



DE GRUYTER
OPEN

Administration, vol. 66, no. 1 (2018), pp. 85–87
doi: 10.2478/admin-2018-0009

Introduction: Rethinking Irish economic development

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The aim of this symposium is to foster a policy debate on the theme ‘Rethinking Irish Economic Development’. It is timely to address this important topic because the 2007 crisis, which was particularly severe, was but one of a series of crises that the country has experienced since the 1970s. Given that policy mistakes have contributed to these crises and that the present government is planning for *Ireland 2040* (Government of Ireland, 2017), it is clearly vital for policymakers to learn from past mistakes.

The symposium draws on the recent book by O’Leary (2015), which offers a narrative on the spectacular rise and fall of the so-called Celtic tiger economy. The book depicts Ireland as a microstate with a unique reliance on foreign-assisted businesses, driven in part by a favourable taxation regime. It argues that deficiencies in indigenous enterprise development have been overlooked for many decades. The problem of rent-seeking has also been persistent. It contributed to the loss of competitiveness in the lead-up to the 2007 crash. O’Leary organised a policy forum in University College Cork (UCC) on 3 November 2017. The aim of the forum was to reassess the current policy mindset in relation to economic development in order to build on strengths and

address weaknesses. The three papers included here deal with core issues addressed at that event.¹

The first paper, by O'Leary, concerns the institutional arrangements that are likely to lead to strong long-term Irish economic performance. This is an area in which economists from past generations, such as Meenan (1970) and Kennedy et al. (1988), offered important insights. However, in the last three decades economists have been less involved in the discussion. O'Leary (2015, pp. 165–77) renewed this debate by focusing on the mindset that has dominated Irish policy since the foundation of the state. In his paper, he identifies three deep-seated policy problems and suggests three policy solutions that might help to deliver sustained national prosperity to 2040. These are in the areas of enterprise and regional policy and of institutional learning.

The second article, by van Egeraat & Doyle, addresses the urgent need identified in O'Leary (2015, p. 185) for a re-examination of Irish cluster policy. It is crucial that policymakers have a clear picture of how the local, regional and national environment contributes to the sustained international competitiveness of Irish-based businesses (both indigenous and foreign-assisted). Yet, surprisingly, Irish policy has been lacking in this respect. This is reflected in the limited level of analysis of industrial cluster processes by Irish-based economists. Van Egeraat & Doyle show how the cluster concept initially gained little traction in Irish policymaking. Over time, the concept gained limited acceptance but an agreed, consistent and clear definition across departments and policy documents is still lacking. They propose that recent clustering initiatives, which they describe as encouraging, need to take cognisance of the methodology for cluster identification, the geographical scale of clusters and the appropriateness of cluster policy for different areas.

The final article, by Barrett, helps to fill another gap in Irish economics. Even though there have been frequent allusions to the problem of rent-seeking in Ireland, there has been very little systematic research on this important area, in either the internationally traded or the sheltered sectors (O'Leary, 2015, p. 186). Barrett is ideally placed to fill this gap. In addition to his area of research expertise being in the anti-competitive practices in the transport industry, he served as an elected member of Seanad Éireann

¹ For more on the policy forum in UCC, see <https://www.cubsucc.com/re-thinking-irish-economic-development/>. The authors would like to acknowledge the insightful contributions of presenters and delegates made during the forum.

(2011–16) on the Joint Oireachtas Committee of Inquiry into the Banking Crisis (2016), which investigated the causes of the recent crisis. Barrett traces evidence of rent-seeking in Ireland for many decades and offers suggestions for how our public institutions may be reformed. He also offers a detailed case study of the bus industry, where he gives a stark warning that the substantial increases in output and reductions in the Exchequer cost of subsidies, following the Swords Express case, may be in jeopardy if regulatory recapture is allowed.

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