise with that policy...".[23]

Similarly, in respect of grants and incentives the Confederation insisted that sector members respect its general policy of favouring tax breaks over subsidies. The new leadership of a considerably expanded organisation now espoused a clear understanding of the appropriate relationship between government support and market discipline which favoured the latter and rejected the concept of inhibiting market pressures for, and market mechanisms of, the rationalisation of industry. It had also moved to a position which implicitly rejected the type of incorporated role based on bipartite or tripartite planning structures which had been touted earlier in the decade.

The Limits to Associational Integration

The drive of the '66 conference' towards greater business unity and an inclusive peak association has been analyzed. However, though its longterm contribution lay in the development of the FII, the emergence of a new leadership 'cadre' and the creation of a coherent body of industry opinion strongly committed to integration with Europe and the restructuring of the

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[23] Ibid.

economy, during most of its working life its principal objective had been a rather more radical reorganisation of intra-business relations. Convened as a body of industrialists almost wholly involved in manufacturing, the impetus of its policies during the following year and a half ran consistently towards the broadening of its base, with the inclusion of virtually all sectors of business outside agriculture and the integration of trade and employers' union functions in a single organisation. The interim findings of the consultants (Harbridge House Europe, Ltd.), charged with examining the patchwork system of business representation reflected this general perspective. Based on discussions with existing organisations and an interview survey of over two hundred firms it proposed the creation of a single representative body for business, the Nationwide Irish Business Organisation (NIBO), which would be inclusive of all branches of business and would perform a full range of tasks stretching from making representations to government and state agencies, through the provision of services to members, to functioning as employers' union. Its organisational design was complex. 'Horizontal' divisions would separate manufacturing, distribution, building and construction, finance and services into different industry groups. 'Vertical' groups were to be organised around a product and inclusive of all firms involved in its production and distribution. These categories were to be complemented by a network of regional groupings. Some of the proposals were intended specifically to usurp the functions proposed for tripartite bodies; for example 'planning councils' were devised to preempt and 'privatise' the role suggested for Development Councils. The principal objective was the creation of an organisation which could satisfy the divergent interests and needs of different firms and sectors while aggregating their common 'class' interests and effectively representing them to the state and trade unions. This logic of 'strength in unity' was also manifest in the attempt to implement the report's proposals.

The initial strategy had been to seek the amalgamation of the two largest associations, the FII and the Federated Union of Employers, but this was quickly perceived as being too narrowly based and was abandoned in favour of a 'Feasibility Committee' composed of thirteen different associations plus representatives from the financial services sector and public enterprises. All subsequent discussions sought maximum inclusiveness as a sine qua non.

Table 5.6
Estimated No. of Establishments and Persons Engaged in Manufacturing, Distributive trades, Personal Services, Banking and Insurance 1967.

Sector	No. of Est.	Average No. of employees.	Comments
Manuf.,Building, and some services*.	5,000	65	80% employ 20 or less.
Distributive trades**:			
Retail	41,000	2-3	75% employ 3 or less
Wholesale	2,400	12	75% employ 5 or less
Personal Services:			
Hotels,etc	4,500	4-5	
Other	10,000	4	
Banking, Insurance	400	35	
Total	63,300		

*Electricity, transport, communication, storage.
**Of the 43,400 establishments, only 200 employ 50 or more.

Source: Chubb, B., Government and Politics of Ireland, 1970.

In pursuing their remit, the consultants detected considerable support for the concept of 'one big association'. Moreover, meetings with trade unions and the Cabinet to outline the proposals elicited the acquiescence of the former and the support of the latter. However, ultimately, the grand design ran into serious opposition and failed to reach conception. While this may have been partly due to the report's insufficient consideration of how the transition from present reality to desirable end state might be accomplished, more fundamental factors were in operation. On examination, it is evident that the impact of public policy pressures and liberalisation did not necessarily result in more associational integration and closer cooperation across sectors but could also serve to intensify existing, or create new, fissures. Focusing in particular on the experience of NIBO and relations between the leading trade and employers' associations, three major factors which significantly mediated the impact of such pressures on associational development can be discerned. The first concerns the character of existing associations, their size and strength. The second concerns the differences in the experience of transition to open markets between sectors and associations. The third concerns the more fundamental question of divergences in the relationship of firms and industries with open international markets. These will be examined separately.

Inter-Organisational Rivalry

Where two interest associations considering merger are weak, the need to achieve higher levels of revenue and greater professionalisation if survival is to be guaranteed may well facilitate the process. Where such associations are of unequal size and capacity, takeover or merger talks may be eased, on the one hand, by the vulnerability of the smaller association and, on the other, by the considerable enhancement of resources and services merger would bring. However, where two relatively developed associations are considering merger, problems of inter-organisational rivalry and employee protection can be anticipated. Organisational survival is unlikely to be at stake. The distinction between merger and takeover may be hard to sustain and, in the absence of a true equivalent to shareholders's interests, management concerns may prove decisive.

Certainly, in the context of NIBO, while the degree of importance is hard to assess, such considerations were at the forefront of discussions. The most relevant manifestation of such dissension occurred in relations between the FUE and the FII, whose amalgamation was the key to the successful completion of the NIBO project. It was estimated that between them the FUE and the FII represented 32% of companies with up to 100 employees, 59% of companies with a workforce of 100 to 800 and 82% of firms with 800 or more. Of the two, however, the FUE was by far the larger, with 1,600 member firms drawn from manufacturing, services and distribution against the FII's 600 manufacturing members, half of which were also members of the FUE (Harbridge House Europe, 1967a). Only two other associations, the Builders' federation (approx. 300 members in 1957) and the Society for the Irish Motor Industry were of a sufficient size to employ full time staff and neither came anywhere close to matching the size (in terms of % national production and employment represented) or the sectoral range of the FII, far less the FUE.

Given this predominance it is not surprising that the latter was acutely suspicious of the possible 'takeover' implications of the FII-sponsored '66 conference'. It was very conscious that it was the sole, sectorally inclusive, national employers organisation, the sole national organisation wholly occupied with labour relations, and the largest industry body of any type in terms of membership and resources (See Table 5.7). It agreed to facilitate the survey of associations but with the reservation that "it should be made clear that the FUE is a completely independent body".[24] It was similarly cautious when the study was published, quickly issuing a statement advising its members that "no commitment has been entered into" contrary to the

[24] FUE, Executive Committee, 12/7/1966.

impression given by a wave of positive public and press reaction.[25] In the event, it would appear that this suspicion and resentment played some part in the decision by the FUE Executive Council in May of 1967 to declare that the FUE as an organisation must be preserved in tact, to reject amalgamation with other business associations to form a NIBO and to insist on the continued separation of the trade and industrial relations functions. Organisational interests, and inertia, disposed the leadership of the FUE to take this stand and it is notable that the decision was taken by the organisation's executive council without extensive consultation with the membership and before the consultants could initiate a thorough poll of membership opinion.

[25] FUE, Executive Committee, 18/4/1967.

Table 5.7
Principal Trade and Employer Organisations 1965/1966.

Name	Annual Income £ (1965).	No. Members (1966).	Functions and coverage.
FUE	56,000	1,600	Labour/Social affairs. Collective bargaining. Manuf/Services empl. almost 50% total manuf/services labour
FII	41,200	600	Larger manuf and Industrial firms
Assoc of Chambers of Commerce	650	35	Gen. eco and commercial. Regionally based.
Dublin Chamber of Commerce	-	650	As above
Fed of Trade Assoc.	180	13	Central Distributive Trades assoc.
Retail, Grocery,Dairy and allied Trades Assoc.	8,800	4,100	Labour (with FUE) commercial affairs. Incl. most of the largest grocers.
Irish Drug Assoc	5,700	1,200	Labour (with FUE), commercial. Incl. largest.
Irish Motor Traders Assoc.	9,000	900	Labour/Commercial
Licensed Grocers' and Vintners' Assoc.	7,200	1,400	Labour/commercial
*Fed.of Builders Contractors and Allied Employers.	17,000	650	Labour/commercial. Members employ 70% of construction labour.
Irish Printing Federation.	4,900	55	Labour/commercial. Members employ 90% labour
Irish Hotels Federation.	2,300	400	Commercial.

*Later changed to Construction Industry Federation.
(Source: Based on Harbridge House Europe Survey 'Business Representation In the Republic of Ireland', and, Chubb, B. Government and Politics in Ireland, 1970.)

Transitional Experience

Notwithstanding the existence of such rivalry, amalgamation might have been possible had there not been more substantive differences at issue. Firstly, while liberalisation may have undermined existing protectionist practice, it was not even in its impact across all sectors nor did it manifest itself in the same way to trade and employer associations. The decision by the FII rather than the FUE to promote radical changes in associational structures in response to government pressure is partly explicable by the fact that the policy changes particularly affected its membership base. Both industrial and planning policy, and institutional innovations such as Development Councils, were directed principally at manufacturing industry and presented no threat to the distributive trades and service sectors. Furthermore, these policy developments were primarily concerned with production and trade matters and, while the National Industrial and Economic Council did devote considerable attention to labour relations, it carefully avoided interference with the existing machinery of industrial relations. Thus, industrial policy and planning initiatives were perceived somewhat differently, and certainly with a variable urgency, by different firms and sectors, depending both on the nature of their operations and the task orientation of the interest association.

Secondly, these contrasting perspectives were also evident in assessments of the value of planning itself. For example, the FII discerned some positive aspects in the new planning and adaptation arrangements. If planning threatened dominance by the state it also offered the prospect, if 'properly' managed, of giving industry a "bigger part in Government".[26] Though fearing that "if we fail to exert our full influence it can result in

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[26] Business and Finance, interview with the President of the FII (2-9-1966).

only one thing -(that) industry's future will be planned and directed, not by us, but by the trade unions and the state",[27] a President of the FII also felt that planning was a "good thing for the country" and offered new opportunities for industry.[28] Strengthened industry associations could provide the capability of capitalising on this potential. In contrast, however, the FUE tended to regard tripartite planning at industry level as unacceptable in any form. Any increase in trade union participation in, or knowledge of, the management function would seriously distort wage negotiations to the advantage of labour. Both the FII and the FUE remained first and foremost concerned with the actions and intentions of their principal interlocutors/opponents. In the case of the former the state, for the latter the trade unions. New initiatives were judged in relation to their implication for these basic relationships.

However, it is evident that the division between associations was not simply over the appropriate level and type of response to government policy and institutional initiatives but also reflected divergent experiences of economic change itself, and of its ramifications. In some instances, the process of transition itself tended to sharpen differences between employers and trade associations rather than unify their perceptions. This is clearly manifest in the ambiguous impact of the relatively sustained economic boom which followed the shift in economic policy in the late 1950s and continued throughout most of the '60s. For the FII, the boom sugared the pill of change and offered a portent of things to come. For the FUE, the manifestation of growth had been malign in significant respects. Within a short time economic buoyancy contributed to an upsurge in the level of wage settlements, strike activity and raised the spectre of a damaging cycle of wage inflation. To

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[27] FII, record of the conference 4-5/1/1966.

[28] Business and Finance, 2/9/1966.

prevent an upward spiral a centrally negotiated 'National Recommendation' on wages was agreed in 1964 by the trade unions and employers in an attempt to stabilise the situation until the next 'pay round', but its abject failure served only to heighten the sense of crisis. Thus while the '66 conference' was principally concerned with government industrial and planning policies, the FUE, as the leading employers' association, brought to the negotiations over NIBO a deep sense of anxiety about the climate of industrial relations and the capacity of employers to resist the 'irrational' and 'unrealistic' demands of the trade union movement which had been prompted by the new conditions.[29]

Table 5.8

5-Yearly Statements of No. of Strikes, Workers Involved and Man Days Lost, 1952-1971

Period	No. of Strikes	Workers Involved	Man-days Lost
1952-56	401	46,550	962,282
1957-61	299	58,709	800,275
1962-66	418	141,664	2,219,011
1967-71	606	194,100	2,805,715

(Source: A. Kelly and T. Brannick, 1987)

Table 5.9

Strike frequency, breadth, and man-days lost per 100,000 workers, 1960-1974.

	Annual Average for		
	Strikes	Workers Involved	Man-days lost
1960-1964	6.8	1,580	25,271
1965-1969	10.1	3,995	53,713
1970-1974	14.9	3,178	41,999

(Source: Breen et al, 1990:173).

[29] This section draws heavily on Harvard Business School teaching notes written in 1968 by a member of the Harbridge House Europe consultancy team.

These contrasting experiences tended to colour the perception of events and the strategies adopted in response. The discussion within the NIBO 'feasibility committee' over the structure, aims and objectives of the new organisation reflected these divergent standpoints. For example, in relation to public enterprises, the position of the FUE derived from its assessment of the labour relations scene. Wary of the principle of public enterprise per se, its more immediate concern was with the role of these companies as large employers whose policy on wages and salaries had significant ramifications for pay levels throughout the economy. Though most commentators agree that state companies acted as wage round 'takers' rather than leaders (McCarthy, 1973; O'Brien, 1987b), the FUE saw them as 'soft on labour', unreliable partners for private business and a manifestation of creeping socialism in Ireland. Though favouring their inclusion in NIBO, the FUE did so on the grounds that within a common organisation private enterprise might succeed in disciplining public enterprise and gaining its acquiescence to a hard line in labour negotiations. In contrast, as has been noted above, the FII's leadership identified with public enterprise in relation to the management of economic change, notwithstanding some ideological reservations. Where, for the FUE, labour relations tended to divide private and public companies, for the FII practical problems tended to favour a convergence of interests. Where, for the FUE, the organisational unity of business was a means of disciplining backsliders in the face of union demands, for the FII it was a way of institutionalising a new unity based on changed government policy and unfolding trade liberalisation.[30]

More fundamentally, these differing perceptions of economic modernisation and its manifestations significantly shaped the respective position of the FUE and the FII in relation to the

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[30] Ibid.

kind of labour relations policy which NIBO should pursue. Specifically, a major source of disagreement in discussions concerned the desirability or otherwise of seeking to enforce and police agreements entered into by NIBO. Two extreme positions emerged. The first held that NIBO should have strong rules binding members to negotiate within the parameters which it laid down. It was further suggested that the power to enforce 'solidarity' should be underpinned by a fighting fund. This case found its principal exponents among the leadership of the FUE, among them its president. The second view held that a system of enforced adherence to NIBO policy was neither practical nor desirable. Members would simply withdraw rather than support such a strategy. A 'lock-out philosophy' would exacerbate already difficult labour relations. Instead they proposed that a 'moral' commitment by firms to show solidarity with each other should be sufficient and a policy of improving relations with trade unions rather than winning an industrial relations battle would be both more desirable and more feasible in the longterm. The consultants felt this line of reasoning was more widely held and it certainly predominated within the '66 conference', but the failure to adopt a tougher line was a key factor in precipitating a breakdown of negotiations and the FUE's insistence on the necessity of maintaining the separation of the trade and labour relations functions in different organisations.[31] Both the '66 conference' and the FUE sought 'class unity' and cooperation, but the character of their respective programmes reveals fundamental differences in perspective. The tensions and conflicts of transition exacerbated already present divergences of view.

Domestic and International Competition

While task orientation and transitional experience may explain a certain amount, these differences also had deeper

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[31] Ibid.

roots. These consistently contrasting analyses also reflected basic divergences in economic situation. In examining these it must be recognised that the preferences of the association's leadership were of particular importance in determining its policy. In conditions of rapid change their control of institutional power gave them a great advantage over the general membership. Thus, for example, despite the presence of many members within the FUE, the '66 conference' was unable to effectively bring its influence to bear on policies. In relation to labour policy, it appears probable that a majority of FUE members supported the softer line - interestingly, subsequent Federated union policy adopted this approach - taken by the NIBO protagonists, yet the leadership was able to stall negotiation on the basis of its opposition to it. As has been evidenced earlier, a general potential for associational development can be crucially dependent on the actions of a small number of firms for its realisation. Equally, determined action at crucial moments by relatively small groups of firms in leading positions can set the limits of integration. Given this influence in shaping events, and in order to appreciate the ways in which the process of transition accentuated existing divisions and created new ones thereby constraining the institutionalisation of a wider business unity, it is necessary to examine these elite groups, their perceptions and social bases.

In distinguishing between these groups, the most salient factor, of course, is that of labour relations policy. General disagreement over negotiating strategy was linked to conflicting views over how to tackle the rise in the level of wage demands, the increase in strike activity, the nature of the threat which they presented and the proper basis of their resolution. In addressing these issues firms and associations had to make important assessments of the nature of unions, the economy and the common interests of capital. The system of free collective wage bargaining supported by the consensus seeking institutions of an 'auxilary' state had become entrenched in the years after the war (Roche, 1987:95). The substance of bargaining had generally been a practice of 'splitting the difference' (i.e. above the initial offer and below the initial demand) while the claim itself paid little regard to the particular circumstances of the firm but, rather, owed its magnitude to considerations of comparability, relativity, equity, and the cost of living (O'Brien, 1987b:115). Indeed, industrial relations manifested a complex and rigid network of wage rates which saw a multiplicity of unions (over 90) attune their behaviour to the protection of advantage and status vis-a-vis other workers as much as to the task of winning more from employers. It was this delicate web of relationships, created in a closed and stagnant economy, which was seriously destabilised by the onset of sustained economic growth and to which employers were concerned to restore order (Lee, 1981).

In responding to its destabilisation, the HHE consultants found that among the FUE leadership the opinion was frequently expressed that it was impossible to work constructively with trade unions because they were unable to control their militant rank and file, that the tendency towards the pursuit of British wage levels was economically unrealistic and unsupportable, that wage inflation would ruin Irish industry and that the common interests of business in avoiding these evils could, and should, be realised through the creation of a powerful and aggressive 'solidaristic' employers' union to restore a favourable 'balance of power'. Only when this was achieved could consideration be given to pursuing better personnel management and productivity agreements.

In contrast, it was found that among FII leaders, the deterioration in the climate of industrial relations was held to be partially the responsibility of the FUE. Many acknowledged the existence of poor personnel management practices and grave injustices in the pay relativities of different groups of workers. Though no less anxious to restore order to pay bargaining, the FII tended to favour a shift to a new basis of negotiation in the shorter rather than the longer term. British wage levels were felt to be inevitable and, rather than straining to retain a 'protected' lower wage labour market, argued that the equalisation of wage rates with those of Britain should be exchanged for corresponding increases in productivity. To achieve this they favoured a move away from national wage rounds, the battle ground on which the FUE wished to exercise employer power, towards bargaining at plant and industry level to achieve productivity improvements and the elimination of restrictive practices.[32]

This was not simply a question of strategy but a fundamental divergence in response to economic opening. It expressed two different rallying points for business organisation and unity. Employer solidarity in an economy-wide struggle to resist excessive wage increases and destabilisation of the bargaining system contrasted with a unity built around the task of production and marketing modernisation in which labour was not conceived in class-wide terms but, rather, as something specific to the operation of individual enterprises. In the first strategy, the forces of economic growth and international competition were to be held at bay, in the second they were viewed as irresistible, the objective instead being to incorporate them into a new pattern of relationships and principles of negotiation.

This difference in perspective was linked to the economic and social base of the leadership of the respective organisations. One of the team of consultants has noted the sectoral bias in the leadership of the FUE. He found that, in the main, they were typically managers "of often large companies in old established industries, such as bacon curing, biscuit

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[32] Ibid.

manufacturing, distilling, dairy production, etc., and among owners of small family business' in textiles, many branches of service industries and the distributive trades".[33] Although somewhat impressionistic, this analysis, based on a large interview sample and the experience of dealing with association leaders, does suggest that, in contrast to the rather vulnerable firms of the FII, the leadership of the FUE was disproportionately composed of relatively sheltered sectors for which wage inflation and the 'internationalisation' of the labour market (i.e. even closer integration with the British labour market than that which already obtained) were the most pressing and dangerous manifestations of economic opening. Both the service and distributive trades sectors, which were absent from the FII's membership, exemplified this position and were an important element in the FUE's membership. Similarly, the manufacturing element in the FUE's leadership was generally closely integrated with the local Irish economy and relatively protected from foreign competition. Bacon curing, biscuit manufacturing, distilling, dairy production, etc., were principally processors of native agricultural raw materials and held important advantages over any prospective importer. In turn, labour-intensive production and relative security from the threat of foreign competition tended to favour the FUE's approach to labour relations. In relation to small textile firms, the virtual impossibility of their achieving necessary economies of scale or successfully competing in international markets as a compensation for higher import penetration inevitably forced them to rely on their local ties and cheap labour costs for competitive advantage. In addition, the fear among the FUE leadership that, within NIBO, wage policy would be set by the large firms which predominated in the FII (and even more so in the '66 conference') at the expense of smaller firms, which

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[33] Ibid.

formed a large proportion of its membership, was a significant factor prompting their rejection of the proposals.

The expansionary, internationally linked and relatively exposed manufacturing firms which predominated in the conference leadership, some of whom were no less vulnerable to labour cost increases, had little choice but to pursue the path of productive modernisation, productivity improvements and marketing sophistication in order to survive and prosper. Relative wage advantage vis-a-vis foreign competition was not likely to be sufficient to attain competitiveness and many were prepared to bargain this advantage for the necessary improvements in productivity, etc. More sheltered sectors of the economy were subjected to milder pressures to change and could hope to moderate these pressures by resisting the demands for wage increases. The prospect of reimposing order and 'sanity' on the labour relations system combined with relative protection from foreign competition to offer the hope of continued competitiveness and profitability. This was not an option available to the ambitious (and fearful) firms in the internationally traded sector.

The leaders of the '66 conference' postulated that economic liberalisation had eliminated the basis on which the fragmented associational system of pre-1958 had emerged. In one sense this proved correct. The development of the FII and the emergence of CII reflected a considerable degree of integration. In another, it failed to acknowledge the persistence of some major divisions between different branches of business (distribution and manufacturing) and the emergence of a whole new set of fragmentary forces generated by the very process of opening.

Thus while both the FII, through its sponsorship of the '66 conference', and the FUE, in the negotiations over NIBO, attempted to create a more broadly based and united organisation to respond to the external 'environmental' dangers which they identified, their different functions and their different economic bases combined to produce significantly different reactions in the two organisations. Underlying both developments were the forces of economic policy change and economic development, but the manifestations of this change and the differing character of the two leaderships promoted two different conceptions of the objectives of any new organisation of class unity. The incompatibility of these programmes of unity led, ultimately, to the collapse of the NIBO project and the perpetuation of divisions between employer and trade association functions.

Conclusion

It is evident that liberalisation had a major impact on associational development through the recasting of basic relationships between different branches of business. Old enemies became new allies, old allies drifted apart. Cooperation and conflict were now structured around different issues. While many of these changes were slow and barely perceptible, they were nonetheless real and important in their consequences for the evolution of a new leadership within industry and the articulation of a new set of policy priorities. The broad context of collective action had been profoundly altered by the need to respond to a radically changed political and economic environment.

Working on and through these basic relationships, liberalisation proved to have carried both homogenising and divisive implications for business associability. Rather than an archipelago of small, barely self-sustaining organisations, as under protection, trade association activity was increasingly dominated by an all-encompassing confederated association. On the other hand, distinctions based on task orientations became newly entrenched. But while the importance of liberalisation is indisputable, it is also evident that its precise associational implications were dependent on the combination of basic structural and contingent factors. Groups of firms highly exposed to competition from imports, export dependent firms, labour-intensive firms, etc., may have all faced problems which conditioned their response, but less tangible factors such as management philosophy also played a crucial role in determining outcomes. Moreover, the process of redefining industry's interests did not simply involve a 'reading off' from the structural economic position of firms but was crucially affected by the activism of leading firms which invested the resources and expertise in the realisation of a particular policy and organisational programme of collective action. The development of BIAs proved to be a highly political process in which different firms and groups of firms competed to establish their perceptions of the interests of business, as the definitive set of interests. During this exceptional period when established patterns of associational organisation were open to change, a complex process of alliance formation generated and institutionalised a new set of structures which have persisted despite subsequent fundamental changes in economic conditions.

Chapter Six

An Open Market and Business Associability

The Changing Face of Liberalisation

With accession to the European Community in 1973 and the full implementation of the terms of AIFTAA by 1975, the impact of economic liberalisation intensified. The transitional phase had passed and now problems need no longer be anticipated but were painfully evident. This changed the context of associational politics. The initiatives of the 1960s had been conditioned by the problems of transition, now both government policy makers, firms and associations had to deal with the actual operation of open markets. Their response constituted the second stage of the liberalisation process, when actors formulated the positions and established the relationships which they felt to be most appropriate to the functioning of a small open economy.

State and Market

In respect of state policy, as has been noted in Chapter Two, fundamental changes in policy were instigated. Industrial policies designed to encourage and facilitate anticipatory adaptation were superseded by policies which sought to promote new investment. With established industries suffering heavy losses from the early 1970s onwards, the need for new investment progressively grew. The operation of such investment policies involved a different set of instruments and required the establishment of different kinds of relationships between firms and state agencies which largely bypassed associations. Moreover, labour unrest and cost competitiveness pressures prompted a major shift of emphasis to the field of industrial relations.

However, more complex changes in strategies and attitudes were occurring which altered the way the pressures of economic liberalisation were mediated by state policy. Coleman has argued that the structure of BIAs and systems of BIAs will be affected both by the general institutional characteristics of the state and the 'political world views' and 'historical experiences of authority' associated with different polities (Coleman, 1990:251). By the 1970s, it is evident that the structures and historical experience of the Irish state were exercising an ever greater influence over the process of associational development.

In responding to the challenges of liberalisation and development, the state had massively increased its role in the economy. Public sector expenditure rose from 27.8% of GDP in 1960 to 47.3% in 1975 to 55.6% in 1982 (O'Hagan, 1987:130). By the early 1980s, of OECD countries only Sweden, Denmark and the Netherlands had a larger public sector than Ireland (Walsh, 1986:62). The establishment of a recognisable modern welfare state was undertaken in this period (Maguire, 1986). Public social expenditure jumped from 13.3% of GNP in 1958 to 18% in 1968 (Kennedy, 1975:303). Total employment in the state sector rose from some 229,248 in 1972 to an estimated 322,000 in 1983, almost one-third of the total labour force (Breen et al, 1990:45). However, as has been seen in earlier chapters, many forms of intervention not only implied greater public expenditure but involved the establishment of new relationships between state and market. In turn, these new relationships presented a major challenge to the operation of the state, both in terms of its structure and its ideological underpinnings. By the early 1970s these problems were becoming acute, necessitating either a change in policy or an overhaul of policy-making and administrative structures.

This challenge was manifested in a number of ways. Firstly, closer cooperation between state and economic groups would only bear fruit if the former succeeded in properly coordinating the actions of its many departments and agencies and imposing an overall policy direction. However, the structure of the civil service made such coordination extremely difficult. Under the Ministers and Secretaries Act of 1924, departments were made responsible to their Minister and to him/her alone. Thus, even concerning matters of detail, proper coordination could only take place at Cabinet level. While the Department of Finance held a preeminent position by virtue of its control of the purse strings, it could only seek interdepartmental cooperation, not command it. There is evidence that planning was virtually ignored by some departments while the key role played by the Department of Finance in the formulation and consultation process inevitably ensnared it in the perennial inter-departmental conflicts (FitzGerald, 1968). These inherent structural obstacles to coordination combined, as the FII believed, with a widely held attitude within the public service that pressures "exerted by special interests, such as industry, attempting to influence government policy or action"[1] should be resisted, to make the state a rather uncertain partner for the private sector. Thus the forging of new links with representative interest groups was only one half of the process of developing a new network of policies and policy instruments. If new systems were to be successfully operated, the structure of the state itself had to be reformed. Unsurprisingly, the overhaul of the civil service was increasingly mooted but ultimately a process of review and reform yielded almost no significant changes. The key elements of a high-profile, investigative commission's (Devlin) proposals for the creation of a more dynamic and policy-oriented civil service went largely unimplemented (Lee, 1989).

Secondly, new forms of intervention challenged existing ideological perceptions of the proper nature of the links between

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[1] Industrial Review 1967, Vol.14, No.4/5.

market actors and the state. Of particular importance was the degree to which government and administrative actors would modify their liberal conception of the appropriate relationship between state and markets. Under protection this demarcation had generally been respected, with intervention being confined largely to the manipulation of incentives. However, within the bureaucracy, a professional ethic of evenhandedness in dealings with private actors and the protection of the public interest militated against the development of a more microeconomic form of intervention. Initially, pressure came from the government, and the Prime Minister in particular, to modify this tradition and to adopt a more developmental, dynamic perspective but a change in political leadership in 1966 saw a weakening of these pressures and a gradual drift back to the status quo (Lemass, 1969).[2]

Thirdly, the government was reluctant to break fundamentally with the liberal economic views which had always informed, if never totally dominated, economic policy making since the state's foundation. Katsiaouni, for example, has argued that the form of planning implemented was heavily indebted to neo-classical ideas. The planners strove to complement the price mechanism

> "by the device of contingency markets which are intended to delimit the probable sources of uncertainty while reinforcing the 'animal spirits' of the enterprises ...[w]hat separates the pre from the post planning period is not the policy controls but the provision of future profiles of the economy subject to one or another eventuality (e.g. assumptions regarding the state of the external environment) occurring. Moreover, since the market is charged with such sagacity both in design and execution of plans, the role of the state becomes secondary to the entire experiment" (Katsiaouni 1978:274).

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[2] The crucial role played by Sean Lemass in both the establishment and dismantling of protection cannot be denied. With his retirement, the reforming impetus of government policy in respect of the restructuring of state-business relations certainly lessened.

Thus the very conception of planning manifested an attempt to reconcile a more active and, in some sense, interventionist role for the state, and the strengthening of its ties with interest associations, with continuing respect for established boundaries between state and market/market actors. Policy instruments and their manipulation continued to rely on the market mechanism and remained distinct from the planning/cooperative process. This not only contributed to the failures of the planning experiment, but led to the creation of a complex set of relations between associations and the state which strengthened the former, and saw the transfer of resources to it by the state, while leaving it largely unintegrated with the evolving network of policies and policy instruments. While successive governments were prepared to encourage the organisation and centralisation of industry and to establish closer ties with its representative associations, continued respect for the integrity of private firms and market operations saw the creation of new structures and relationships which encompassed them but, ultimately, exercised very little influence over them.

Fourthly, what was required for effective planning was the development of strong encompassing associations which could facilitate, and to some extent enforce, the participation of firms. However, the relative weakness and incoherence of the state was compounded by the most important factor of all, its reluctance to compromise the integrity of its own power. For example, in certain respects ACs conformed to the specifications of what Cawson (1985) terms 'meso-corporatism'; that is, a fusion of the processes of interest representation, decision making and policy implementation with respect to a restricted range of 'sectoral' issues. As we have seen ACs were clearly intended to extend the coverage of representative associations. Equally, they were conceived as mechanisms of policy implementation. Crucially, however, in practice they suffered severely from the reluctance of the state to delegate authority. If interest intermediation involves some commitment (and capability) by interest associations to enforce/induce membership compliance and some corresponding transfer of public power to the association to facilitate this, in this respect the state was anxious to maintain a 'pluralist' division between the legitimate powers of the state and organisations of civil society. While it was prepared to lend financial support to industry associations, it was far more reticent about lending them public authority. In practice it would not delegate control over the operation of grants and incentives nor would it wield its control over their award to reinforce effectively the authority of ACs in relation to their members. While membership of an AC might improve a firm's chances of being awarded an adaptation grant, there was nothing to encourage active participation or commitment to the workings of the Council. Indeed in some cases firms terminated membership on receipt of a grant (COIP, 1970d).

Together, these conflicts and contradictions exercised an increasing influence over policy makers. In combination with the growing reluctance of industry to become too closely involved with the state and its agencies, these problems prompted a shift in emphasis towards policies which recognised and built upon, rather than conflicted with, a basic liberal paradigm of state-market relations. Many of the tensions within the state to which planning and adaptation had given rise were eased by the hiving off of industrial policy, both in respect of formulation and implementation, and its concentration in a semi-state agency which stood outside the existing structure of public administration. The IDA was free from the constraints and rigidities associated with public bureaucratic status while the civil service was relieved of the burden of performing a developmental and highly interventionist function. One particular form of intervention ultimately proved most compatible with, and least disturbing for, the structure and underlying ideological predispositions of the state and its dominant elites.

The mechanisms of an agency-led industrial policy were compatible with the maintenance of a sharp distinction between the appropriate spheres of bureaucratic action and market operations.

This basic shift in policy emphasis was a crucial one for the future of association-state relations. While government intervention grew, its form was such as not to compromise in any significant way the rights and independence of management decision making. There was to be no more talk of creating development councils charged with coordinating and overseeing decisions on investment and rationalisation. Nowhere is this combination of large-scale and expensive intervention with minimal directive power more evident than in respect of the series of national centralised pay bargains in the 1970s and 1980s. The state's progressively more active involvement was accompanied by a greater financial (fiscal measures) commitment to sustaining them. However, analysts have argued that while the state became more and more entangled in the process of bargaining and the provision of resources, it did not gain a corresponding control over negotiations. The growing presence of the state in the economy did not indicate a growing control over it, indeed some observers have argued that the reverse occurred (Breen et al, 1990). More particularly, the state's growing importance in the economy did not indicate an abandonment of liberal market principles in respect of capital's freedom and independence. While policy innovation continued, it was no longer accompanied by efforts to restructure significantly the relationship of state and market actors.

Industry Structure

Another factor significantly affecting the impact of liberalisation on the development of BIA's was the profound change being wrought in the structure of industry following EC entry. Greater import penetration and export opportunities, and the challenges and opportunities these presented for indigenous industry and foreign investors, generated fundamental changes in the profile and behaviour of industry. One of the predicted consequences of integration with international markets is the growing concentration and specialisation of industry (Owen 1983, NESC 1989). The importance of economies of scale in many industries will favour the large producer and encourage differentiation in production and a growth in intra-industry trade (Greenaway and Milner, 1986). This process has been generally confirmed in studies of European Community integration (Lockesly and Ward, 1979). It is just such a process which is perceived to facilitate the strengthening of industry associations. Concentration increases the market power of firms and the 'politicisation' of the economy and economic relations (Cameron, 1978; Cawson, 1986). Clearly, then, in the Irish case, it might be expected that associations would benefit from a process of ongoing concentration and thus gain greater cohesion and power.

However, events have run counter to theoretical predictions. While in the initial period of transition from 1958 to 1973, a significant degree of concentration did take place, (although the simultaneous lowering of protective barriers may have actually reduced the 'market power' of expanding firms), the decade following accession to the EC and the completion of full integration was marked by a reversal of this trend. Specifically, the trend towards an increasing share of total employment by firms in the larger size category (over 500 employees) and a decreasing share by firms in the smallest (below 50) was inverted in the early to mid-1970s (Kennedy and Healy, 1985) with the process quickening in the late 1970s and 1980s (NESC, 1989:157). While in comparison with other countries this trend did not result in an exceptional bias towards the smallest firms, with most employment being concentrated in medium sized firms, it is significant that the large establishments in Ireland are of extremely small size by international standards (Kennedy and Healy, 1985).

Notwithstanding a degree of sectoral variation over time with, for example, the chemical industry exhibiting an increase in the level of concentration between 1979 and 1984, this trend was general across most sectors with the reduction of concentration tending to increase as the economy became fully integrated into European markets. As the NESC noted,

> "instead of integration stimulating dominant indigenous firms to exploit economies of scale and thus eliminate the tail of higher cost producers, the larger Irish manufacturers would seem to have been part of the tail eliminated by producers in other countries" (NESC, 1989:160).

Rather than representing ever more concentrated industrial sectors to the state, business associations were faced with an increasingly fragmented membership with little power over domestic, far less European markets.

Table 6.1
No. of Industrial Establishments* classified by number of persons engaged in 1988

Size Categories	Number of Establishments
Under 5	695
5 to 9	1,175
10 to 14	696
15 to 19	435
20 to 29	417
30 to 49	502
50 to 99	430
100 to 99	232
200 to 499	143
500 and over	40
Non-Attributable	149
Total	4,914

* An establishment is defined as a single economic activity conducted at a particular location. The establishment census relates to all establishments engaged in industrial activity which have on average three or more persons engaged during the year.
(Source: Census of Industrial Production, 1988).

Liberalisation, and specific aspects of industrial policy, also generated a growing diversity in the economic position of firms and sectors. Protection had been marked by the proliferation of small-scale and, frequently, poorly developed firms whose almost total dependence on the domestic market had fostered a kind of unity of interest, although not one which was expressed in highly developed associational structures. Following the dissipation of this form of protectionist unity, there is little evidence to suggest that any equivalent took its place. Within indigenous industry, as the '70s wore on, increasingly sharp divisions between sheltered and internationally traded sectors emerged. A major report on government industrial policy produced in the early 1980s noted the fact that "most traded industries have fallen from the 1973 employment levels with some notable exceptions in glassware and agricultural machinery". In contrast, however,

> "almost all non-traded industries ...have enjoyed net employment increases, as in the case of packaging, cement, and metal fabrication ..all of which have been 'pulled' by demand from overseas firms, farm and infrastructure investments" (non-traded being defined as a business sheltered from international competition by logistics costs, advantages of proximity to market, etc.) (NESC, 1982:88).

Thus, while all firms more or less share a common interest in economic growth, their particular position in relation to international markets is quite diverse with important consequences for attitudes to labour costs, international competitiveness, the degree of dependence on the performance of the domestic economy, the state's capital investment programme, exchange rate policy, etc. To a significant extent, these were all quite new phenomena with which collective associations had not had to cope under the old policy regime.

Table 6.2

% Employment Change in 'Sheltered' and 'Exposed' Indigenous Industries Established Prior to 1973, by Establishment Size

Establishment Employment Size	'Sheltered' 1973-1980	'Exposed' 1973-1980
Over 500	-4.4	-46.0
201-500	-6.7	-36.9
101-200	+5.2	-25.7
51-100	+3.6	-25.7
Under 50	+5.5	-7.9
Total	-0.2	-24.4

(Source: IDA Employment Survey, 1984; O'Malley, 1989)

Even more fundamental was the growing division within industry between new foreign owned industry producing almost exclusively for export and 'traditional' indigenous industry. A survey undertaken in the early 1980s revealed that over 80% of these companies came to Ireland primarily because it provided a tax shelter for penetrating the EEC (NESC, 1982). It also noted that in significant respects, the majority of these firms remained unintegrated with the national economy. While their contribution to overall industrial employment and national exports rose to 34% and 70% respectively by 1981, thus generating a large part of total employment and demand growth, they continued to display low linkages with indigenous industry, contribute little to fiscal income, establish only the less skilled and relatively mobile elements of internationally integrated production systems in Ireland and generally to hold a position which was 'semi-detached' from the national economy in important respects. Clearly, the common interests of industry in adapting to more open economic conditions had given way to the fact of greatly divergent relationships with the domestic and international markets and corresponding differences of perspective and interests. Thus, in important respects, liberalisation itself tended to exacerbate the difficulties of defining and institutionalising collective business interests. By necessitating a major rationalisation of industry, it effected fundamental changes in its structure and altered the general environment in which BIAs had to build constituencies and devise attractive programmes. Moreover, shaped by industrial policies designed to further the process of liberalisation, the restructuring of industry led to the emergence of a more diverse and heterogeneous industrial profile which had a serious impact on the contours of businesses' interests, their identity and division.

Table 6.3

Industry Cost Structure 1983 (per cent of sales)

	Irish	Foreign
Wages and Salaries	18.85	16.22
Irish Materials	45.84	16.38
Irish Services	14.10	11.56
Irish Expenditures Tot.	78.79	44.16
Imported Materials	13.45	29.43
Imported Services	1.04	6.87
Profit	1.07	16.07
Depreciation	3.02	2.45
Interest	2.63	1.02
	21.21	55.84

(Source: Industrial Development Authority, 1985; O'Malley, 1989)

Table 6.4

Average number of persons engaged in and net output of manufacturing establishments, classified as Irish, Rest of EC and Non-EC

	No. of Est.	Persons engaged per establishment	Net Output £000
Irish	3,882	26.6	627
Other EC	415	75.7	2,750
Non-EC	409	123.3	9,684
Total Foreign	824	99.3	6,192
All Est.	4,706	39.3	1,601

(Source: Census of Industrial Production, 1988)

Together, new economic priorities, changes in the structure of the economy and a recognition of, and adaptation to, wider political constraints undermined the initiatives and strategies pursued by the state in the 1960s and changed the task confronting associations, necessitating their elaboration of new or more refined policies and development strategies. While the development of associations and the evolution of their relationship with the state achieved during the 1960s provided the basis for future development, associational politics was now subjected to a modified set of economic and political pressures emanating from the functioning of open markets which altered the context of its operations. In this chapter it is necessary to examine how the greater emphasis on labour relations affected the structure of the employers' association system, which had been left largely unchanged by policy initiatives of the 1960s. The first section will focus on the interaction of new bargaining structures with employers' associations. The second section will assess the position of the CII in the context of new economic conditions and government priorities. How did the new structures which had developed by the early 1970s fare in a changed policy and economic environment? As Table 6.4 indicates, by 1980 the two major peak associations were comparatively reasonably highly developed. However, the key question concerns the extent to which these general indices of moderate strength were matched by genuine internal strength and autonomy and external influence. What position did they occupy within the network of policy formation and implementation? Was their development helped or hindered by the particular form of industrial development which was experienced?

Table 6.5
Summary Description of Properties of General Business Associations (1980)

Association	Revenue US$ Millions	Staff	Structure
AUSTRIA			
Bundeskammer der gewerblichen Wirtschaft (BWK)	400	4665	Peak
Verband der oesterreichischen Industrialer (VOEI)	13.31	144	Direct
Arbeitgemeinschaft der oesterreichischen Gemeinwirtschaft (AdOEG)	.20	7	Direct
Industrial workers per associational staff:268.7			
SWEDEN			
Swedish Employers' Federation (SAF)	9.79	744	Peak
Federation of Swedish Industries (SI)	1.80	155	Peak
Swedish Federation of Trades, Industries and Family Enterprises (SHIO)	3.22	70	Mixed
Employers' Association for Companies in Joint Ownership(SFO)	4.78	37	Direct
Industrial workers per associational staff:1314.5			

SWITZERLAND

Schweizerische Handels und Industrie Verein (Vorort)	1.78	20	Peak
Zentralverband schweizerischer Arbeitgeber Organisationen (ZSAO)	n.a.	12	Peak
Schweizerischer Gewerbeverband (SGV)	.83	17	Peak

Industrial workers per association staff:24494

FEDERAL REPUBLIC OF GERMANY

Bundesverband der deutschen Industrie (BDI)	10.77	200	Peak
Bundesverband der deutschen Arbeitgeberverbande (BDA)	7.75	80	Peak
Deutscher Industrie und Handelstag (DIHT)	13.73	220	Peak
Zentralverband des deutschen Handwerks (ZDH)	6.60	96	Peak

Industrial workers per associational staff:18675.8

ITALY

Confindustria	25.51	450	Peak
Confapi	4.67	30	Peak
Intersind	n.a.	190	Peak

Industrial workers per associational staff:11542.7

UNITED KINGDOM Confederation of British Industry (CBI)	15.28	360	Mixed
Institute of Directors	6.45	92	Direct
National Federation of Self-Employed and Small Business	1.24	26	Direct
Assoc. of British Chambers of Commerce	.53	12	Peak

Industrial workers per associational staff:17353.8

IRELAND

Confederation of Irish Industry	1.00	70	Mixed
Federated Union of Empoyers	1.60	76	Direct

Industrial workers per associational staff:2470

(Based on table in Coleman and Grant, 1988 (OBI project): Additional material from OECD Labour Force Stats 1981, CII and FUE annual reports and Hardiman, 1988: Ir£/US$ exchange rate as at 1980).

Employers' Associations

Wage Agreements and Associational Cooperation

As has been noted in chapter five, the implications of govenment policy developments in the 1960s for the organisation of employers were remarkably few. In general, the degree of integration and development of employers' associations was minimal. However, the move towards the agreement of complex policy concertation arrangements in the 1970s and 1980s presented a far greater challenge to these organisations. With liberalisation, the importance of industrial relations for the government's ability to pursue its macroeconomic policy grew. The traditional role of the 'auxilary' state, establishing an appropriate legal framework for the pursuit of free collective bargaining by labour and capital, provided it with few levers of intervention. From 1970, it was faced with the difficult task of persuading trade unions and employers to negotiate national pay agreements which would respect the broad requirements of public policy. By mid-decade, it was deploying tax policy to induce agreement and by 1979 it was an active, formal participant in a process designed to agree a wage, tax and employment settlement (O'Brien, 1981).

It has been argued that the attempt at concertation failed in the long run. Neither trade unions nor employers' associations were able to develop the necessary facilitating organisational and institutional arrangements for neo-corporatist agreements. Neither side proved capable of, or willing to, trade off short-term financial gain for longer term economic benefits (Hardiman, 1988). Concertation was perceived as just one negotiating option among many. Both sides simply pursued that strategy which appeared to offer the best prospect of maximising gains. By 1980/1 employers had concluded that concertation no longer secured their best interests and abandoned the process. Moreover, the public expenditure costs of sustaining agreements were a contributing factor to the rise of the overall public deficit to some 20% of GDP by 1982, with the cost of debt repayment alone amounting to some 9.1% of GDP (O'Hagan, 1987:135). Not surprisingly, governmental enthusiasm for such costly agreements waned and they were discontinued in 1981.[3] Although tripartite agreements were revived in 1987, in a general context of economic recession and public expenditure crisis, with the Programme for National Recovery, the balance of power had shifted considerably. A weakened trade union movement anxious to gain influence over public policy accepted a wage settlement set at the rate of inflation (3%), and less than 2% on amounts above £120 per week. Recognition of the trade union's weakness and the attractiveness of the terms available saw the employers' initial hostility melt and give way (Hardiman, 1988: 234/239).

Leaving aside the question of whether NWAs, National Understandings or the Programme for National Recovery amounted to concertation, what is of particular concern for this study is why employers' associations failed to integrate and organise in response to external pressures from the state and from liberalising economic conditions in a way corresponding to the change in trade associations witnessed in the 1960s. Why was there neither a radical restructuring of the system nor any enhancement of the associations leaderships' ability to 'internally govern' these associations? Certainly some change in the strength and structure of employers' associations did take

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[3] Although here the importance of the partisan composition of government must be acknowledged. Mair (1987) has argued that the Fianna Fail party is notably more corporatist in its ideology than other parties and it is significant that the hiatus in government brokered centralised bargaining between 1981 and 1987 corresponds very closely with that party's period in opposition. Certainly, the agreement of the Programme for National Recovery in 1987 flowed directly from the formation of a new Fianna Fail government. That said, however, it must be recognised that the innovatory agreements of the mid 1970s, when the government's role in the process became ever more central, were orchestrated by a Fine Gael/Labour coalition government.

place. As no single association was capable of fully representing employer interests at the Employer Labour Conference (ELC), the forum for the negotiation of national agreements, a new organisation capable of coordinating the strategies of the relevant individual associations had to be established. Attempts to form some kind of coordinating body had been ongoing for most of the 1960s. A Joint Consultative Committee established to sit at the original ELC in 1964 had been destroyed by intra-business tension over a building strike within a year. After the collapse of NIBO, desultory negotiations had commenced to re-establish some form of loose coordinating committee. The deepening of industrial conflict saw the agreement in 1969 by the seven largest employer associations, including the three largest, the FUE, the Society of the Irish Motor Industry (SIMI) and the Construction Industry Federation (CIF), to establish the Irish Employers' Confederation. Its brief was to operate as a forum for debate, to facilitate coordination of strategies and to provide the employers' team for national wage negotiations. In addition to these moves towards the coordination of policy, individual associations experienced rapid growth in membership. Industrial relations turbulence and the need to influence national negotiations rendered isolation and non-membership of associations a less attractive option for firms.

However, the process of forging agreements and the state's support for their negotiation failed to generate fundamental structural change in the system of employers' associations. This was partly due to the persistence of longstanding inter-organisational rivalries. Again, as in respect of NIBO, the FUE in particular was extremely wary of making what it regarded as needless concessions to other weaker and sectional associations. Thus a proposal in 1973 that the IEC should establish its own secretariat (until this point its administrative staff had been seconded from the FUE) and develop its own policy making capacity was rejected by the FUE. It felt that as

> "the FUE contributes about half of the costs of the IEC and is the only national body solely concerned in the industrial relations area ...it would be inconsistent with (its) role ..to develop the IEC into and executive type body and it should continue as heretofore as a forum for the exchange of views and information".[4]

The very size of the FUE ensured that takeover rather than merger would be its preferred mode of associational integration, while the success of smaller associations in attracting new members indulged their reluctance to submerge themselves in a far larger organisation; the small Irish Printing Federation was the only employer union to affiliate to the FUE in this period.

Table 6.6
Cross Section of Membership of Employers' Associations in Selected Years

Assoc.	1957	1968	1981
Irish Pharmaceuticals Union	1,156	804	1,402
Irish Printers' Federation	30	61	59
Construction Industry Federation	303	750	2,166
Petroleum Employers' Association	15	10	21
Society of Irish Motor Industry	888	945	1,119
Licensed Vintners' Association	410	560	676
Irish Hotels Federation	327	473	403

(Source: Based on Hardiman, 1988:162: Department of Labour, triennial returns).

[4] FUE, Executive Committee minutes 15.5.1973.

There were, however, more fundamental reasons militating against thoroughgoing organisational reform. Two reasons in particular stand out. (a) the nature of the agreements themselves and, in particular, of the government's participation; (b) the problems of establishing a coherent agreement among employers as to the level of settlement in a period of major structural economic change and general market turbulence.

(a) First, the nature of the pay negotiation itself ensured a continuing role for multi-level bargaining which, in many sectors, had always been undertaken by smaller and more industry-specific employers' unions. National Wage Agreements, while a departure from previous practice, saw the creation of new mechanisms of bargaining which built upon rather than displaced existing structures and procedures. Special increases (e.g. productivity agreements) and local bargaining allowed for within the terms of national agreements tended to be negotiated within the framework of established machinery. In addition, in some low pay areas, legally established bargaining structures guaranteed the persistence of old practices and a role for industry-specific employers' unions. While the advent of national bargaining did strengthen the role of the FUE, it did not eliminate the need for sectorally based associations nor did the latter come to depend on the professional services and staff resources of the FUE to anything like the extent that many trade associations came to depend on the CII. The process of reaching agreements did not of itself generate significant pressures for amalgamation and integration.

Secondly, while the state remained anxious to promote successful agreements and participated in negotiations in its capacity as employer, it did not attempt to interfere with the process of negotiation. While it approved the agreements, and on occasion took steps to facilitate them, this was by way of making the terms more attractive to firms and workers rather than trying to manipulate the organisational mechanism by which they were represented in the negotiating process. It did not deploy sanctions to strengthen the hand of associations, nor would the associations have welcomed such a move. Its principal foray into legislative enforcement, the Bank Acts of 1972 and 1974, was designed to prevent the undermining of the NWA mechanisms by the striking of a separate, and more generous, agreement between the clearing Banks and the bank officials' union, neither of which were members of the organisations represented at the ELC (O'Brien, 1981). Within the framework of the NWAs and the participating parties, however, it did not attempt to exercise any control over the internal operation of employer or labour unions and they remained almost wholly responsive to the logic of membership. Again, this was in contrast to the active role it assumed in helping to reshape the trade association system.

(b) The series of wage agreements in the 1970s were initiated in order to re-establish the relative industrial stability and peace which the onset of sustained economic growth and liberalisation had undermined and to ensure that final achievement of integration with the EC markets would find industry properly prepared to meet the new competitive challenge. However, to be effective such settlements had to be broadly encompassing, raising the problem of achieving agreement across diverse industries and sectors. As in the 1960s, the significantly greater role for business associations which government policy afforded and the consequent impetus towards cooperation and coordination, if not merger, among associations risked being seriously undermined by the differential impact of these changes. Thus the tentative steps towards cooperation between employer associations was severely damaged by the different position in which various sectoral groups found themselves. For example the wage negotiating strategy of the Construction Industry Federation (the second largest employer association and itself made up of twenty-nine different employer associations) tended to reflect the cyclical fortunes of the building industry rather than general economic conditions. In 1977 contraction in that industry led it to adopt a hard line on pay negotiation, denouncing the excessive awards agreed in national bargaining, but by autumn of the same year an upswing in the building trade saw the CIF ready to concede an additional pay claim by craftsman in order to avoid industrial action despite its contravening the terms of the NWA. Relations with the FUE deteriorated leading to the CIF's withdrawal from the IEC (O'Brien, 1981:164-166, Hardiman, 1988:176).

More generally, the great variation in the vulnerability of different branches of business and different industries to international competition had a crucial bearing on how firms perceived wage claims. Notwithstanding 'inability to pay' clauses, the effect of national agreements was to commit firms to pay certain increases irrespective of their particular situation. While, in the early 1970s, the relative stability which these agreements achieved and the relatively benign economic circumstances served to win the support of the vast majority of employers for this policy, disagreements became more frequent and intense as the energy crisis and recession contributed to the serious erosion of industry's competitive position. Latent conflicts boiled up during periods of economic downturn. The greatest anxiety was felt by those firms which were most exposed to international competition. Organisationally, these were most strongly represented in the CII and its leadership reflected these concerns. Thus after the settlements of the controversial 1975 wage agreement, a number of National Executive Committee members expressed themselves as "very worried by the effect of a settlement on the competitive position of Irish industry".[5] The Director-General

"suggested that there might be an argument for two or

[5] CII, NEC minutes 14/4/1976.

> three people from the CII being involved in the Employer Labour Conference, in so far as they were considered to be detrimental to the manufacturing sector". [6]

On another occasion he went so far as to argue that because the CII had a strong manufacturing bias, while the FUE was dominated by more sheltered sectors, it might be worth suggesting "that a separate National Wage Agreement be drawn up for each".[7] Fears about the influence of the retail and distributive traders in the FUE were echoed by the CII's President while the Vice-President referred to German experience where "decisions were not being made by the retail and distributive trades but by manufacturing industry".[8] Such charges of under-representing the interests of manufacturing were frequently accompanied by criticism of the fact that 'second-line' personnel managers predominated in the Councils of the FUE rather than the high-level representatives which made up the governing councils of the CII, the implication being that these generally failed or were incapable of fully understanding the damaging costs of agreements. Some of the tensions which had marred the NIBO project in the 1960s had persisted and continued to undermine the unity of business in relation to labour relations matters.

While the anxieties of the CII leadership may have been partially an expression of its own powerlessness in these matters, it is undoubtedly the case that tensions between trade and employers' associations found expression within employers' unions themselves, placing great strain on the intra- as well as inter-organisational relations. It is arguable that such tensions are the very stuff of the politics of business associability. What is significant, however, is that there was nothing in the logic of nationally negotiated wage bargains which

[6] CII, NEC minutes 16/6/1976.

[7] CII, NEC minutes 9/4/1975.

[8] CII, NEC minutes 13/5/1976.

counteracted these tensions or facilitated organisational integration. Liberalisation and the problems it generated deeply affected the negotiating strategy of employer associations and the degree of cooperation among them but, by leaving some divisions unaltered and sharpening others, it failed to effect any fundamental changes in the structure of the employer union system. While the shift from protection generated new problems, fostered new arrangements and increased the membership densities of such unions, its impact was far less dramatic than it had been for trade associations whose operational raison d'etre had been bound up with protection. While NWAs constituted a major departure in practice, the impact of liberalisation on the organisational character of relations between capital and labour was far less fundamental than it had been in respect of capital and the state.

The FUE and the Limits of Development

The problems confronting employers' associations can best be analysed by focusing on a single significant case. The evidence suggests that even when an association did grow dramatically, in terms of membership levels and revenue, significant changes in its internal structure and in the degree of organisational autonomy it enjoyed generally failed to materialise. For example, in respect of the FUE, the robust indicators of its growth are in contrast with the minimal extensions of the organisation's strategic capacity. In the 1970s its membership almost doubled (Table 6.7)

Table 6.7
Membership and Income of the FUE
(Various Years)

Year	Membership	Income IR£	Income Per MemberIR£
1965	1,600	56,000	35
1970	1,651	110,525	66
1975	2,022	337,898	167
1980	3,036	1,137,157	374

(Source: Chubb, 1970; O'Brien, 1981; Hardiman, 1988; Registrar of Friendly Societies various years).

By 1981 its member companies were estimated to employ approximately 50% of the occupied labour force (excluding the public services, agriculture, and the self-employed). Its services to members ranged from providing advice and information to representing them at negotiations with trade unions at 'third party' conciliation talks (Hardiman, 1988:168). The level and number of such tasks performed by the FUE grew rapidly all through the 1970s with the 'total number of formal meetings' serviced in some way rising from 8,116 in 1975 to 14,337 in 1981.[9] This growth reflected the union's participation in the negotiation of the NWA and its position as the preeminent employers' association, ascendent on the national stage and recognised by the state as the chief representative voice of employers. As has been noted, it dominated the IEC, which represented the private sector employers' interest at the ELC, and it provided the employers' representation on the relevant public boards and councils established by the state.

However, changes in the external indicators of organisational strength were not matched by a corresponding development of internal structures and leadership. One analyst

[9] Commission of Inquiry into Industrial Relations, 1981.

has remarked that

> "both officers and members, see the main role of the federation as one of providing services to members and representing the interests of employers whenever the need may arise ...they see its role as one of coordination rather than rule-enforcement" (Hardiman, 1988:171).

Throughout the period of organisational growth there was no attempt to alter fundamentally the system of internal decision making. Its Executive Council with some 50 odd members was almost three times the size of the CII's corresponding national executive committee (50:18), while its governing National Council comprised some 250 to 300 firms compared to the equivalent CII council of 50 to 60.[10] In contrast to the CII's confederal system which permitted a certain concentration of decision making in relation to national concerns, the FUE sought to achieve maximum representativeness and a high level of participation by member firms. Its conduct of NWA negotiations reveals the desire to be led by, rather than to lead, its members' preferences. Before agreeing to participate in negotiations for a new national settlement, it consulted widely with its powerful regional groups. In addition, regular sampling of member opinions was undertaken and while there was no fixed lower limit

> "individuals closely involved in negotiations on the employers' side have suggested that if support was as low as, for example, 75% of members, the leadership could not have proceeded with them" (Hardiman, 1988:173).

This desire to establish a consensus before acting reflected the FUE's conception of its own function. The notion of employing sanctions to enforce membership compliance with agreements was rejected as unfeasible. Agreements could only be entered into when the general membership had given prior indication of its willingness to abide by them. The principal commitment sought from members was for solidarity and moral support, that is to avoid damaging other firms through their

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[10] CII and FUE Annual Reports.

actions. Essentially, it has been argued, the

> "FUE saw its main role as one of support for individual employers in promoting good industrial relations, rather than one of advocacy for a collective strategy which would quickly have encountered irreconcilable contradictions among such a diverse membership (Hardiman, 1988:175).

Thus, to a considerable extent, the growth of the Federated Union depended on its eschewing any attempt to strengthen significantly its strategic capacity. While services raised income and attracted more members, thereby securing the resource base of the union, ultimately this was not compatible with an increase in its strategic capacity. The implicit terms of FUE growth, embodied in the kind of service relationship with members, precluded any effort to evolve a more collective strategy of industrial relations which might have facilitated, and necessitated, an increase in the union's autonomy.

Thus, while the role of the FUE in the negotiation of the NWAs enhanced its position and increased its membership base and financial strength, its participation in these agreements always depended on the outcome of aggregating the perceived self-interest of individual member firms. In general, during the 1970s, firms supported the NWAs because they appeared to be a better prospect than the feared alternative of a wage bargaining 'free-for-all', the possibility of which had been foreshadowed in the late 1960s. In short, it was conceived as the most effective response to trade union power. When, in the early 1980s, this no longer appeared to be the case, the FUE set its face against further agreements.

This analysis was largely accepted by the FUE itself. Consultants brought in to examine its deficiencies emphasised the diversity of its membership and the economic structure in general as the principal obstacle to the creation of an association which was both encompassing and integrated:

> "Irish employers are remarkably heterogeneous, and even more so now than in the past. Some are in unsheltered industries, some in sheltered but competitive and relatively unorganised sectors such as distribution, some

> in sheltered sectors with industry-wide negotiations which ensure that a headline setting award will not affect any employer's competitive position. This is notably the case in construction which over the years has been an important source of pay headlines. Some have monopolies. Many firms in manufacturing are offshoots of trans-national companies with limited commitment to the Irish economy" (Fogarty et al, 1981:29).

National Wage Agreements had been initiated at precisely the moment when the industrial structure was becoming more diverse and when the increase in concentration levels experienced in the 1960s was being reversed. The formulation of a general pay policy was rendered extremely difficult by differences in "capital-labour intensity in manufacturing, differences in export orientation, and differences in the cost-structure of domestic firms and local branches of multinationals" (Hardiman, 1988:173). The growing diversity of the economy thus fatally undermined the possibility of establishing a strong national employers' union enjoying a significant measure of strategic autonomy. A central role in the state's economic policy and the enhancement of membership and resources failed to alter significantly the FUE's relationship with its own membership and its status as provider of services and pressure group. In relation to industrial relations, the tendency of liberalisation to promote the emergence of a more highly integrated business associational system was minimal.

The Confederation of Irish Industry

The Confederation was the great associational beneficiary of the 1960s. In Offe's terms, the Confederation was attributed a degree of 'public status' through the transfer of resources to it from the state and by its assumption of a significant role in policy planning and implementation. Such public status is to be distinguished from relations of

> "informal cooperation between political and other segments of the elites, clientalistic relations, and status resulting from ad hoc tactical considerations of various groups or branches of the state apparatus. Formal status is based on legal statute and formally adopted procedural rules that give the interest group some claim on a specific status" (Offe, 1985:283)

As noted in Chapter One, an association enjoying public status ceases to be "exclusively determined in its actions and accomplishments" by its members or dependent for success on the relative strength of the other groups with which it competes or allies (Offe, 1985:283). Clearly, in fundamental respects, the FII/CII in the 1960s was no longer fully or solely responsive to its members or dependent for its strength and effectiveness on the groups with which it competed or allied. Important steps were taken towards the creation of a more formal 'public status'. However, as has been established, with the realisation of open markets in the 1970s and 1980s, the factors shaping association-state relations and intra-industry relations changed significantly. Many of the formal processes of consultation and cooperation established in the 1960s withered rapidly. The abandonment of planning and the shift in the emphasis of both industrial and macroeconomic policies heralded a more uncertain period where the precise role of trade associations in relation to the state was unclear. To the extent that the Confederation had acquired a formal public status in the 1960s it was effectively withdrawn by the early to mid-1970s.

Equally clearly, however, the abandonment of many of the initiatives of the 1960s did not prefigure a return to the associational politics of the 1950s. It is likely that the attribution of public status will be both infrequent and rarely clearcut, between such a status and associational impotence lies a vast range of possible alternative roles and relationships with the political authorities. While the concept is useful, a comprehensive assessment of the development and role of BIAs requires a much more extensive examination of organisational structures and links with the state. Has the absence of a formal public status inhibited the process of associational centralisation and concentration which began in the 1960s? Has the associational system continued to gain cohesion and, crucially, how has this development affected its ability to gain access to public policy makers, influence policy formulation and participate in implementation (Coleman and Grant, 1988:479). The role of a BIA such as the Confederation can only be properly assessed if its internal organisation and its relationship with ministers, public administrators and state institutions are analysed.

Organisational Development

The changes in policy context occurred as the Confederation implemented a major reform of its structures and operation. As has been noted in Chapter Four, the CII's response to the challenges of increasing diversity which inevitably accompanied the effort to expand and broaden membership domains was to create intermediate sectoral associations which would incorporate direct firm members and affiliate associations within a broad category of industrial activity. It was proposed that about 12 major groups should be formed and that each of these trade associations should be

> "a completely self-financing organisation; that it should have an independent identity and have a reasonable amount of freedom for organisation and expansion; that a clearly defined link with the Federation should be established and that the Federation should be in a position to represent the trade associations on matters of national

importance".[11]

Characterised in terms of the concept of organised complexity, the Federation, seeking to strengthen its representative status, opted to increase the number and diversity of the units of which it was composed in order to satisfy the highly particular needs of firms in different industries. These sector associations tended to be made up largely of affiliated product associations and where these did not exist the sector association frequently took the initiative in creating them. By establishing a new tier of associations and charging them with the task of providing for the industry and product-specific needs of firms, the enlarged Federation/Confederation was far better placed to service its membership and represent them at a national level.

In addition to reorganising the existing membership, the policy had three further broad objectives. First, it set out to attract into affiliate membership existing independent associations. To the extent to which this was achieved, the costs of broadening its membership base and the possibility of competitive clashes with other organisations would be minimised. All evidence suggests that the strategy met with considerable success. Of the trade associations listed in the 1961 edition of a leading annual commercial directory, 14% were members or affiliates of the FII.[12] By 1975 the corresponding level of affiliation had risen to approximately 70%. Moreover, of this 70%, over three quarters were completely dependent on the CII for professional staff and administrative facilities and, indeed, had registered their address as CII headquarters. Of those trade associations which remained unaffiliated to the CII, the majority were extremely small and underresourced, often retaining legal firms to provide the necessary administrative support. This

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[11] FII, Report to Sub-Committee on Articles of Memorandum 26/4/1966.

[12] Thom's Commercial Directory.

strategy gave it a breadth of membership which it had never approached previously.

Secondly, the Confederation pushed out from its core manufacturing base to include hitherto ignored industrial and service sectors. Initially it focused primarily on those industries which were closely linked to manufacturing, for example, banking, transport, energy, etc., but subsequently its commitment to the services sectors grew to encompass consultancy firms, tourism, etc. Indeed, in some cases it has moved to create a sector industry where, as far as the firms operating in the sector are concerned, none previously existed. For example, the Chairman of the Financial Services Industry Association, established in 1984, has remarked that its biggest task was to convince "people within the financial services sector to see themselves as financial services industry people rather than insurance men or bankers".[13]

Thirdly, it determined to capitalise on the possibilities opened up by the diversification of the economic structure. Hitherto tiny or non-existent industries grew apace and the Confederation was ideally placed to assume the lead in creating both the broad sectoral framework for their representation and in facilitating the creation of smaller and more specialised trade associations within these sectoral federations. Thus a Plastic Industries Federation was created in 1970 and within five years had in membership firms producing over 75% of industry output. With the development of the electronics industry a Federation of Electronics and Informatics Industries was established: the same phenomenon occurred in offshore industry, mining and exploration and computing.[14] As the industrial structure diversified the CII diversified with it, leaving the organisational imprint of protectionism, as well as its interests

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[13] Irish Times 23/2/1988.

[14] CII, Annual Reports various years.

and objectives, ever further behind.

In combination, the reorganisation of existing members, the adhesion of established associations, the broadening of its operational field and the attraction of new member firms from both old and new sectors significantly enhanced the representativeness of the Confederation, both in terms of its domain and the density of its membership. For example, among the first and largest sector federation to be created was the Food Drink and Tobacco Federation. In the past the FII had been marked by an underrepresentation of the food and drink sectors. However, by the early 1970s, virtually all existing associations in this sector had affiliated to the new federation and by 1975 it enjoyed a membership of 18 associations and 209 firms. Although, with well over 700 firms in the industry employing three or more persons, the FDT federation's membership numbered less than 30% of the total, these firms provided over 90% of employment and a similar amount of output in the sector.[15] The second largest sector association, the Engineering Industry Association, although enjoying a membership of just 10-15% of the total number of firms operating in the sector, claimed to represent over 80% of employment in the industry. This pattern was reflected across the newly established federations in textiles and apparel; a minority of firms in membership but upwards of 70% of output and employment represented.[16] As new federations were established over the following decade, such a pattern of representation was generally replicated.[17]

Clearly, the FII/CII was a far larger, more developed association at the end of the 1970s than it had been at the end of the 1960s. What is less clear is how this development was

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[15] CII, Annual Report 1975.

[16] CII, Annual Reports 1975 and 1985.

[17] This was a marked advance on the position in 1969 when the firms in membership only accounted for only 33% of manufacturing employment (O'Hagan and Foley, 1982:44).

possible during a period of lessening state support. Certainly, a large element can be attributed to the momentum for change gathered in the 1960s and only practically capitalised upon in the following decade. However, in addition a number of 'non-political' factors served to sustain the programme and shape its pattern. First, accession to the EC greatly expanded the informational needs of firms. These related both to the possibility for exports and the implications of EC regulation. Second, the Confederation and sectoral federations were well placed to assist firms in grant applications for EC subsidies. The CII was particularly active in relation to multi-firm applications for EC training funds.[18] Third, the combination of a rapidly changing economic environment and the establishment of specialised structures within the CII both created the need for, and facilitated the development of, a whole range of specialised, highly targeted services. The Director of the Confederation estimated that in the 1970s at least, almost two-thirds of resources were primarily devoted to the provision of these specialised services.[19] Thus, for example, the Small Firms Association provided group insurance and health schemes, a sub-sectoral association of the agri-business federation sought to protect the legal identity of a highly successful new product, 'Irish Cream Liqueur', food suppliers sought to restrain the oligopolistic power of the retail trade while the Plastic Industry Federation and the Federation of Electronic and Information assumed developmental roles, in particular seeking to organise and coordinate the provision of appropriate educational and training services.[20] The new Confederated structure facilitated the development of necessary specialist organisations within the framework of a single peak association.

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[18] IDA News, 1974.

[19] Interview with Director-General of the CII.

[20] CII, Annual Report (Various Years).

Moreover, it is evident that it was the attraction of such specially developed services which helped increase membership levels.

Thus the growing complexity, in relation to political and legal institutions, and competitiveness of the economic environment generated a new or enhanced set of tasks which did not depend for their performance on the exercise of a logic of influence. Indeed, at this crucial stage of economic liberalisation and associational evolution, a key factor underpinning the Confederation's success related to its size and resources in a small semi-developed economy composed largely of small firms. Few firms had the organisational resources to go it alone, buying in specialised information and technical services from a BIA made sense. Moreover, the general small scale and limited resources of Irish industry meant that, even at the level of an industry, there were few sectors in a position to establish highly developed well resourced associations, while the demands of the post-1958 era precluded the successful operation of the type of tiny, poorly resourced associations which had flourished under protection. The broad encompassing character of the CII and its relatively large and expanding membership afforded it critical economies of scale which significantly strengthened its organisation. To the extent that these affiliates grew dependent on the central Confederation organisation for their operation - ranging from the need for a headquarters to staff, information resources, channels of access to the state, etc. - the resource autonomy of the CII was enhanced. In the event of a dispute over general policy, the ability of the affiliate to exercise its power through the threat of withdrawal was severely constrained by the extent of this dependence. Disaffiliation would leave the association with little more than a formal existence necessitating a considerable commitment of resources by members to develop substitute services and administrative capacity for those formerly provided by the

Confederation. While the importance of this indirect sanction should not be exaggerated, the affiliated organisation might continue actively to resist a given policy from within the Confederation, it offers some explanation of the Irish pattern of associational development. That is, the proliferation of specialised BIAs serving the needs of old and newly established industrial sectors, but within the framework of the peak association and, frequently, on its initiative.

A combination of new opportunities and organisational advantages thus enabled the Confederation to combine a more arms-length relationship with the state and its agencies with further expansion. By the mid 1970s the CII claimed a membership of some 2,000 firms, an increase of some 300% since 1966. This held steady through the rest of the decade and although this represented a minority of firms in the transportable goods industries (over 4,500), not to mention financial services (400/500), it is clear that the largest firms and a high percentage of employment and output were represented.[21] Its primacy in the field of trade association activity was indisputably established and, with the exception of the building industry (where it did not organise), it became the largely uncontested representative voice of industry. The contrast with the protectionist FII was stark, yet there was also a significant contrast with the 1960s when organisational development had depended so heavily on active state support and pressure.

Organisational Autonomy

As indicated in Chapter Five, for a period at the end of the 1960s underpinned by state pressure and support, the leadership of the FII/CII had played a central role in the reorganisation

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[21] CII, Annual Reports (various years).

of the associational system, the articulation of a pro-liberalisation programme and the construction and institutionalisation of an alliance of supporting firms. In the 1970s, with EC accession and the realisation of integration this pro-liberalisation perspective went virtually unchallenged. Against this background, as has been shown, the Confederation successfully pursued an expansionist policy. However, what is less certain is its leadership's success in retaining the predominant position it enjoyed at the end of the 1960s. While the Confederation was larger, how much strategic capacity did it enjoy? Was the influence of its leadership in the late '60s highly dependent on conjunctural circumstances or was it sustained through the process of liberalisation, economic rationalisation and reduced state intervention? Had it retained an ability to govern, in some significant sense, its membership?

Leadership and Expansion

The evidence suggests that while the programme of organisational development was sustained, the terms on which this was achieved had altered significantly in two ways. First, the active (and financially important) support offered by the state for institutional development was replaced with a more distant, if still positive, approach. Second, leadership attempts to pursue radical institutional innovation through mergers were increasingly subjected to the critical appraisal of sector federation members.

Both of these factors were exemplified during the final effort to expand significantly the associational resources of business through a merger between its major organisations in 1971/2. During this period, there was an abortive attempt to effect a merger between the Irish Management Institute, a management training organisation and the most highly developed business organisation of any type in the country, and the CII. Just as the '66 conference' had been a response to heightening government pressure and the signing of the Anglo-Irish Free Trade Area Agreement (AIFTA), this new initiative was prompted largely by the anxiety raised by imminent membership of the EEC (1/1/1973), and, partly, by the shock waves following the death of six leading Confederation figures in an aircrash which induced something like a crisis of confidence in the organisation. From its perspective, the chief attraction of the scheme lay in the greatly enhanced financial and personnel resources the new organisation would command, with a staff of some 156 and a budget almost three times that of the CII.

The Confederation leadership's perception of events is well illustrated in its proposal documents. In a memorandum to the Minister of Finance the CII/IMI outlined the role they envisaged for the new CIB and the relationship they desired with government and its agencies. It emphasised businesses' ill-preparedness for imminent EC membership, the growing number of redundancies and the fact that "while government action is the single most powerful force for change it has been demonstrated over the past ten years that government action by itself can be limited in its reach".[22] What was required for effective policy making and implementation was a "strong, genuinely representative business body with which government can collaborate".[23] This formulation was partly designed to tempt government and was dropped when the memorandum was revised for circulation to the membership of the CII/IMI. However, the proposal for closer relations with the state was genuine enough. In making it, the CII/IMI made it clear that it was trying to satisfy the government's need for

> "a strong business organisation with which to consult in the formulation of policy and a genuinely representative body to participate in the consequent implementation of

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[22] CII/IMI, Memorandum to the Minister for Industry and Commerce, September 1972.

[23] Ibid.

that policy".[24]

It referred in its press briefing to the call "made on many occasions by different ministers for greater business unity" and the frequently indicated preference of senior civil servants for a single unified association with which to deal.[25] Thus, the CII's justification for the initiative, both to the state, its members and the public was construed in terms of the need of the state for a strong business association and the need for a close relationship with the state by business if the dangerous journey of accession to the EC was to be successfully navigated.

However, by this time the state's attitude toward associations had cooled. While the Cabinet indicated its acceptance of the merger proposal, it was not prepared to underwrite financially the project nor confer on such an association a central role in the process of policy formulation and implementation. Its response was favourable but clearly the suitor was the IMI/CII rather than the reverse, as it had been in the 1960s. The government's changed perspective on industrial policy had lessened its need for close associational links. The consolidation of industry's associations was no longer seen as part of a wider process of developing and strengthening policy-making and implementation processes through the integration of public and private organisations.

The fate of the merger proposal also illustrates the operation of a second factor. Ultimately, the project, which carried the overwhelming support of the leadership councils of both the IMI and the CII, was destroyed by a combination of adverse public press comment and, most of all, the hostility of a large number of firms in the sector federations who feared that a deal was being done by the central Confederation which was inimical to their interests. In particular, such firms were

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[24] Ibid.

[25] CII/IMI, Press Brief, October 1972.

suspicious of any question of state participation in, or funding of business representation. Aroused by the public management subsidy element of the IMI's income, their suspicions were fuelled by the 'collaborative' phrase in the (leaked) presentation document to government.[26] In the absence of the intense state pressure which had characterised the 1960s, many firms felt able to express, and press, their opposition to overly intimate ties with the state. More favourable to a liberal market, 'hands off' relationship with the state, these members clearly and successfully asserted their right to rein in the central leadership and veto major constitutional initiatives about which they had not been consulted. Following this final failure of the major merger route to a strong, integrated, associational system, resources were concentrated on the achievement of organic growth. Even the limited ability of the National Executive Committee and the National Council to determine authoritatively the direction of development enjoyed in the mid-to late 1960s had faded.

Problems of Expansion

The very success of the Confederation's expansion programme inevitably complicated the leadership's task of formulating and pursuing a coherent set of long-term objectives. Growth in the size of its membership and in its representative domain brought diversity, and diversity increased the opportunities for internal conflict. Some of these problems are inevitable in any broadly based association. Thus, in the late 1970s and early 1980s some tension existed between those firms dependent on public expenditure and firms more keenly interested in reduced corporate and personal taxation over the question of high national budget deficits. Barrett has argued that this conflict of interest led to a paralysis which prevented the Confederation from speaking

[26] See Irish Times, Sept/Oct 1972.

out until it was abundantly clear that annual deficits running up to and beyond 10% of GNP were seriously retarding economic development.[27]

Other problems, however, stemmed from the particular form of expansion pursued by the Confederation. For example, the decision to incorporate public sector firms in membership has tended to have the effect of curbing its criticism of public sector failings. Thus, when it did come to advocate heavy public expenditure cuts, and to specify the areas which should be the focus of retrenchment, it avoided mention of public enterprises, many of which were being widely criticised for inefficient and loss-making performances, because of an unwritten rule that "the CII never criticises its own members".[28] Its very breadth blunted its cutting edge.

The Confederation's drive to expand from its base among (relatively) large manufacturing firms and to attract smaller firms into membership has also given rise to serious tensions. This has been most evident in relation to proposed state industrial policies which would have involved closer, more 'hands on' cooperation between state agencies and individual firms in order to facilitate the expansion of indigenous industry. State agencies would seek to redirect the activities of large indigenous firms towards areas with more promise of growth. Such a strategy would involve close cooperation between state agencies and firms in drawing up plans relating to firm resources, organisation and scale and in their implementation (NESC, 1982). These proposals, the subject of intense political debate in the early to mid-1980s, were steadily resisted by the central Confederation, hostile to any inhibition of management's prerogatives by the state. However, they generally eliciting a

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[27] Business and Finance, 'The CII: An Economist's Perspective', Special 50th anniversary review of the CII, 29/7/1982.

[28] Business and Finance, 24/7/1986.

warmer response from the sector federation representing small firms, acutely conscious of the obstacles facing its memberships' growth ambitions. By the end of the decade the Small Firms Association, in contrast to the central Confederation, was calling on the Department of Industry and Commerce to develop a two-tiered industrial policy which should "take account of the particular requirements of large firms and recognise the particular requirements of small firms, especially where own resources have been substantially invested".[29] These differences are indicative of serious division within industry and the Confederation's inability to overcome them. Both views were reflected in policy documents and in the Confederation's annual report. Its leadership's solution was to allow the membership association responsible for small firms to formulate its own programme and pressure the government to implement it, while the central Confederation pursued its non-interventionist line. The Confederation spoke with two voices, and government policy makers could choose to listen to either, or neither; its internal division became part of the general policy-making context. It is significant that the Minister of Industry and Commerce in the early 1980s at the height of these industrial policy debates perceived the central Confederation to be the voice of large industry and expressed a greater identification with the needs of smaller firms. In contrast, the Director of the Confederation lauded the Minister's intelligence, but suggested that he was unable to fully understand the needs and operation of large companies.[30] Differences in view as to the most appropriate industrial policies for small indigenous firms cut across state and associational actors.

Finally, the task of formulating and articulating a clear

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[29] CII, Annual Report 1989.

[30] Interviews with Minister for Industry and Commerce, Mr J. Bruton and the Director-General of the CII, Mr L. Connellan.

policy line and the ability of leadership to lead opinion has been immeasurably complicated by changes in the economic structure. Firstly, the growing presence of a large and powerful body of foreign-owned multi-national firms presented severe problems. As noted earlier, these firms frequently have a somewhat semi-detached relationship with the Irish economy. The great majority of their output is exported while their commercial decisions owe far more to parent company policy than to any feature of the Irish economy or polity. In relation to pay, one FUE official has commented that any attempt by the association to dictate policy would only prompt these firms to 'run a mile' (Hardiman, 1988:171). Similarly, in respect of trade association affairs, no policy could be successfully developed which impinged on the commercial freedom of these foreign firms. Leaders must accept rather than hope to shape the views of such firms as to the desirability of any initiative by association or state.

Secondly, the diversification of the economic structure and the differential impact of liberalisation generated a growing complexity of interests in relation to basic policy choices. This has been most evident in relation to exchange rate policy. Until membership of the European Monetary System, the-one-to one link with sterling had effectively removed exchange rate and, to a large extent, interest rate policies from the control of Irish policy makers and ceded them to Britain. With entry to the exchange rate mechanism of the EMS in 1979, the link with sterling was broken and the government was compelled to exercise greater control over, and to assume greater responsibility for, monetary policy. Entry to the ERM of the EMS also opened up the question of monetary policy for business; what had previously been effectively an uncontrollable environmental factor became a subject for policy formation and lobbying.

The potential for conflict was realised in 1986 when a weakening of sterling on international markets saw the rapid appreciation of the Irish currency (approx. 15%). The effect was to disadvantage firms exporting to the British market which were in general labour-intensive indigenous firms (about 75% of whose exports went to Britain), and firms in some previously untraded sectors which were losing their cost advantages vis-a-vis British firms. The extent of the damage was severe, a survey of some 300 of its members carried out by the Confederation revealed that some 75% of them would be badly hurt if the Irish pound moved above 85p sterling - it reached 95p in the summer of 1986 - and by June of 1986 exports were down 16.5% on the corresponding period in 1985.[31] The response of the CII was to call for a reduction in input costs to offset the currency appreciation. At a time of serious fiscal deficit the Confederation was seen by some members to be 'crying for the moon'. Even if implemented, the CII's proposals would take time to have full effect and would hardly compensate for the level of appreciation. This evasive response stemmed from the opposition of important firms, largely foreign-owned, exporting to markets in the EC other than Britain who wished to maintain a stable exchange rate within the EMS rather than devalue. The reasons for this position undoubtedly varied somewhat from firm to firm, but three in particular were of general import. Firstly, the maintenance of the existing position within the ERM of the EMS provided a stable environment for trade. This, after all, had been one of the key reasons for the systems creation in the first place. Secondly, many of these firms favoured a strong Irish pound in order to cheapen component imports. Thirdly, profit repatriation was a major concern of such companies. Devaluation of the Irish pound directly threatened the value of repatriated profits. The prevalence of transfer pricing only increased the reluctance of these firms to countenance devaluation. As one member of the CII National Council remarked, "the food and clothing people wanted one thing, the high-tech people another" - the outcome was

[31] Business and Finance, 7/8/1986.

paralysis and bewilderment among many members.[32] When the government did elect to devalue by 8%, the CII welcomed the decision but by then it had demonstrated its own feebleness in relation to major policy issues which tended to divide rather than unite the particular interests of member firms. It is perhaps significant, that asked a number of years later what the CII's position had been in relation to devaluation, the then Prime Minister responsible for the decision could not recall.[33]

However, while growth and heterogeneity might seriously constrain the Confederation's efforts to develop a strategic capacity, it has not proved incapable of developing coping tactics. Firstly, it does on occasion opt to pursue a course of action which might seriously offend a number of its members. A decision to do so follows a 'counting of the votes', a balancing of the likely costs and benefits of any given course of action. Thus, a decision to campaign for lower insurance costs, and to seek government action to achieve this, was undertaken despite the hostility of insurance companies in membership and the angry resignation of a number.[34] Similarly, a campaign on energy costs was pursued much to the discomfort of the national electricity supply company (ESB), also a member.

Secondly, it has proved astute in countering these enervative pressures by capitalising on the advantages of its preeminent position. Thus, the discomfort of the ESB with Confederation's energy cost campaign was unlikely to extend to resignation as, given its status as a public enterprise, any such decision would have had serious political implications and raised awkward questions about the relationship of private enterprise, publicly owned firms and the state. Similarly, in relation to

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[32] Business and Finance, 7/8/1986.

[33] Interview with former Prime Minister, Dr G. FitzGerald.

[34] Interview with Director-General of the CII, Mr L. Connellan.

foreign-owned multi-national firms, the Confederation is not without resources. Where such firms sell on the domestic market, and especially if they sell to public authorities, at least formal participation in national bodies may be advantageous and many consider it necessary to demonstrate commitment to the national market by joining the CII. When such a firm has a particular problem or proposal requiring government action, it is considered to be more wise to make an approach through a national or sector association rather than individually as a foreign firm. For example, in respect of VAT differentials on electrical goods between the north of Ireland and the Republic, Philips (Irl) chose to press its case for ameliorative government measures through the appropriate association of the CII rather than directly with the government for precisely this reason.[35] While this is less of an issue for firms exporting virtually all of their output, many continue to have important interests in infrastructural and training initiatives and the CII is best placed to translate these needs into coherent programmes for government action. For any firm, to withdraw from membership of the Confederation or an affiliate association is to risk isolation and to reduce access to state policy makers.

More broadly, in respect of domestic firms, the Confederation has assumed an important role in relation to European markets. As has been noted, the initial process of integration with the EC generated considerable opportunity for the development of service provision; subsequently the Confederation has proved adept at furthering its role in this respect. For example, it has managed to establish itself as an important mediating agent with European markets. A growing part of its budget is concerned with establishing a network of bi-lateral relations with continental European trade associations, Chambers of Commerce, regional trading groups, etc, in order to

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[35] Interview with Mr A. Cullen, Director of Philips (Irl) Ltd.

facilitate the development of its members' export trade. This is of considerable importance to the great many firms dependent for survival on the development of exports but without the corporate resources to set in place readily the necessary distribution and marketing systems. It is Confederation policy to place increasing emphasis on direct support for members' commercial operation, carving out for itself an important role in integrating Irish industry with European markets.[36]

Moreover, the expanding political and economic powers of Brussels have afforded the CII a considerable role as representative agent. In cooperation with the FUE (now the Federation of Irish Employers), it operates an 'Irish Business Bureau' in Brussels. In addition the central Confederation is a member of the European peak association, UNICE, while many of its member federations and associations are linked to the corresponding European associations. Given the importance of the EC to an export-oriented economy like Ireland's, it is not surprising that the Confederation has focused considerable attention on European matters. Specific programmes range from a successful campaign in 1976 to have British employment subsidies removed as an anti-competitive practice to more ambitious efforts to cooperate with business representatives from other peripheral EC states to fight for the proper implementation of competition policies and the development of coherent regional policies so as to ensure that the European internal market programme facilitates economic convergence rather than further divergence.[37]

This type of policy is not only significant, but offers something to all members. A 'proper' operation of competition policy in conjunction with regional aid stands to benefit foreign multi-nationals (in terms of access to markets and competition),

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[36] Interview with Director-General of CII.

[37] Ibid.

indigenous exporters (ditto), sheltered domestically oriented industry (through local expenditure of such aid) and every segment of business through infrastructural improvements. The importance of these initiatives, and the members' perception of them, has been an important factor facilitating the gradual shift of Confederation resources towards 'all member' national and international activities and away from specialised service provision. By the late 1980s the ratio had shifted from 1:2 to 1:1.[38]

However, these initiatives reflect the Confederation's effectiveness in developing attractive services (selective incentives) which have successfully secured membership support for its general activities, rather than any significant capacity to govern its membership. Members who object to any given policy and refuse to adhere to its terms face no effective sanction. Certainly, in contrast to the ability of the Swedish SAf, which through its 'guarantee fund' can impose a fine of up to 3% of the total salary bill of any firm which refuses to comply with its decisions (Marin, 1988), the Confederation's capacity to punish defectors is virtually non-existent. In short, notwithstanding the existence of policies and techniques which enable the Confederation to take an active line in formulating and articulating general positions, it is evident that the combination of a heterogeneous membership and a liberal economic orientation leads it to focus in general on non-internally divisive, if important, issues. Confederation policy is to seek to create a climate conducive to the growth and prosperity of business. To achieve this, the principal emphasis is laid on 'sound fiscal policy', infrastructural development, education and training improvements, etc. In short, most attention is focused on subjects in relation to which it would be difficult for firms to disagree. Liberal economic and political beliefs facilitate

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[38] Ibid.

the pursuit of a broad-based, minimally interventionist set of policies which generally avoid arousing intense internal conflicts of interests. Inevitably, as in respect of exchange rate policies, such tensions do on occasion arise and in these circumstances the Confederation finds it very difficult to exercise leadership. For the most part, however, the ability of the Confederation to play a leading role in business politics derives from its expertise in identifying important issues for which it can build membership support rather than through the exercise of any significant 'governing' capacity. While its access to and influence with the state is an important resource, it is evident that the Confederation leadership must remain highly responsive to the "interests, ideologies, need perceptions and so forth of its members" (Offe, 1985:238).

The CII and the State

Of course, a crucial factor in the determination of the Confederation's role in relation to business and the articulation of its power, is its relationship with the state. The nature of the relationship, its closeness, the type of exchanges which occur, and its stability must all be assessed. Its representation on relevant Boards and Committees and its frequency and ease of access to policy makers must be examined. The nature of this access, (institutionalised or ad hoc), the substance of the relationship, and the variability of its relations with different parts of the state must all be evaluated if a proper analysis of the relationship is to be made. Only then can the broader questions concerning the public attribution of status or pluralist paradigms be answered.

In respect of representation on Boards and Committees, the Confederation enjoys a secure status with regard to trade and industry matters. Its representation tasks range from the

National Economic and Social Council (NESC), a tripartite policy advisory body, through the National manpower training board (FAS) to local vocational education bodies (VEC's). When the state establishes a body requiring business representation (excluding labour relations), the CII or one of its affiliates will almost certainly be requested to fulfil this role. However, while these boards can be important, they tend to possess at most an advisory or review function and exercise only a minimal influence over policy making. For example, 'Sectoral Consultative Committees' set up to review the performance, problems and prospects of particular sectors play an important role in analysing policy problems and elaborating possible solutions, but they remain distinct from the policy-making process. Their analysis and recommendations may or may not be taken up depending on the perceptions of government policy makers. Similarly, the NESC, while at times successful in setting the agenda of discussion and influential by virtue of its tripartite character, has no direct role as a policy maker and its recommendations may be ignored, rejected or acted upon as state policy makers wish. Even in respect of its membership of the IDA's 'Client Interaction Group', the Confederation enjoys little more than a forum in which to articulate its views and press its member's needs. Its established status as the representative body of industry tends to earn it the right to join the relevant Boards and Committees, but of themselves they afford only a limited opportunity to intervene effectively in the policy-making process (see below).

More direct contact between the CII and policy makers appears to be quite frequent. A survey of interest group politics reported the level of contact between state and business associations, both formal and informal, to be high, with almost 75% of respondents reporting frequent, almost daily dealings (O'Regan and Wilson, 1986:398). Such access to decision makers, both political and bureaucratic, is considerably facilitated by the high social status of leading business figures. One former government minister stated that the 'type of people they were' ensured that generally Confederation representatives would have the opportunity of putting their case at the highest level without the necessity of mounting a high-profile publicity campaign. Moreover, such social advantages are reinforced by the fact that many of the Confederation's prominent member firms are contributors to political party funds. While such contributions would not guarantee the granting of requests, they do ensure a hearing.[39]

However, while contact is frequent and policy makers accessible, the evidence suggests that it has an ad hoc character and is not institutionalised. The relationship rests on the existence of compatible needs. While the CII requires access and influence, the state requires information and the legitimation of its policies. The former's surveys and reports are an important source of data for government policy makers. Its views and advice are regarded 'as a very definite asset' by bureaucratic officials.[40] However, frequently it requires more detailed and specific information and such exchanges with the CII tend to be agreed on an ad hoc basis and after an assessment of the balance of advantage by the latter. Thus, for example, on some occasions at the request of the Department of Industry and Commerce the association has sounded out its members' views on different proposals. This is done without informing the membership of the origin of the inquiry or proposal: "we are a discreet sounding board ...Today, if we did not exist, the government would have to invent us".[41] In other instances, if the Confederation feels the need of some bargaining leverage,

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[39] Interview with former Minister for Industry and Commerce, Mr J. Bruton.

[40] Irish Times, 23/2/1988.

[41] Interview with CII Director of Economic Policy, Mr C. Power, Irish Times 23/2/1988.

some credit, it is prepared to employ its organisation to facilitate government programmes. Thus, for example, in respect of complex new EC directives, the CII has on occasion organised a campaign to appraise industry of their implications at the request of the state. In each case, arrangements were perceived as 'exceptional', even if exceptional arrangements were not particularly unusual. In this sense, relations are close and cooperation the norm but the pattern remains ad hoc rather than institutionalised. Neither side has the right to make claims on the other, yet frequently finds it advantageous to be cooperative. Close relationships have proved compatible with clear distinctions as to functions and spheres of legitimate operation.

To fully comprehend the nature of the relationship between the Confederation and the state it is necessary to move away from a unitary and undifferentiated model of the latter. Depending on the issue, the Confederation must deal with many different agencies and departments most of which will have a distinct perspective and set of concerns. Its relationship with each, and therefore its role in the policy-making process, may vary greatly. Perhaps its closest relationship is with the Department of Industry and Commerce, which has direct responsibility for commercial and industrial matters. Frequently the Minister at the department is perceived as the voice of industry in Cabinet and while the department could not be described as in thrall to the CII, undoubtedly it is generally broadly sympathetic to business's perception of events. Contacts between the Confederation and the department are frequent and there is a shared understanding of the basic problems confronting business. In contrast, relations with other departments may be less close. For example, departments responsible for such matters as public health and the protection of the environment tend to view the advances of the Confederation or its sector federations with suspicion, regarding them 'strictly as lobbyists'. Hence, in matters relating to food safety and the health giving properties or otherwise of certain additives, they refused in the mid 1980s to conduct the campaigns of public reassurance which business sought.[42]

Perhaps more seriously for the Confederation, its relationship with the two most powerful state actors in the field of business have not always been close or harmonious. In respect of the dominant Department of Finance, while the Confederation claims that its views are perceived as very important,[43] it is undoubtedly the case that interests have clashed over the matter of taxation. Inevitably, the Confederation's sustained pressure for lower corporate taxation has conflicted with the Finance department's already desperate need to widen the tax base in order to render a reduction in the high levels of personnel taxation compatible with the elimination of a large and persistent fiscal deficit. Here, the Confederation's objectives confront powerful fiscal and political pressures and its influence is heavily circumscribed by the government's need to reconcile these competing needs and objectives.

The vulnerability of the Confederation and its dependence on intra-state institutional relationships and conflicts is particularly evident in respect of the IDA. As the most important agency in the industrial policy field, the activities of the IDA are evidently of considerable concern to the CII. Over the years the two bodies have had a good deal of discussion and consultation. In the early days, discussions ranged from sectorally specific problems to the general thrust of industrial and economic policy.[44] Close practical cooperation built up in these early years in respect of EC grant applications. As already noted, regular consultation is facilitated by the

[42] Irish Times 23/3/1988.

[43] Ibid.

[44] Industrial Development Authority, Annual Report 1973/1974.

Confederation's membership of the IDA's 'Client Interaction Group'. However, these links should not obscure the fact that the IDA generally formulated and pursued its own policy line. Any attempt by the Confederation to interfere in this process was severely constrained by the IDA's strength within the state (Wickham, 1983). Technically, the Department of Industry and Commerce, with which the CII has close links, oversaw the work of the IDA. In practice the latter had virtually broken free of its scrutiny from the early 1970s to the early 1980s. Enjoying staff, resources and information superior to those of Industry and Commerce, it could pursue an almost independent line within the broad legislative constraints laid down. Indeed, one of the principal concerns of government industrial policy reviews in the early 1980s was simply to regain control of the IDA.[45] In these circumstances, the influence of the Confederation was minimal; essentially it amounted to no more than the IDA's preparedness to listen. The latter's strength within the state structure severely constrained the CII's capacity for mobilising resources in defence of alternative policies.

In effect, then, a key condition of the CII's effectiveness in intervening in the policy making-process is its ability to enter into the state and form alliances with particular actors sharing compatible interests in relation to specific issues. Where this possibility of alliance formation is not available, the Confederation's impact is greatly reduced. Where such alliances can be made, its hand is greatly strengthened.

The 1990 proposed increase in corporate taxation rate for manufacturing industry exemplifies this complex process of lobbying and alliance formation. A concessionary rate of 10% for such firms had been in place for two decades but was due to expire in 1990. The Minister of Industry and Commerce, leader of the minority party in a coalition government, was committed

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[45] Interview with Mr J. Bruton.

to the idea of broadening the tax base through increasing the take from corporate taxes and opposed the extension of this rate. For its part, the Confederation argued for just such an extension and impressed upon the Department the possibly dire consequences for the attraction and retention of foreign manufacturing investment if this step was not taken. Its campaign, pursued through the press and in face to face meetings with the Minister proved a success and the latter pronounced himself in favour of an extension. However, having successfully convinced the Minister for Industry and Commerce of the negative consequences for long-term growth if corporation taxes were raised, the Confederation was confronted with a related proposal by the Department of Finance, and included in the 1990 Finance Bill coming before parliament, that the definition of manufacturing industry and thus the range of firms eligible for the concessionary rate of corporation tax be narrowed. Building on its earlier success and having won the fundamental argument over rate increases, it now enlisted the Department of Industry and Commerce to support its further case with the Department of Finance. In a series of meetings with the Ministers of Finance and Industry and Commerce, the Confederation argued the case for the status quo, again emphasising the detrimental impact on investment. In addition, it formulated a series of amendments which could be substituted for the original proposals which were within weeks of passing into law. With the support of the Department of Industry and Commerce, the Confederation campaign was successful with some 80% of its amendments being incorporated verbatim into a revised bill. It called off its press campaign and informed its members of its success.[46]

Success in reshaping a particular policy thus depends to a significant extent on the Confederation's skill in lobbying particular departments and in mobilising support from sympathetic

[46] Interview with CII Director-General.

departments in support of efforts to persuade unsympathetic ones. Its access to policy makers enables it to assess accurately the extent and source of support or resistance to a given policy, its expertise and experience then guides its response. Decisions will be made as to whether lobbying of parliamentarians will be worthwhile, whether the campaign should be highly publicised or quietly and privately executed, whether simply to resist a given measure or to generate a realistic alternative set of proposals, whether, in the event of success, credit should be claimed publicly with the risk of humiliating or antagonising a minister or department or to understate its role and leave its membership ill-informed about its effectiveness. It is a complex game and one in which the CII relies on contacts, skill, knowledge and luck rather than on institutionalised rights and privileges.

However, while the Confederation enjoys considerable access to policy makers and exercises a not inconsiderable influence over policy formulation, there are limits to its effectiveness. A clearer understanding of its role can be derived from some comparison with other European states. Table 6.8 (see p.257) compares the major representative associations across five countries in respect of their access to policy makers, their input into the policy formulation process and their role in implementing policy programmes. The access indicator assesses the frequency and character of contacts between associational and governmental actors. Here it is evident that the position of the CII is not significantly out of step with other countries. The policy formulation index measures the extent to which the association is represented on public bodies charged with a major role in formulating policy. This reveals a wider degree of variation across the five countries with the CII ranking amongst the lowest and exhibiting a closer affinity with liberal Britain than with neo-corporatist Austria or Sweden. However, while somewhat limited, given the great variation in administrative practice across states, the policy formulation index which is most telling. This assesses the role of the association in administering public policy programmes, specifically programmes of regional development, industrial policies, quality control programmes, price control systems, and vocational training programmes. In none of these areas does the CII play an active role in implementation. While it does sit on vocational training boards (FAS), these perform only a general policy review role and do not relate to the administration of the project. Even in relation to policy formulation, its strong informal input is very variable across policy areas while its formal input is limited. It has only a very marginal role in setting industrial policy, has no formal input into social security policy, and has no formal role in the formulation of labour market policy. In short, its ability to influence policy tends to depend on ad hoc interventions while its role in implementing them is virtually nil.

Table 6.8
Associational Involvement in the Policy Process

		Access Index	Policy formulation Index	Policy Implementation Index
Austria:	BWK	12	8	6
Sweden:	SAF	12	5	4
	SI	12	6	0
Switzerland:				
	Vorot	10	4	1
	ZSAO	10	4	1
	SGV	11/10	6/4	1/2
Britain:	CBI	12	3	0
	IOD	12	1	0
Ireland:	CII	10	2	0

(for construction of indices, see appendix)
(Source: Based on Coleman and Grant, 1988. Additional material on Ireland derived from interviews and CII annual reports)

In crucial respects, the relationship between the Confederation and the state appears to be significantly constrained by the form of industrial development which the country has experienced. Specifically, the underlying logic of the state's development strategy, embodied in the IDA and the programme to attract FDI, has tended strongly to reinforce a liberal demarcation of association and state. In respect of the CII, as has been noted above, the large presence of such firms and their economic performance militated against the acquisition of a strong governing role by the association leadership. In respect of the state, the implicit logic of the strategy was that the initial close relations between the state agency and the investing firms, involving subsidies and advice, would be followed by a minimum interference in the actual management of the operation once up and running. Such a programme precluded any attempt to forge neo-corporatist arrangements at the meso-level which would necessarily involve a high degree of solidaristic behaviour and close and institutionalised links with the state and its agencies. Foreign investors sought, and were for the most part granted, maximum support and minimum state interference; any attempt by the state to significantly deviate from this arrangement would have risked undermining the entire strategy.

Indeed, it is arguable that the heavy reliance on foreign investment has in the longer term served to constrain the state's capacity to pursue significant policy innovation. The need to retain existing and attract additional 'footloose' foreign investment has major ramifications for future fiscal and industrial policy developments. Arguments in favour of broadening the tax base by drawing greater resources from the corporate sector are confronted with the problem that the majority of foreign firms were principally attracted by the tax regime. Serious tampering with existing arrangements might provoke defections. It is indicative of this fact that the CII, in respect of corporation tax changes, chose to emphasise the detrimental impact on foreign investment if they were implemented, even though they were no less unsatisfactory for indigenous manufacturing firms. The importance and perceived mobility of foreign investors severely constrained the state's actions and significantly strengthened the Confederation's hand in its campaign for a low tax regime (see Table 6.9). The terms and conditions of the development strategy pursued from the early 1960s precluded the further development of the pattern of state-association relations which had begun to emerge in the 1960s and ensured the commitment of both sides to a liberal market model of state-economy differentiation. Within this relationship, however, underlying structural characteristics and constraints could be effectively mobilised in support of specific objectives. Frequently, references to an investment strike by capitalists tend to underestimate the costs to capital itself of pursuing such a course, and therefore exaggerate the likelihood of such an occurrence. But, in relation to foreign investment in Ireland and particularly its profile of relatively low skilled, final processing output, the possibility of disinvestment is far more real and, by extension, a far greater constraint on policy makers. The Confederation has successfully capitalised on this fact to block any significant reform of the system of corporate taxation which yields a remarkably low proportion of the total tax yield. In this instance, the latent power of business (and especially of particular elements of business) deriving from the 'demands of accumulation' (Traxler, 1990; Marin, 1988), was effectively mobilised by the peak representative association of capital in defence of manufacturing industry in general. Collective action offered a practical and effective way of both harnessing the structurally derived power of business, and of generalising the power of particular elements.

Table 6.9

No. of manufacturing establishments classified by nature of Industrial Development Authority grant support and as Irish, rest of EC and non-EC

Country/Area	IDA Grant Type	No. of Est.
Irish	IDA grant aided	
	New Industry	407
	Small Industry	1,420
	Other IDA grant	818
	Not IDA grant aided	531
	Not Classified	706
	All Establishments	3,882
Other EC	IDA grant aided	
	New Industry	208
	Small Industry	71
	Other IDA grants	101
	Not IDA grant aided	22
	Not Classified	13
	All Establishments	415
Non-EC	IDA grant aided	
	New Industry	290
	Small Industry	30
	Other Industry	51
	Not IDA grant aided	24
	Not classified	13
	All Establishments	408

(Source: Census of Industrial Production, 1988).

It is evident that the Confederation does not enjoy a publicly attributed status in Offe's sense (Offe, 1985). The range of its representation is determined by its own preferences rather than by public fiat, even if the state does indicate its preference for a broadly based inclusive organisation. Its internal operation is in no respect publicly regulated, nor can it be said to be licensed by the state. However, this is not to say that relations between state and association were not close or that the CII was peripheral to the operation of state-industry relations. As we have seen, in practical terms the realisation of business power, no matter how strongly embedded in the economic structure, may require the intervention of a BIA. Moreover, while the Confederation receives no financial support from the state (though membership contributions are tax deductible), clearly its close relationship with many key state actors is an important resource informing its relationship with its membership and with potential members. Whatever misgivings members may have about the Confederation, it is undoubtedly the most important and influential actor in the trade associational field with an unrivalled set of contacts and relationships. While these contacts are rarely formalised, they are frequent and at the highest level. While neither side possesses any right, either legal or bargained, to interfere in the activities of the other, cooperation and the exchange of resources are part and parcel of complex strategies to gain influence and access in relation to specific issues.

The limits of this cooperation are quite clear. The CII plays no role in the implementation of policy; both it and the state regard this as inappropriate for a private organisation. The Confederation essentially perceives its task as to influence, pressure and enlighten the state. For its part, governments have on occasion expressed the hope that the Confederation would offer services supportive of industry's development, but this is typically construed as an entirely private matter. For example, a government White Paper on industrial policy published in 1984 remarked that "the Minister of Industry, Trade, Tourism and Transport has met the Confederation of Irish Industry to encourage them to create stronger industry associations" in order to serve industry's own needs in areas such as research and marketing,[47] but this was essentially a call for industry to help itself.

In short, the maintenance of a clear distinction between the functions of public and private actors and the eschewing of any meso-corporatist arrangements, the operation of an association which is in the main responsive to its memberships' preferences and is without significant governing capacity, the acceptance of an ideology which favours minimal direct state intervention (as opposed to indirect tax breaks, etc.) in the operation of business, have all proved compatible with the emergence of a more cohesive, concentrated, and encompassing trade associational structure and the development of a complex, if ad hoc, set of cooperative links with the state. Between the concept, at one extreme, of a highly regulated, highly developed associational system practising private interest government (Schmitter and Streeck, 1985) and, at the other, of a business class capable of ensuring the protection and furtherance of its interests without having recourse to collective action, lies a whole gamut of partial, complex arrangements of cooperation, exchange and conflict where both logics of membership and of influence are invariably present but interact in a myriad of different ways.

Conclusion

Clearly, under the conditions of open markets obtaining from the early to mid-1970s onwards, the major trade and employers' associations had a significant role to play in the politico-

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[47] White paper on Industrial Policy, 1984 Pl.2491.

economic life of the country. This importance facilitated the evolution of two relatively well resourced peak associations by the early 1980s which, while comparatively modest in size, represented a significant advance in associational development in comparison with what had pertained before the liberalisation programme had commenced.

However, in neither case was relatively large size correlated with leadership control or governing capacity. Both organisations essentially remained responsive to their membership and given the heterogeneity of that membership this frequently resulted in either extremely specific policies aimed at a subsection of members or a very generalised set of policies concerned with improving the environment for business. Both associations enjoyed close links with the state but these largely conformed to the bargaining/influencing pressure model rather than one of public status or corporatism.

It would appear that the period of close cooperation and the attribution of public status to the CII experienced during the years of transition was undermined by a combination of changes in the emphasis of government policy in response to the changing character of economic problems, structural changes in the economy rendering the formulation of clear policies and objectives extremely difficult, reluctance on the part of the state to countenance the sort of major reforms required if planning initiatives were to be effective and ideological reluctance on the part of both state and industry to jettison a basically liberal conception of state-market relations.

Conclusion

It is evident that the impact of liberalisation on the role and development of BIAs was considerable. An associational system marked by fragmentation, competitiveness and organisational weakness, which had been generated by the particular economic and political processes of industrial protectionism, had given way to a more encompassing, more cohesive and more organisationally developed one following integration with international markets. Broader based associations with far more complex internal structures had greatly improved their provision of services and their capacity to formulate complex policy programmes which did not derive directly from the immediate market needs of member firms. The ability of associations to generate information which the state might find useful and so engage in the discussion of both general and specific policy had vastly improved. Changes in government policies and in the competitive environment combined to alter the collective action calculus of firms and the strategic behaviour of associations, and to facilitate the emergence of a more developed representative system. Moreover, it is evident that this more centralised, concentrated and representative system of associations (Coleman and Grant, 1988) does enjoy a more regular access to policy makers than had its predecessor under protection. Consultation is more frequent, more detailed and more pervasive than it ever had been previously.

However, there were serious limits to this transformation. Firstly, the development of the trade associational system was not matched by a corresponding integration of the employer union system. While a single association, the FUE (now the FIE) is preeminent, a range of strong, independent sectoral associations has persisted. Sharp differences of interests between member firms and between associations have persisted, militating against integration. Moreover, on occasion relations between the CII and the employers' associations have been fraught. This was most commonly due to tensions between 'sheltered' and 'exposed' segments of industry.

Secondly, while associations have grown larger and more encompassing, they have failed to acquire any significant capacity to govern their memberships. The evidence suggests that, in large part, these associations remain highly responsive to their membership and eschew any 'public' role. Only when the overwhelming majority of its members are willing does the FUE/FIE enter into national collective bargaining. Where internal conflict occurs over key issues, such as exchange rates or industrial policy, typically the matter is evaded or fudged. More generally, potentially contentious issues are sidestepped. Only on rare occasions is the CII prepared to pursue policies which are inimical to the interests of even a small section of its membership. Clearly, in relation to trade matters, the state's openness to the Confederation of Irish Industry and its recognition of the association's representative status, lends the latter credibility and reinforces its claim to be the most effective mouthpiece for business interests, thereby facilitating recruitment. However, in no sense can the state be said to exercise significant control over the internal operation of the organisation. In short, while the business associational system has been transformed, and the level and number of contacts and exchanges with the state greatly expanded, it retains a clear 'liberal' character both in respect of the sharpness of the distinction between private and public institutions and in the responsiveness of private organisations to their memberships. While the economic problems and constraints which Ireland faces may have grown more similar to those of early developing and early integrating small open European economies, the government and business have not been able to replicate the practices which have been so frequently observed in these countries, despite at times seeking to do so.

Associations and Business Power

It is evident that liberalisation and the concomitant process of industrialisation has greatly enhanced the power of industry. While its employment record has not been outstanding, its massive increase in output and exports is deemed crucial to the raising of living standards and the provision of employment in the service sector. While policy makers are by no means indifferent to the interests of agriculture, increasingly they have been constrained to acknowledge and act upon the needs of industry.

However, the relationship between such an enhancement of 'crude' structural power and the development of associations is complex and uncertain. As noted in Chapter One, the weight of argument is that the first preference of firms is to work through the market and avoid entanglement in collective associations. Equally, however, it is widely acknowledged that situations will arise where such capitalist purity will not appear so desirable, or even feasible. Protectionist urges, the growth of hostile organised forces (most typically trade unions) and the intervention of the state will likely provoke some sort of collective response among business or sections of business.

The history of business associability in Ireland would appear broadly to confirm these arguments. The establishment of the first major national employers' trade union was a response to a surge in trade union militancy. The emergence of a trade associational system was inextricably linked to the interaction of protectionist interests and growing state intervention. The shift from one foreign economic policy to another altered the balance of importance of these factors in the determination of associability but not their combined significance.

However, the Irish experience does offer some insight into what factors may affect this connection between structural power and associational development. Firstly, the structure and ideological underpinnings of the state, as well as the specific government policies elaborated, crucially influence the relationship. For example, the success of any attempt to form a new associational politics in response to liberalisation will be greatly dependent on the willingness and ability of political and administrative actors to alter their conception of the 'proper' relations between state and market and to restructure the state itself in such a way as to facilitate 'social partnership'. In the case at hand, the liberal state tradition inherited from Britain and the pattern of partisan politics rendered such a break extremely difficult, and in the event the governmental and state administrative actors pulled back from the task.

Secondly, the structure of the economy itself will have major implications for associational development and the attractions of collective action for firms. In the literature, the emphasis has been on the links between industry concentration and associational development. Certainly, in the case at hand, it is clear that the low level of concentration has rendered it more difficult for associations to develop coherent policy programmes and has militated against their acquisition of a significant governing capacity. However, while the Irish experience appears to bear out, in a negative sense, the oft-remarked upon relationship between high levels of industry concentration and the emergence of strong associations, it also demonstrates that low levels of concentration and small average firms size may also offer opportunities for associational growth. For example, notwithstanding the vagaries of ideological and policy thinking, the growing importance of industry in the economy did still have clearly beneficial consequences for associations. Increasingly attentive public policy makers have required more, and more complex, information concerning industry's needs and operation. But, when coupled with the characteristically small size of firms in the Irish economy, this requirement has favoured the development of BIAs. In a small economy with low levels of industry concentration, the cultivation of close relations with a small number of dominant firms is not a feasible alternative to reliance on information generated collectively by organisations representing firms and sectors. The state and its agencies need increasingly to talk to industry, but this is only practicable if industry is organised collectively.

Moreover, the combination of small firm size and rapid trade liberalisation enhanced the attractiveness of associational membership for firms themselves. Few had the resources required to generate or acquire alone the necessary technical and marketing information pertaining to the new competitive environment. BIAs were well placed to satisfy these needs and indeed the provision of such services has, in fact, been one of the CII's principal concerns. Indeed, this association has been able to exploit the small size of firms and sectors to establish its dominance as <u>the</u> representative association of business in non labour-relations matters. Just as most firms were poorly placed to satisfy their own informational needs, most sectors were not capable of establishing a well resourced BIA to perform these tasks. Economies of scale favoured the integration of the associational system. Thus, while strong associations capable of formulating complex and coherent policies and enjoying a significant degree of governing capacity may have been undermined by the low level of concentration and industry's heterogeneity, the development of a broad-based, encompassing and integrated association was partly a consequence of these same characteristics.

The Irish experience also demonstrates that, in practice, 'structural' and 'organised' business power are very closely related. Thus, trade liberalisation served in the medium term to augment the structural power of business in the political economy, but the actual realisation of liberalisation through government policies, legal changes and trade agreements required industry to develop its own strategic responses and to reformulate its concept of its own interests. As noted in Chapter Five, this is a highly political process in which BIAs play a crucial role as instruments of particular groups within industry. In reality, the number of issues in relation to which all elements of industry will have an identical view are few indeed, thus in most instances these different elements will be competing with each other to have their view established as <u>the</u> view of business. Associations may well, at least at certain crucial moments of economic and political change, become part of an intra-industry conflict concerning the proper objectives for the achievement of which industry's power, whether structural or organised, should be deployed.

The Irish experience also suggests that associations may have a crucial role to play in realising and generalising the power of industry and different segments of industry. References to the structurally derived power of industry should not obscure the variability of such power resources across sectors and issue areas. All firms are not equally powerful in respect of all aspects of public policy. Different firms and sectors vary in the degree and the form of their power. One of the key attractions of trade association membership (specifically CII membership) for firms has been the Confederation's ability to harness the power of certain segments of industry and exercise it to further the interests of member firms in general. Thus by working through the Confederation and with indigenous firms, foreign-owned companies can hope to benefit from the legitimacy the former enjoy as the backbone of the national economy and the concern which this induces in public policy makers to protect their interests. More commonly, perhaps, indigenous firms can hope to benefit from the bargaining leverage provided by highly mobile foreign-owned firms in the area of taxation. Through collective organisation, different segments of industry can exchange power resources, overcoming some of the variations in structurally derived power and more fully exploiting it.

To summarise, it is evident that in the Irish case the structural and organised power of industry have been closely related and mutually reinforcing. Under protection, a weak industrial sector, at least partially subjugated to the interests of agriculture, played a marginal role in the policy-making process. Under open economic conditions, the strengthening of industry's economic and political position has been reflected, in a complex way, in the growth of a more coherent, integrated and organisationally developed associational system.

Liberalisation, Associability and Late Developers

A key factor determining this pattern of evolution, and the failure to replicate in any significant respect the small state Western European model, was the experience of transition from protected to liberalised markets. For a time, during this period, it looked like a highly organised neo-corporatist system of associational politics might emerge. Government policies sought to establish new relations between the state and associations and many firms demonstrated a keen belief in the need for associational integration, defensive organisation and an active participation in the process of policy formulation and implementation. Indeed, major steps were taken towards the realisation of such an associational system.

However, these developments both bore the mark of, and suffered from the constraints imposed by the transitional process. Associational reform was moulded by the pressures and conflicts of transition to, rather than the actual operation of open markets. On the one hand, it was crucially influenced by state policies of anticipatory adaptation which largely terminated when EC membership was realised. On the other, it was carried through by established firms and association leaderships trying to negotiate the journey from protection to free trade and reflected their needs and concerns. It reflected the tensions and conflicts within business over which path to follow. While the rapidity of transition to new open market conditions prompted a major reconsideration of strategies and policies by the state and associations, it also generated a high but varied level of economic stress which militated against the emergence of a single broad perspective common to all firms and sectors. Firms were divided by the degree of their exposure to imports, by the extent of their dependence on exporting, by the urgency of their need to restrain the growth of labour costs, by the extent to which liberalising markets required a fundamental review of their operation, etc. While these differences of position did not predetermine the strategies of firms, they did inform them and underlay many of the conflicts which both shaped and inhibited the process of associational integration.

In this sense associational reform, while a clear response to liberalisation, embodied the needs, opportunities and constraints of the transitional process rather than open markets. The strategies adopted during this period were necessarily of limited application but they crucially influenced the character, extent and limits of integration.

Moreover, contrary to expectations, the realisation of open markets did not promote the further development of associations. Indeed, for the most part since accession to the EC, consolidation of earlier gains and modest organic growth has been the pattern of associational development. In understanding this phenomenon, three key factors need to be appreciated. Firstly, as has already been noted, many analysts have suggested a close link between the development of strong associations and a high level of industry concentration. However, in contrast to the pattern among early developing, small, European open economies, late developers face the prospect of industrial deconcentration. Certainly in this case, with few exceptions, firms proved incapable of acquiring the scale necessary to compete as major players in EC markets and were pushed back to the margins. Concentration levels fell and associations were confronted with the task of organising sectors of small, relatively poorly developed firms.

Secondly, the degree of dependence on foreign direct investment for industrial growth and development severely constrains both the state and associations. With respect to the former, its ability to pursue major policy initiatives contrary to the wishes of such firms is limited. Similarly, with respect to BIAs, the fact that many members are merely branches of international firms with their own policies and priorities limits the extent to which associations can exercise a decisive role in the formulation of interests and objectives.

Thirdly, the general level of heterogeneity in the economy, reflecting both the importance of foreign investment, the absence of concentration, the presence of a large untraded sector, the quasi-regional orientation of indigenous firms exporting to Britain and the very uneven experience of industrial 'modernisation', further complicates the task of building solidaristic associations. In combination, these structural features of the newly liberalised economy have powerfully constrained the further development of associations.

While this study has examined a single case in some depth, its experience does suggest that any small late developing and integrating European state will face severe difficulties in replicating the strategies and policies of their early predecessors. Notwithstanding the large variation in state structures and ideological perspectives, late integration generates many problems inimical to the emergence of highly developed BIAs. Firstly, the stresses of rapid transition inevitably generate a considerable degree of disagreement and disunity within business with regard to the appropriate strategies to pursue in relation to the state and labour. Secondly, as concentration continues at the pan European level, it is likely that all newcomers to this market will find it extremely difficult to catch up and achieve the pattern of highly concentrated industrial development so frequently found among early developers. Thirdly, with the continued growth in the importance of transnational firms and the increasing mobility of investment capital, it is very likely that any catch-up strategy of development will rely heavily on such firms. This particular form of openness is antithetical to both the associational solidarity and state interventionism which lie at the heart of the small state neo-corporatist adjustment model. Together, these factors ensure that while late developers may seek to replicate the behaviour of other small European states, the obstacles to their development of the kind of associational system which underpins such strategies are great. Moreover, they indicate that the relationship between economic openness and associational politics is more complex and uncertain than many analysts have allowed.

Appendix

Construction of Index in Table 6.8 on page 256 (Drawn from Coleman and Grant, 1988:480)

(a) Construction of Access Index
The index was formed based on assessment of how often the association contacts the following type of government bodies:

- Informal contacts with civil servants
- Provision of information to government bodies upon request
- Formal consultation in drafting legislation and representation before parliament and parliamentary committees
- Contacts with Cabinet Ministers or groups of Cabinet Ministers

Assessment coded (0) never (1) rarely (2) occasionally (3) regularly

(B) Construction of the Policy Formulation Index
The index was based on the association's representation on the following bodies:

- social security boards
- regional development boards
- industrial boards
- labour market exchange offices
- standardisation committees
- price boards
- wages boards
- other public/semi-public bodies

Coded (0) no and (1) yes

(c) Construction of the Policy Implementation Index.
The index measures the extent to which associations directly or through subsidiaries administer public policy programmes in one of the following areas:

- Regional development programmes
- industrial policy programmes
- vocational training programmes
- quality control programmes
- price control programmes
- other policy programmes

Assessment coded (0) no and (1) yes

Primary Sources

General

Business and Finance
Irish Industry
Irish Times
Management
Thom's Directory
Dun and Bradstreet's Guide to Irish Manufacturers
Organisation of Business Interests Project

Official Sources

Government White Papers and Green Papers
- 1957 Economic Development PR. 7239
- 1958 Programme for Economic Development PR. 4796
- 1963 Second Programme for Economic Expansion, Part I PR.7239, Part II PR 7670
- 1984 Industrial Policy PL 2491

Other Official Sources
- 1981 Report of the Committee of Inquiry on Industrial Relations
- Census of Industrial Production, 1988
- Industrial Development Authority, Annual Reports

Business sources

Industrial Review (Journal of the FII)
Annual Reports of the FIM/FII/CII
Annual Reports of the FUE/FIE
CII Newsletter
FIM/FII/CII, minutes of National Council and National Executive Committee from 1934 to 1976
FUE, minutes of Executive Committee (limited access)
Harvard teaching notes of H.T. Thurston, member of the Harbridge House consultancy team
Annual Reports of Adaptation Councils
Irish Exporters' Association Directory
Irish Textiles Directory (1953)

Interviews

All conducted in July 1990 unless otherwise stated

Dr. G. FitzGerald, Prime Minister 1982-1987
Mr. J. Bruton, Minister of Finance 1981 and Minister for Industry and Commerce 1982-87
Mr. A. Cullen, Director of Philips (Irl) Ltd (Interview, January 1989)
Mr. L. Connellan, Director-General of the Confederation of Irish Industry

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