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Economic Impact of the Irish revolution

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Keywords: Irish economic history, revolution, partition

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Abstract

Over the period 1912 to 1923 Ireland underwent a constitutional revolution. The aim of this paper is to detail the economic context of this revolution and to outline some longer-term effects that the revolutionary period had on Irish economic development. The focus is predominantly on the Irish Free State, although comparison and reference is made to the 'home rule' polity of Northern Ireland. This paper was prepared as a chapter for the forthcoming *Atlas of the Irish Revolution.*

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> *If you remove the English army tomorrow and hoist the green flag over Dublin Castle, unless you set about the organisation of the Socialist Republic your efforts would be in vain. England would still rule you. She would rule you through her capitalists, through her landlords, through her financiers, through the whole array of commercial and individualist institutions she has planted in this country and watered with the tears of our mothers and the blood of our martyrs*.
>
> James Connolly[1]

Over the period 1912 to 1923, from the introduction of the third Home Rule bill and associated Ulster crisis to the creation of the dominion of the Irish Free State in 1922, Ireland underwent a constitutional revolution. The aim of this essay is to detail the economic context of the Irish revolution and also to outline longer term effects that the revolutionary period had on Irish economic development. The focus of the essay is predominantly on the area of the island that became the dominion of the Free State, although comparison and reference is made to the 'home rule' polity of Northern Ireland. The period of reference is 1914 through to 1938 as political and economic grievances from this period were unresolved until 1938. Thus the Irish revolution straddles the First

World War, the interwar period and the outbreak of the Second World War. In addition, key international economic factors are discussed. The IFS and NI were born into an unprecedented economic environment. The effect of the war time boom is crucial to gaining an understanding of the difficulties of post-war adjustment; in addition, the global economy experienced one of its greatest contractions from 1929 to 1933.

Nationalist politicians and propagandists in the late nineteenth and early twentieth centuries appear to have had clear views of what the economic benefits of an independent Ireland would yield. To them, independence either in the form of Home-Rule or legislative independence would see the development of 'Irish' industry via protection from international competition.[2] However, notably absent from this southern nationalist paradigm of economic development was the industrialised north of the island.[3] Unsurprisingly, predominantly northern Unionists had opposing views of political economy that perceived free trade as the foundation of their success.[4] The polarised views of the Irish economy, north and south, were crystallised before the outbreak of the First World War and the subsequent dislocation of the global economy.[5] Both polities that emerged from the partition of Ireland faced a changed and evolving economic environment and as small open economies they also were exposed to similar international economic trends; however, at the outset the north was more industrialised and remained part of the Union (and thus did not engage in a trade war with the UK in the 1930s).

Independence gave the Irish Free State (IFS) greater potential control over all aspects of economic policy. Notably, the IFS was distinctly different from what had been envisaged from the 1886, 1893, 1914 Home Rule bills (act in the case of the latter) and the 1920 Government of Ireland Act in that it enabled the IFS to have control over excise and customs, i.e. protection; whereas Northern Ireland (NI) became an example of Home Rule economic structure. Notably, however, the nascent revolutionary clique involved different personnel to the pre-war Home Rulers and the first Dáil's democratic programme also raised the spectre of alternative Bolshevik/socialist options prevalent in post-WWI Europe. Despite these revolutionary changes, economic policy in the IFS adhered to contemporary orthodoxy's. And although a revolution in trade policy occurred in the IFS with the arrival of Fianna Fáil in government in 1932, even here the actions were more a response to a changing international environment rather than the IFS acting independently. That being said, this did not stop the IFS taking the process further and becoming one of the most heavily protected countries in Europe.

The essay is structured chronologically. Section 1 sets out the developments from 1914 through to independence in 1922, section 2 focuses on the period 1922-1931, the establishment of the IFS until gradual protection was introduced, and section 3 centres on the period 1932-1938, when Fianna Fáil were in office until the signing of the Anglo-Irish agreement. The essay ends in 1938 due to the resolution of outstanding claims arising from the Treaty. The conclusion focuses on some longer-run impacts of the revolutionary period on Irish economic development. The experience of the Irish people is also important, did independence/unionism matter? Did it make a difference to the material well-being of the people?

1 Boom and bust, War and Revolution, 1914-1922

Both the IFS and NI inherited economic structures shaped by interactions with the increasingly integrated global economy of the late nineteenth century. The Irish (north and south) economy had operated in integrated commodity, capital and labour markets. Commodity market integration was evident in the free trade practices of the UK and both agriculture and industry operated in competitive international environments where prices were a reflection of international conditions. Detailed trade statistics are unavailable for the nineteenth century; however, when the Department of Agriculture and Technical Instruction began publishing trade statistics it is evident that Ireland's largest trading partner in terms of both imports and exports was Britain. Capital market integration was evident in the adherence to the international gold standard – implying a fixed exchange rate with other countries on the gold standard – and the free movement of capital. Labour markets were highly integrated and emigration rates were high in nineteenth century Ireland as migrants entered labour markets in the New World and also in Britain.[6] The growing global economy from 1870 to 1914 created the incentives and markets for both industry and agriculture in Ireland as a whole. However, these developments were dramatically halted by the outbreak of War in August 1914 and the gold standard was quietly suspended soon after,[7] ending a prolonged period of relative economic and monetary stability.[8] Debate exists over the economic performance of Ireland in the late nineteenth and early twentieth century, recent estimates by Geary & Stark suggest that Ireland was one of the fastest growing regions in the UK over the period 1870-1911 and that growth was primarily caused by traditional forces namely capital accumulation and total factor productivity growth.[9]

The First World War was something of a boom time for the Irish economy (north and south). Agriculture and industry profited from reductions in international competition and increased demands resulting from the War effort.[10] The boom conditions are evident from trade data which show how net exports peaked, in real terms, in 1918. The boom lasted until 1920 but was followed by a prolonged depression in prices both north and south of the border.[11]

The war dislocated traditional migration patterns as transatlantic avenues were effectively closed off for the duration of the War. However, the War recruitment drive was an outlet for many would-be migrants. According to recent estimates by Bowman, as many as 210,000 Irish men, in addition to a few hundred Irish women, served in British armed forces and of these approximately 19 per cent died in battle with countless others returning maimed or wounded.[12] Those serving and dying represented approximately 15.15 and 2.88 per cent respectively of the 1911 occupied male population. Recruits were predominantly from urban areas with Army reports on recruiting in 1916 indicating that recruits from Belfast (31 per cent) and Dublin (19 per cent) comprised 50 per cent of total recruits over the period 2 August 1914 to 8 January 1917.[13] Moreover, the recruits from Belfast and Dublin were also disproportionately large, with rates per 1,000 population of 148 and 74 for Belfast and Dublin respectively compared to the nationwide figure of 39.[14] War recruitment thus had a disproportionate impact on urban areas compared to the rural hinterland. It is unclear why urban areas were more represented in the recruitment drive. Rumpf and Hepburn suggest that unemployment, underemployment and low wages were powerful recruiting agents in Ireland, [15] which may explain the predominance of urban recruitment. Those returning from the War entered a changed labour market. Although emigration outlets re-opened, employment prospects for ex-servicemen were bleak, however a number found employment as auxiliaries and temporary constables in the RIC (Black and Tans) to counter the Irish insurgency.

The service sector of the Irish economy was reasonably developed in areas such as banking and finance, postal services, transport and retail. This is evident in the case of the banking sector which was prevalent throughout the island via the operation of branches. The suspension of the payment of notes on demand during the war led to an increase in the note issue of Irish banks and contributed to the general inflationary environment. Ireland also had an extensive rail network; however, the Irish rail system had a significantly lower profit to mileage ratio compared to the British rail system due to the lack of high-value goods being transported. During the War, railways in the UK were placed under state control and in the case of Ireland this lasted until 1921.[16] State control resulted in wage increases to placate labour demands and left the railways making heavy losses in 1920 and 1921; thus the new polities inherited an unhealthy transport infrastructure.

The revolutionary period led to some economic dislocation, however as evident from the trade data in table 1, the economy did not come to a standstill. As noted by De Valera in the second session of the Dáil in April 1919: 'it is obvious that the work of our government cannot be carried on without funds.'[17] The counter-state apparatus and revolutionary campaign were financed by loans raised in Ireland (£0.38m) and a US$5.7m (c. £1.29m) loan from the US raised through bond issues.[18] On the other hand by 1917, illustrative of the support for the War effort, £29m worth of British War debt was held in Ireland by both the general public and the banks.

Revolutionary activity led to reprisals from auxiliaries and Black and Tans, which included the looting of shops and pubs and the burning of houses and creameries; the burning of Cork City being a particularly infamous case.[19] Attacks on cooperative creameries were noted by contemporaries, particularly the cooperative parent body the IAOS,[20] and later historians.[21] What is often overlooked, however, is that attacks on creameries were sometimes linked to underlying commercial disputes. For example, in 1919 the proprietary creamery Slattery's was attacked with gelignite. This incident followed the victory of McEllistrim, a supplier of Slattery's, in a restraint of trade suit against the Ballymacelligott cooperative creamery in in the House of Lords. The attack on Slattery's resulted in further litigation, as Slattery's sued the Ballymacelligott cooperative for damages and loss of trade.

Tellingly, it was noted that 'the matter arose out of what was purely a commercial dispute' between Slattery's and the cooperative creamery.[22]

Boycotts and strikes were also a feature of the revolution, albeit a temporary disturbance to economic life on the island. The decision by railway workers not to carry 'armed men or munitions of war' disrupted railway services, particularly military transport, but also services in general as the military response was to occupy trains.[23] However, given the peripheral importance of railways to the Irish economy and the localised nature of military fighting, it is difficult to determine the impact of these strikes. Ollerenshaw outlines the nature of business boycotts and finds evidence of boycotts on trades but also on the distribution of goods via railways.[24] The evidence suggests some level of violence but the cost of the boycotts to retailers, or rather their effectiveness, is somewhat uncertain.[25]

Both the Anglo-Irish War and subsequent Civil War led to enormous destruction of wealth both in terms of lives lost (human capital) and infrastructural damage (physical capital). A crude estimate of the cost of the Civil War alone made by Patrick Hogan in 1923 was of a minimum of £50m;[26] a figure that equates to c. 32 per cent of estimated national output of the IFS in 1926.

2 Change yet continuity? 1922-1932

After the establishment of the IFS in 1922, the newly created government faced challenges putting its finances in order and had to rely on short-term borrowing from Irish banks for the first few months of its existence.[27] There were also difficulties raising and collecting taxes in the early years due to evasion and avoidance.[28] Initial inquiries made by the Department of Finance to the Irish banks and the Dublin stock exchange about long-term borrowing suggested that a UK guarantee would be essential for a loan floatation to be successful. However, these views proved to be incorrect and the First National Loan was in fact over-subscribed and succeeded without the assistance of the Irish banks.[29] The government share of the economy grew slowly from 23 per cent of national product in 1926/27 to 30 per cent of national product by 1938/39.[30] However, government debt increased from 17.2 per cent to 38.4 per cent of National Income from 1928 to 1935.[31]

Contemporary opinion was positive, *the Economist* noted how the IFS government had 'restored order within its boundaries and having completed its organisation as the Government of an independent unit, politically and economically, is in a position to close the list of applications for its first national loan.' It noted how the £10m loan had been fully subscribed by the public, without support from the banks, and highlighted how 'it is a notable event, which cannot be without important reactions upon the prestige and stability of the new system...and as it is an internal loan, it constitutes a declaration of faith which will operate and continue to operate with cumulative effect. Abroad, the event will do much to wipe out the unhappy impression created by Irregulars' hysteria, which has been so completely suppressed by Government firmness.'[32] Although outstanding debts increased over the period 1923-1938, National loans mainly traded at a premium (see figure 2) and current yields ranged between 3 ½ and 5 ½ per cent.[33]

In terms of fiscal policy, there was no stampede towards protectionism in the IFS. In fact, free trade was the norm in the 1920s as the UK (including NI) and the IFS attempted to return to pre-war orthodoxy. Although a tariff Commission was established in the IFS, it did not result in a blanket introduction of tariffs. No formal trade agreements existed or were required between Ireland and the UK during this period as both partners adhered to pre-war orthodoxy. The IFS and NI also inherited the burgeoning welfare spending of Edwardian Britain, which included pensions and social insurance. The IFS policy of balanced budgets required cuts to be made in this area, NI was able to maintain welfare spending at British levels thanks in part to a Westminster subsidy. In addition, income tax was cut in the IFS to levels below those inherited from the Union. There were orthodox economic underpinnings to this policy as it would prevent capital flight and to encourage return migration,[34] however a more important consideration was to keep Irish rates in line or below UK rates so as not to lose the few existing direct tax payers resident in the IFS.[35]

Another important facet of early IFS policy was also picked up by *The Economist*, namely that the IFS did not create a separate currency and 'was in no hurry to establish one.' With a de-facto common currency during the 1920s, the IFS and NI shared a similar monetary experience.[36] The Irish pound was pegged to Sterling and experienced similar trials and tribulations of the restoration of gold at parity that was experienced in Britain, i.e. deflationary pressures as the IFS was required to adhere to balanced budgets and 'sound finance'.[37] When Britain abandoned the gold standard on 26 September 1931, the IFS followed shortly after: the IFS pound was essentially a sterling-backed currency.[38] The close relationship between British and Irish monetary regimes is reflected in price levels illustrated in figure 1, with changes in the Irish and British CPIs experiencing almost perfect correlation over the period 1901-1979 and various sub-periods as illustrated in table 1.[39]

Why was the IFS rigidly conservative regarding the possibilities of monetary change? There are several possible explanations. As the majority of civil servants were in office prior to the establishment of the IFS and were trained by HM Treasury, perhaps there was little willingness or ability to adopt a radically different course.[40] In addition, the new state was aware of the importance of creating confidence in the state and radical institutional change would have threatened business interests in Dublin. Contemporary events also appear to have been a factor. The experience of hyper-inflation in post-War Europe was an obvious deterrent to any monetary experimentation. This is evident in Dáil debates surrounding the 1926 coinage act when Major Cooper warned that 'once you begin to tamper with currency you being to operate an inflation that leads to national disaster…the first step that France is now treading – the road to national humiliation, because she is absolutely unable to meet the demands of her creditors'.[41] Moreover, perhaps Irish orthodoxy was simply a reflection of the conventional wisdom of the time which equated monetary stability to a currency backed by gold. For example, Arthur Griffith's thoughts relating to monetary matters were for the Irish public to refuse to accept paper money and demand to be paid in gold in order to build up Irish supplies of gold.[42] When Britain left the gold standard in 1931 it was an unexplored policy option and as was famously noted by Tom Johnston, the Secretary for Scotland, 'nobody told us we could do that.'[43]

Alongside the issues surrounding the creation of a functioning state was the unresolved nature of the 'Land Question'. The 1923 Land Act in the IFS was an attempt to complete the work of the pre-independence land acts and was reciprocated by the 1925 Land Act in NI. However, unlike the First National Loan, the IFS government could not have undertaken the 1923 Land Act without the assistance of the UK government. Dooley notes that 'the sheer scale of the financial burden that the completion of land purchase alone would place on the state was enormous; the government's willingness to carry that burden is merely more evidence of the perceived importance of the land question to contemporaries'.[44] Renewed land agitation in the countryside was also an influencing factor, however to secure a British guarantee on the £30m loan the contents of the act had to be agreed with the British government.[45]

Two immediate problems facing the Irish agricultural sector (north and south) at the time of independence were falling output prices coupled with indebtedness accrued expanding output during the war. Attempts to alleviate these problems were hampered by the fact that agricultural prices were determined on international markets. In particular, the resumption of exports from competitive countries, primarily Denmark and New Zealand, who had restricted access to the British market during the War. Furthermore, the reputation of Irish agricultural produce was severely undermined by the unscrupulous and short-term exploitation of market power of Irish produce in British markets during the War. Attempts to improve the quality of produce were central to Cumann na nGael agricultural policy in the 1920s. Efforts had been made in this direction pre-1914 but failed as they were neither compulsory nor enforced. This changed post-independence and was perhaps helped by the fact that it was an elected Irish government enforcing quality improvements rather than technocrats from Dublin Castle or the IAOS. These improvements helped restore the reputation of Irish produce that had suffered during the War.[46]

In terms of industry, both the IFS and NI economies began the 1920s in difficult conditions as prices for industrial output experienced a sustained downturn. The IFS in the 1920s has been criticised for failing to develop industry,[47] but this is a charge liable to be laid at the wider UK (NI) economy of the time. The inter-war period saw the expansion and development of late nineteenth century general purpose technologies (chemicals, electricity and internal combustion engines) to other areas of the economy.[48] Industrial regions emerged in the south of England which specialised in the production of new consumer goods.[49] The traditional industrial regions of the UK suffered in the post-war downturn and struggled to return to pre-war output levels due to the changing nature of the international economy. The staple industries of NI – linen and shipbuilding – struggled post war. Prices declined from the 1920s, for shipbuilding it was a reflection of excess capacity following the War but prices continued to decline until the Second World War. The Harland and Wolff shipyard had some success diversifying out of shipbuilding but Workman and Clark were less successful and ultimately succumbed to liquidation.[50] However, linen went into terminal decline as demand fell and it experienced increased competition from artificial fibres. As both staple industries declined, unemployment in NI increased.

Pre-partition, the economic geography of the island of Ireland saw the concentration of industrial activity in the north-east of the island; geographic concentration was also a common feature across Europe. Thus, when new political boundaries created the IFS and NI these were not a reflection of the existing economic geography and created a political necessity to develop industrial capacity within the IFS. One of the most famous industrial developments south of the border was the establishment of a Ford factory in Cork, although this pre-dated the establishment of the IFS and Ford had personal rather than purely business motivations for the choice of location in Cork. Later developments of the Cork Ford factory were influenced by trends in the domestic and international trading environment.[51] The 1920s also saw the development of semi-state bodies in the IFS. A prominent example of this is the construction between 1925 and 1929 of the Ardnacrusha hydroelectric dam by the German electrical firm Siemens-Schuckert, the proposed cost of the scheme was estimated to be £5.2m. The Electricity Supply Board (ESB) was established in 1927 to administer the distribution of electricity.[52] The symbolism of the ESB and the construction of a modern hydro-electric dam were perhaps more important than its immediate economic function.

Banking practices, namely the structure of bank assets and liabilities as well as branch banking, were unchanged from the pre-partition period. The creation of a political border did not result in the establishment of an 'Irish' (north or south) money market and Irish banks continued to use the facilities of the London money market. However, from a technical standpoint, this now meant that IFS banks were exporting capital. Equities were traded on the Dublin Stock Exchange, however this was small and market capitalisation fell in both real and nominal terms from the early 1900s.[53] Later the state investment bank, the Industrial Credit Corporation established in 1933, played an important role in underwriting shares of new companies founded in the 1930s, underwriting 60 per cent of all shares issued between 1934 and 1939.[54] Railways continued to struggle post-independence, net receipts per mile of Irish railways average only 15 per cent of the British net receipts to mileage over the period 1922 to 1938. Furthermore, railways faced increased competition from more flexible motor vehicles.

The IFS had a delayed experience of the Great Depression. This is partly explained by the fact that the IFS was primarily an agricultural producer specialising in livestock and had a limited manufacturing sector. But the IFS (as well as the UK) was also helped by a stable financial system which did not experience any of the US-centric banking crises as outlined by Friedman and Swartz between 1929 and 1933.[55] More importantly, as Eichengreen argues, countries that left the Gold Standard earlier recovered from the Depression more quickly. Thus, by following British monetary policy, the IFS may in fact have been spared a possible worse fate in the 1930s. However, despite this, rising unemployment coupled with a strain on US and UK labour markets led to changes in economic policy. Import tariffs were introduced in November 1931 to prevent dumping; these were contemporaneous to similar measures in the UK (which applied to NI). With the increasing unemployment and reduction in emigration outlets,[56] it was likely that demand for some form of government intervention might occur.

3 An economic revolution or a sign of the times? 1932-38

The election of Fianna Fáil in February 1932 is seen as a radical change in economic policy in the IFS. Yet the 1930s was characterised by three separate factors: the Great Depression, the Economic War, and Fianna Fáil protectionist policy. All three are interrelated and difficult to disentangle, thus it is difficult to make definitive statements over which factor had the greatest impact.[57] NI also experienced the Great Depression but began to operate in a protected environment too as the UK implemented protectionist measures. The NI agricultural sector also received protection and subsidies from Westminster. However, the NI government was unable to attract and develop new industries as it was for all intents and purposes insolvent, as a result NI had some of the highest regional unemployment rates in the UK.

The escalating protectionism of the IFS must be seen both in the context of the global depression and in the light of an Anglo-Irish trade war following a default by the IFS on inter-governmental obligations. As noted above, the Cumann na nGael administration introduced protective tariffs in November 1931. The tariffs introduced in 1932 were primarily the result of a political dispute. In June 1932 the IFS defaulted on obligations under the Treaty and subsequent financial settlements; the first (and only) default in the history of the IFS. These were primarily repayments of loan instalments by farmers under the pre-independence land acts, in total these payments amounted to £5m per annum. The dispute has conventionally been portrayed as an inter-country payment dispute rather than a default. However, recent work by Foley-Fisher and McLaughlin illustrate how the default impacted on Irish land bonds, securities issued to finance Irish land reform.[58] Prior to the default in 1932 there was a premium on land bond yields reflecting the uncertainty that bondholders had regarding the repayment of these bonds. When the Irish government defaulted on these bonds the British Treasury met its guarantee and the premium on land bonds disappeared. At the same time, the premium on land bonds issued by the IFS increased.

The political context of the annuities dispute helps to understand the underlying motives of the Fianna Fáil administration. The annuities were part of a deliberate strategy to remove the remaining vestiges of the Treaty that were unpalatable to De Valera and his Fianna Fáil colleagues (e.g. the Oath of Allegiance to the British Monarchy and the Governor General).[59] The British response to the default was to levy tariffs on IFS imports, most notably cattle, in an attempt to recoup the expense of servicing these debts. This too was politically motivated as it was believed that by hurting Irish farmers it would undermine the support for Fianna Fáil. However, the IFS immediately retaliated against the British tariffs with its own counter-tariffs. The dispute led to further tariffs levied on the IFS by virtue of it being unable to reach an accord at the Ottawa meeting of the Commonwealth. Also, the dispute did not harm the electoral prospects of Fianna Fáil and when the opposition Cumann na nGael declared it too supported Fianna Fáil policy, attempts were made to reach a settlement. The economic war was gradually ended with bi-lateral trade agreements between the UK and the IFS in 1934 and then again in 1938. The 1938 Anglo-Irish agreement led to the payment of a lump sum of £10m as a settlement for the underlying default, further agreements were also reached on trade and on the treaty ports.

The rise of economic nationalism along the lines of import substitution/infant industry arguments has its roots in Griffith's 'Sinn Fein policy' and the first Dáil programme. The implementation of these ideas through the protection of Irish industry can also be viewed as a nationalist solution to the problems of unemployment and emigration from the IFS which continued throughout the 1920s and 30s, although slowed somewhat by the depressed economic conditions abroad. The 1930s is seen as a radical change given the protectionist policies adopted by Fianna Fáil but in the context of the time there was not much else the government could do given the self-imposed monetary constraints of the IFS. Apparent gains in employment are evident from existing statistical material although serious doubts have been raised about the Irish censuses of production as the increases in employment have been attributed to the wider scope of the returns. Daly presents data on the employment in manufacturing (shown in table 3 below) and the distribution of employment and output throughout Ireland. Protected industries – despite local lobbying – were primarily located around key ports as they were dependent on imported raw materials and the majority of employment was located in and around Dublin. Further efforts were made to increase employment in agriculture by encouraging tillage, however here too there were limited gains.

4 Conclusion: An economic revolution?

The Union of Great Britain and Ireland was a political, fiscal and monetary union. The secession of the Irish Free State from the Union in 1922 ended the political and fiscal union but the monetary union, through accident and design, remained intact until 1979. The IFS attained political and fiscal independence but remained economically tied to the UK. Not until Ireland joined the EEC/EU was there a significant change in the structure of Irish trade relations. Arguably Southern Ireland experienced separate social and political revolutions during the land transfers (1880s to early 1900s) and the change of political elites in 1922, was a similar revolution in the Irish economy also evident?

Dependence on the UK was reduced slowly over time but major problems in the IFS economy remained unresolved (e.g., small under-capitalised farms in agriculture and the low productivity of IFS manufacturing). Barry argues that political independence was associated with attempts to reduce economic dependence on the former dominant partner.[60] There was a growing diversification in trade patterns and the independence of the IFS from the UK in trading terms was not achieved until Ireland joined the EEC in 1973, which was also dependent upon UK entry. As Ireland was a small and open economy, even after protection, trends in the international economy were important factors. However domestic policies, such as fiscal incentives for foreign investment and investment in education, played an important role in later development. Fianna Fáil protectionist policy in the 1930s led to short term gains in terms of employment but also meant slower economic growth in the future as Ireland had a weak industrial sector with low productivity. Moreover, emigration continued unabated and migration flows shift towards Britain, thus integration of labour markets remained intact. In sum, as Rumpf and Hepburn concluded, 'nationalism in Ireland, as elsewhere, has been more directly concerned with securing the power of the nation to direct its own destiny than with achieving prosperity or social progress as such'.[61]

The long-run impact of the revolution can be considered in the way it influenced human capital formation. Human capital refers to the skills and knowledge of the labour force and development and improvement, through education or on the job training, in human capital is seen as an important driver of economic growth. Reform of the education system was a prominent aspect of Griffith's propagandist piece 'Sinn Fein Policy' and these could be interpreted as arguing for investment in human capital. For example, Griffith stated that 'in Ireland secondary education causes aversion and contempt for industry and "trade" in the head of young Irishmen, and fixes their eyes like the fool's, on the ends of the earth'.[62] Griffith suggested that the primary education system be used to create a nationalist education and his proposals for education reform were for 'the Irish Christian Brothers to throw over the Intermediate Board and substitute it by a system devised by themselves in conjunction with representatives of the Gaelic League and Irish educationalists who are also Irishmen.'[63] The Irish primary curriculum was somewhat reformed in the 1920s and one of the major changes was the introduction of compulsory Irish in primary education.[64] However, these changes crowded out other important aspects of the curriculum (English and Mathematics) and excluded others entirely (elementary Science). Irish was made compulsory for state examinations at secondary level (inter-certificate in 1926 and leaving certificate 1934).[65] Vocational education continued to be overlooked although there were reforms 1930, this aspect of Irish education was neglected by religiously dominated education system. What the long-run impact of these policies on human capital development is uncertain, but as it did not result in a nation of Irish speakers perhaps investment could have been used more effectively elsewhere.

Another approach is to view how the revolution factors into the institutional approach in the spirit of Acemoglu and Robinson, who argue that inclusive political and economic institutions are a key determinant of economic development.[66] The central argument of Acemoglu and Robinson is the importance of inclusive economic and political institutions for economic growth; whereas extractive economic and political institutions are detrimental to growth and development. A crucial argument of these authors is that extractive institutions can encourage growth (e.g. Fianna Fáil crony-capitalism during the housing boom, or various incidents of localism, populism and outright corruption over time) – but these are not sustainable (e.g. as has been shown in the recent crisis in Ireland). [67]

In addition, an important facet of the Acemoglu and Robinson approach is that they trace the historical development of institutions – for example, they trace the modern day dual economy of South Africa to legislation introduced in 1913. Acemoglu and Robinson argue that critical junctions are important for enacting institutional changes and cite the importance of Revolutions (Glorious and French). Did the Irish 'revolution' affect institutional changes in the way that Acemoglu and Robinson praise the Glorious Revolution and French Revolutions as ways to inject institutional change? Or did Ireland inherit flawed institutions from the UK and lack the understanding/ingenuity to develop them (e.g. UK inspired unions)? Recent scandals suggest limited institutional change (e.g. control of Catholic Church, political dominance of the populist of Fianna Fáil) and that this may be a factor in Irish economic development over the course of the twentieth century. The important role of institutions is noted by Olson, Ó Gráda, Garvin and Brownlow but a thorough economic history is still to be undertaken.[68] The revolutionary period created new political and economic elites, and as many of the revolutionary generation who survived into the 1920s were young, this meant they dominated Irish political and economic life well into the twentieth century. Can this be seen as a succession of generational elites; from the long-lasting revolutionary generation, to a generation of Whitaker inspired institutional developments (e.g. ESRI & IPA), to Fianna Fáil and property developers in the late 1990s and 2000s? Moreover, the economic policies of the two dominant political parties in Ireland are not that far removed. Prior to the economic war the main difference between the parties was in the use of protectionism however the economic war led to the alignment of economic policy along economic nationalist lines within both political parties so much so that by 1938 they were almost indistinguishable in terms of economic ideology.[69]

Table 1: External trade of all Ireland (£ million), 1904-1921

	Imports	Exports	Net exports	Imports	Exports	Net exports
	£ m	£m	£m	£ m (1914 price level)	£ m (1914 price level)	£ m (1914 price level)
1904	55.3	49.8	-5.5	67.2	60.5	-6.7
1909	65.2	61	-4.2	74.9	70.1	-4.8
1914	74.1	77.3	3.2	74.1	77.3	3.2
1918	126	152.9	26.9	55.8	67.7	11.9
1919	158.7	176	17.3	65.5	72.6	7.1
1920	203.8	204.8	1	69.0	69.4	0.3
1921	119	129.6	10.6	65.3	71.1	5.8

James Meenan, *The Irish Economy since 1922*, table 3.1 and deflated using the Saurbeck-Statist Price index

Table 2: Correlation coefficients changes in UK and Irish CPI and Agricultural prices

	ΔCPI	Δ Agricultural prices
1901-1922	0.85	0.93
1922-1938	0.98	0.85
1901-1979	0.87	0.84
1922-1979	0.95	0.78

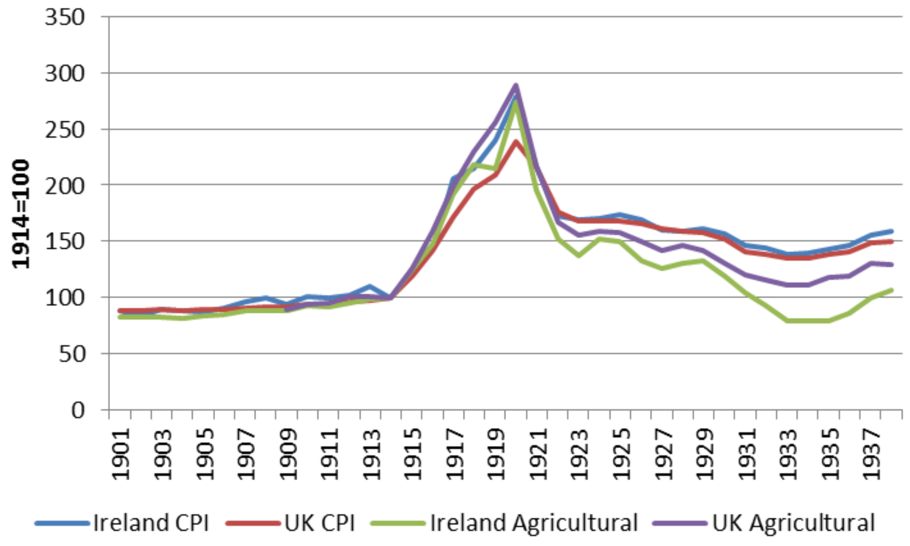
Sources: Gregory Clark, 'What Were the British Earnings and Prices Then? (New Series)' MeasuringWorth, 2015. URL: http://www.measuringworth.com/ukearncpi/; Central Statistics Office Consumer Price Index, 1922-2014; Liam Kennedy, 'The cost of living in Ireland, 1698-1998' in David Dickson and Cormac Ó Gráda (eds.), *Refiguring Ireland, essays in honour of L. M. Cullen* (Dublin, 2003), pp 249-276; D. B. Nunan, (1987), `Price trends of agricultural land in Ireland 1901-1986', Irish Journal of Agricultural Economics and Rural Sociology, 12 (1987), 51-77; B. R. Mitchell, *British Historical Statistics* (Cambridge 1988).

Table 3: Decentralisation of industry: employment and net output

	Employment (%)				Net output (%)			
Location	1931	1936	1938	1944	1931	1936	1938	1944
Dublin City & Co.	42	43	43	42	59	53	54	52
Rest of Leinster	18	19	19	20	12	15	16	17
Cork City	7	8	7	8	10	9	9	8
Limerick City	3	3	3	3	3	3	3	3
Waterford City	2	2	2	1	2	2	2	2
Rest of Munster	16	14	13	15	9	10	9	11
Connaught	7	6	8	7	3	4	4	5

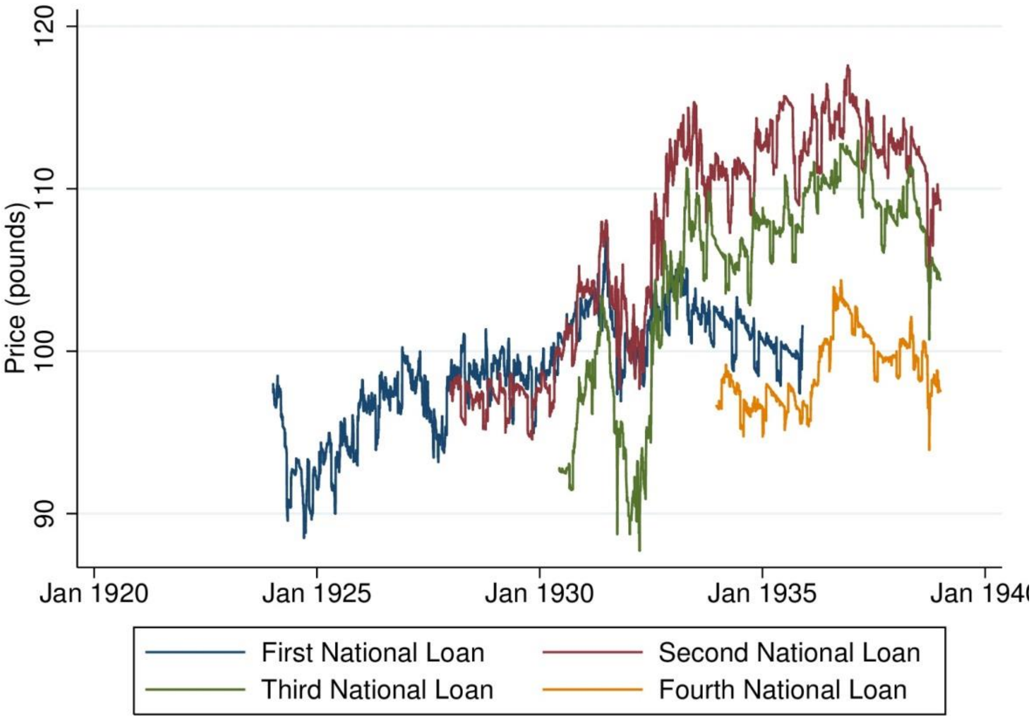
Source: Mary Daly, *Industrial development and Irish national identity* (Dublin 1992), table 6.

Figure 1: UK and Irish CPI and Agricultural prices, 1901-1938



Sources: see Table 2

Figure 2: First, Second, Third and Fourth national loans, current price (par = 100)



Sources: Nathan Foley-Fisher and Eoin McLaughlin, 'Irish Land Bonds', *EABH discussion papers* (2014); Nathan Foley-Fisher and Eoin McLaughlin, 'Capitalising on the Irish Land Question: Land Reform and State banking in Ireland, 1891-1938', University of St. Andrews Discussion Papers in Environmental Economics, 2015-03.

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