

*three tiger sightings,
but its stripes are in dispute*

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The Making of the Celtic Tiger: The Inside Story of Ireland's Boom Economy

Ray Mac Sharry and Padraic White
Mercier, Cork, 2000
ISBN: 1856353362, IR£12.99

The Celtic Tiger: Ireland's Continuing Economic Miracle

Paul Sweeney
Oak Tree Press, second edition, 1999
ISBN: 1860761488, £14.95 in UK

Inside the Celtic Tiger: The Irish Economy and the Asian Model

Denis O'Hearn
Pluto Press, London, 1998
ISBN: 0745312837, £13.99 in UK.

Judging from the three books under review here, the battle for the meaning of the Celtic Tiger is well and truly under way. The most recent of the three, *The Making of the Celtic Tiger* by Ray Mac Sharry and Padraic White is, as one might expect from the Minister of Finance who introduced the austerity package in March 1987 from which the beginnings of Ireland's economic recovery is usually dated, and from the managing director of the IDA from 1981-90, a paean of praise to 'an economic transformation that none had predicted'. Paul Sweeney's *The Celtic Tiger*, in its second edition, acknowledges an apprehension that economic growth would falter or even crash as soon as the first edition was published in 1997 and seems more convinced than ever that the Irish economy entered a virtuous circle from 1987. He does, however, admit to 'unfinished business', most notably in tackling poverty and the housing crisis. Denis O'Hearn, alone among the three, casts a more critical eye on the Celtic Tiger phenomenon, and through a

careful comparison with the East Asian Tigers, particularly Singapore, raises some fundamental questions about its sustainability and its social impact.

The three books therefore are situated along a spectrum of meaning, from the uncritical, self-adulatory account of Mac Sharry and White at one end, to the highly critical analysis of O'Hearn at the other. Sweeney lies somewhere in between, seeing some of the darker sides of contemporary Ireland's development as challenges still to be met by the Celtic Tiger. A review of them therefore offers an opportunity to evaluate the meaning of this contested phenomenon and, in particular, to highlight and examine some of the major criticisms being raised.

Mac Sharry and White's account is by now a very familiar one. It sees recent Irish economic growth as marking 'a permanent structural shift in the level of Ireland's economic performance' (p 361) and marshals all the well-known reasons to explain it – consistent macro-economic management of the economy, investment in education, social partnership, EU structural funds combined with the fiscal discipline imposed by the Maastricht criteria and, of course, very high levels of inward US investment. These are described at length without the slightest hint of any critical evaluation. The only valuable addition to what we already know only too well from dominant economic accounts of the Celtic Tiger are the chapters on the IDA written by White. But again these are purely descriptive and it appears that the author has never allowed a doubt to enter his mind that the multinational route to industrialisation might have some drawbacks to it. This, then, is official Ireland's view of itself, which was clearly evident in the extensive and uncritical media attention which the book was given when published (including an adulatory full page review in *The Irish Times* by the paper's editor).

Sweeney's account, while displaying an almost naïve sense of wonder at the high levels of economic growth achieved by Ireland since the early 1990s, does at least raise some critical questions. Central to these are questions about its sustainability and its social impact. Sweeney seems unsure whether poverty has increased or not during the period of economic growth (he makes both claims between pages 170 and 180 without apparently realising the contradiction) but he does admit that there has been 'no assault on poverty in the 1990s' (p 180). His remedy is to urge that 'the radical reduction of poverty and unemployment must become the priority to complete the Irish success story' (p 205) and believes that, with large budget surpluses, there has never been a better time to do this. Essentially, he seems to believe that poverty and inequality could be eradicated within Ireland's current economic model, if only the political will existed to do it.

Sweeney devotes chapter 8 to answering the question 'Will the Boom Continue?' and does so by examining what he sees as the eight main threats to the boom, such issues as the break-up of social partnership, bottlenecks in the economy, overdependency on a few products, disinvestment by the multinationals and a general downturn in the world economy. His conclusion, however, is optimistic; as he puts it:

Even a slowdown from the high rates of growth of recent years is likely to still be high by international standards [sic]. Many of the potential problems can be dealt with by the Irish themselves. Ireland's future looks good, for the first time in a very long time' (p 226).

Addressing specifically the question that Ireland's extreme dependence on multinational companies leaves it very vulnerable to these companies simply pulling out, Sweeney again takes an optimistic view arguing that state policy has succeeded in rooting the multinationals here. He also believes that the state's industrial policy is finally showing success in developing strong Irish companies, able to compete on international markets.

The problem with Sweeney is that his examination of the main problems he identifies is far from thorough. In all cases, he seems to jump to optimistic conclusions on the basis of wishful thinking rather than marshalling any convincing evidence for his position. In some cases, the evidence he marshals seems to contradict his case. For example, he dismisses the view that states have been rendered more powerless in a globalised world economy and offers, by way of evidence, a table (Table 5.1, p 133) which he says illustrates the growing power of states since it shows that state spending as a percentage of GDP has grown since 1960. Yet, what is striking about the table is the evidence it shows that state spending has declined between 1996 and 1999, in some cases quite dramatically (in the Irish case from 37 per cent to 29.9 per cent). On the face of it, this table seems to present worrying evidence to support the case he is arguing against, but this he ignores.

In facing squarely both the issue of sustainability and the question of the social impact of economic growth, O'Hearn's book is by far the best. Drawing on extensive knowledge of the East Asian Tigers, he examines in some detail the differences between their industrial policy and that of Ireland. Instead of depending on foreign direct investment (FDI), he shows that the East Asian Tigers fostered strong indigenous companies through active state involvement. He finds Singapore to be closest to the Irish case since it depended more than the other East Asian Tigers on attracting in FDI (indeed, Padraic White in his account names the Economic Development Board of Singapore as being, together with the IDA, 'one of a small number of national investment-promotion organisations which have been demonstrably successful in promoting foreign investment to the benefit of their country' (p 309)). However, unlike Ireland O'Hearn finds that the Singaporean state intervenes quite heavily in the economy with government control and directives replacing market price mechanisms in three areas: the labour market, state-owned enterprises and forced private saving (p 28). From this, O'Hearn concludes:

I have considered the present basis of Irish growth to be unsustainable because it depends on a continuous increase in exports by foreign corporations, a factor over which the Irish state has no control, apart from the IDA's ability to attract and hold TNC projects. The IDA has been very successful in this regard during the 1990s, but ultimately will be unable to maintain its success rate as the expanding EU periphery increases competition for foreign investment, as key skills become scarce in Ireland, and as global contractions and shake-outs inevitably hit TNC operations in Ireland. (p 161).

Instead, he regards the central lesson of the East Asian experience, including that of Singapore, as being that reliance on FDI must be balanced by 'strategic government intervention to help create more sustainable indigenous technological capabilities' (p 161). In the light of O'Hearn's emphasis, it is interesting that Padraic White argues in his book that the IDA must maintain its effort to keep attracting new multinationals to Ireland since 'the nature of industry keeps changing – there is a continuous process of decline in some sectors (for example, textiles and mechanical engineering) and growth in others (software and e-commerce). So we can assume that a fair share of the industries we have today will decline and decay in coming years' (p 313).

The second major issue to which O'Hearn turns his critical scrutiny is the social impact of economic growth. While the picture he paints of growing poverty and inequality accompanying the Celtic Tiger may not be disputed by Sweeney, where O'Hearn clearly parts company is in his argument that Ireland's model of economic growth is a cause of this inequitable social outcome. This is so because he identifies in the Irish success story a rationale 'which pits economic growth *against* social prosperity' (p 165; emphasis in original). Thus, Ireland needs to maintain low corporate taxation to attract in multinationals and adopts a 'hands off' approach to issues like low pay. He concludes: 'Despite the warning signs of increasing inequality and poverty, Irish governments have consciously chosen growth and exclusion over prosperity and inclusion' (p 165). This implication of this is that further economic growth of the Irish kind will only exacerbate social inequality; Sweeney, by contrast, regards further economic growth as holding the best prospect for eliminating poverty.

In addressing the sustainability of the Celtic Tiger, none of the authors of these books addresses its environmental impact as has been done recently, for example, in the Environmental Protection Agency's millennium report on Ireland's environment. The only mention of these issues, is the brief description given by Padraic White of some conflicts between pharmaceutical companies and local communities on environmental pollution (pp 277-279). He seems to believe, however, that the setting up of the EPA with its 'strong licensing powers' has resolved the causes that led to these conflicts.

What distinguishes these books, however, is the understanding shown and the assessment made of the wider forces that are shaping our economy and, thus, our livelihoods and social life. Mac Sharry and White's view is limited to advocating a subservient market-led insertion into the global economy with the state shaping Irish society to serve the needs of multinational companies. Sweeney displays a superficial acquaintance with issues such as globalisation and the social impact of economic growth but shows little capacity to examine them thoroughly; he thus resorts to wishful thinking instead of drawing conclusions from a careful assessment of evidence. O'Hearn, alone among these three books, draws on a fuller and more grounded knowledge of the world order and the enormous challenges it poses for peripheral states interesting in achieving benefits not just for élites but for their societies. This leads him to draw more pessimistic conclusions about the prospects for the Irish economy and Irish society. Though, in places, the book gives the impression of assembling evidence to suit a pre-conceived theoretical position, the broad thrust of his conclusions seem to be to be solidly based. Among these three books, it alone alerts us to the need for more thorough critical examination of this phase of Ireland's development.

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