An Issue of Confidence: the Decline of the Irish Whiskey Industry in Independent Ireland, 1922-52

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'Trulie it is a sovereign liquor if it be orderlie taken'

There is a general consensus among Irish historians that the Cumann na nGaedheal government which came to power in Ireland in 1922 had little attachment to a coherent industrial policy. [1]

They had, however, an agricultural policy and a strong bias towards 'laissez-faire' economics. Such an orientation ought greatly to have benefited a distilling industry whose roots were literally in Irish soil (Irish pot distillers exclusively used Irish cereals) and whose attachment to private sector economics was never in dispute. But for the first generation of independence the 'economic policies' of Irish governments tended to be subsumed by their 'fiscal policies' and the raising of revenue, from hitherto reliable sources, became of paramount importance with consequences which were highly detrimental to the Irish whiskey industry. Analysis of the decline of this industry, however, cannot be separated from the development of the broader political ethos of the state. It was an industry which was, by its very nature, subordinated to the politics of Irish economics but it was resulting from the people involved, and their inability and unwillingness to empathise with its problems, that it was stultified.

[1] Joseph Lee, *Ireland 1912-1985, Politics and Society* (Cambridge, 1989), Chapter 2.

Taking power in 1922 Cumann na nGaedheal were faced with the knowledge that the state depended, for almost 40% of its revenue, on the liquor trade.[2] This trade and industry, which had traditionally been a powerful interest group in the political arena posed a dilemma for this young, highly idealistic and somewhat puritanical government composed of men who had determined to change the country's perceived image as a society of brewers and distillers.[3] In tackling the wider aspects of the 'drink problem', manifested by high consumption and general disorder in the licensed trade, they introduced legislation to reduce licenses and regularize trading hours, thereby creating considerable political controversy.[4] Finding themselves in power in an era of widespread prohibition and temperance they generally disliked the former while being greatly attracted to the latter and the whole notion of 'Ireland sober, Ireland free' had played its role in the nationalist struggle for independence.

The liquor manufacturing industry, however, had not played any significant role in that struggle.[5] Its ownership, for the most part, was in the hands of 'Anglo/Irish' families and in many nationalist areas it was perceived to be a 'Unionist industry' carrying with it into the Free State all the psychological baggage that entailed.[6] Its leading actors in the persons of Andrew Jameson, for the distillers, and Henry Seymour Guinness, for the brewers, were heavily involved in the commercial interests of the country beyond that of their family businesses, most notably as members of the board of the Bank of Ireland. In 1922 they were both appointed to the Irish Free State Senate — an institution especially created to serve the interests of

[2] Dail Debates, Vol. 9, 1924.

[3] Quoted in James Meenan, *The Irish Economy since 1922* (Liverpool, 1970), p. 314.

[4] Madeleine Humphreys, 'Jansenists in High Places' - A study of the relationship between the Liquor Trade and Manufacturing Industry and the Cumann na nGaedheal Government, 1922-32. Unpublished Thesis, U.C.D. Archive.

[5] Andrew Jameson, leader of the Irish Pot Distillers, had, nevertheless, been prominent as a Southern Unionist and had played a role in negotiation between Sinn Fein Factions in 1922.

[6] For a broad analysis of the Anglo/Irish in this era see P. Buckland, *Irish Unionism: 'The Anglo Irish and the New Ireland'* (Dublin, 1972).

minorities and 'were ready to participate and defend their social and economic position in the political arena'.[7] To Ernest Blythe, an austere and convinced nationalist, and Minister for Finance in the first Free State government, they were, nevertheless, 'the dregs of landlordism'[8] and his dealings with them in the early years of the state was more often in their capacity as bankers where their conservatism was initially seen to be obstructive of the Free State.[9] Blythe, however, as minister relative to his department, was cast in the classic role of dilettante facing the master and, while subsequent ministers were somewhat less servile, it was the bureaucrats in the Department of Finance who most ably helped in the rapid decline of the Irish distilling industry which, in a healthier economic climate, might well have become Ireland's flagship industry.

Up to the middle of the nineteenth century Irish whiskey manufacture had been the leader in its field. By 1900, however, this position was being gradually eroded by the Scots who, with the introduction of the patent still,[10] were expanding their industry both vertically and horizontally. In Ireland, too, patent distilling began to take precedence and, by the turn of the century, was turning out 72% of spirit production.[11] Outside of Ulster, however, the major distillers adhered to the Pot Still[12] method of whiskey making. For these

[7] Terence Brown, *Ireland — A social and cultural history,* 1922-1979 (Glasgow, 1981).

[8] Ibid.

[9] Ronan Fanning, 'The impact of independence', F.S.L. Lyons, ed., *Bank of Ireland 1783-1983:* Bi-centenary essays, Dublin, 1983.

[10] The Patent Still, invented by Aeneas Coffey in 1830, produced pure alcohol particularly suited to mixed grain whiskey which became very popular in the late nineteenth century. It was the demand for its by products, however, yeast, acetone etc., which, ultimately, contributed most to the development of the Scottish Whiskey industry.

[11] Ron Weir, 'In and out of Ireland', *Irish Economic and Social History,* V11, 1980 45-65.

[12] Pot Still Whiskey has as its base a high content of pure barley malt. It requires three distillations and a longer period of maturation than its blended rivals. Hence it is considerably more expensive to produce. Up until recent times it remained, nevertheless, for the Irish Pot Distillers the only beverage which could be genuinly termed 'whiskey'.

people the product of the patent still was little more than pure alcohol containing a small amount of whiskey (usually 20%) as a kind of flavouring essence. [13] In 1902 a Royal Commission had been set up to define what could and could not be termed 'whiskey'. It was reluctant to report adequately, however, as to define the mixed grain products of the patent still, which had become very popular, as anything other than 'whiskey' would have been highly deleterious to the trade. The pot distillers were thus marginalized into producing what they considered to be a 'quality product' and, in 1916, founded the Irish Pot Still Distillers Association (I.P.S.D.A.) in an effort to define their product and to enable them to operate as a pressure group in their relations with government. At the foundation of the state in 1922 it was this group which constituted the Irish distilling industry in independent Ireland. [14]

While the last decade of the nineteenth century had been an era of sweeping temperance reform affecting the consumption of all alcoholic beverages Irish distilling entered the XXth century as a valuable native industry. Sales at home and abroad in 1900 exceeded seven million gallons of which 4,713,178 gallons were consumed in Ireland [15] and, notwithstanding a continual decline in consumption and a constant insidious shift from pot to patent, the Irish Pot Distillers found themselves, at the outset of the first world war, in a relatively buoyant position. In 1915 they were particularly pleased to receive an unexpected boost for their product from that high priest of temperance, David Lloyd George, who, in an effort to enforce temperance among workers in munitions factories, where productivity was low due to absenteeism arising out of drunkeness, sought to double the excise duty on a proof gallon of whiskey and

[13] E.B. McGuire, *Irish Whiskey: A History of Distilling in Ireland* (Dublin & New York, 1974).

[14] Irish distilling in independent Ireland consisted of five distilleries : two major companies in Dublin, John Jamesons and John Powers, two in the midlands, John Lockes and Dalys of Tullamore and the Middleton Distillery in County Cork. For an analysis of the fortunes of patent distilling in Ireland see *op. cit.* Ron Weir.

[15] N.A.I. — Box. P.263, Irish Distillers Archive.

greatly increase the price of strong beer. [16] In the face of a frenzy of opposition, for the most part from Irish distillers, brewers and publicans, he withdrew and in its place introduced the Immature Spirits (restrictions) Act, 1915. This Act prohibited the sale of spirits of less than three years old thereby favouring, for a short time, the pot distillers over the patent whose spirit did not need long maturing. Initially the Ulster patent distillers were particularly badly hit by this Act as they supplied patent alcohol freshly distilled to the large grain distilleries of Scotland. This setback was shortlived, however, since war, having its own compensations, soon created a strong demand for the byproducts of the patent still, especially yeast and acetone. Nevertheless, for the pot distillers it was an unexpected bonus and they set out on a period of inflated sales temporarily arresting what was, given the era, a natural decline in drinking as a 'pastime'.

Throughout the war demand remained high with the overall exports from Ireland in 1918 standing at 3,120,171 proof gallons (i.e. pot and patent). [17] In that year John Jamesons were only able to fulfil half the demand of their London Agent W.H. Gilbey. [18] No dramatic increase in duty came until the closing stages of the war when, within two years, it moved from 14/9d. p.p.g. to 72/6d. [19] increasing the revenue from £. 1,323,000 in 1917/18 to £. 6,597,000 in 1919/20. [20] But accepting this as temporary 'war duty' the distillers made no immediate protest and set their sights on a post-war future with an undisguised optimism. Post war Europe and America, however, owing far less to F.Scott-Fitzgerald's image of fast drinking frivolity than to dole queues and depression, quickly arrested this euphoric mood.

In retrospect 1919 proved, for Irish distillers, to have been a fatal

[16] This debate is well documented in the pages of the *Freeman's Journal* for the first two weeks of May, 1915.

[17] Report on trade in imports and exports issued by the Department of Agriculture & Technical Instruction 1919 — U.C.D.L.

[18] N.A.I. Box P.263. IDA.

[19] *Op. cit.* Report on imports and exports.

[20] *Ibid.*

year. They had been denied the opportunity to distil in the 1917/18 season owing to the shortage of barley for foodstuffs so in 1919 they confidently laid down very large stocks of new whiskey, i.e. in excess of two million gallons; using one third of the total crop of barley which, at 52/- per barrel, was priced at an all-time high[21]. They ensured very large stocks of whiskey for a market in the mid twenties. But by 1926 a sea change had occured in the consumption of alcoholic beverages. Overall sales of home-produced spirits had dropped to 656,877 proof gallons and continued falling until it reached its nadir of 490,000 gallons in 1939.[22] This depression at home was also reflected in exports which, as a percentage of overall production, dropped from 57% in 1925 (a very good year) to 18% in 1932.[23] Prohibition came to the United States in 1919 which, despite the ramifications of its enforcement on law and order, did reflect a renewed world drive for temperance which, together with widespread economic recession, affected the sale of alcohol on a very wide scale. Irish distillers had very large whiskey stocks with little opportunity to off-load them if they could not do so on the home market.

Excess stock, which always represents investment, strikes terror into the heart of distillers. The evaporation which takes place in all spirituous liquors becomes after its allotted time the evaporation of investment and the Irish distilling industry often found itself, in the 1930s, selling fifteen year-old whiskey at seven — year-old prices. The prospect of this, which became apparent in the twenties, produced almost paranoia in the industry. It had always been an axiom that the quantity sold last year was not what counted but how to gauge future consumption without the aid of the proverbial crystal ball. Even with this it would have been very difficult for this industry, which very quickly developed a belligerent and hostile relationship with government, to flourish in independent Ireland. On the face of it the

[21] N.A.I. Box 263. IDA
[22] *Ibid.*
[23] N.A.I. Box 1007, IDA

persistent argument between the distilling industry and the government pertained to revenue. The distillers argued that a tax take of 72/6d. Per proof gallon, which was retained for the interwar period, had such an affect on the retail price of a glass of whiskey that, given the depression of the era, they could not possibly survive. They were especially frightened by what they perceived to be the government's indifference to the retrogressive nature of the tax with the value of alcoholic liquor consumed between 1925 and 1932 decreasing by eight million pounds.[24] As the decade developed correspondence between the industry and the Department of Finance reveals a constantly deteriorating relationship, with the former coming to believe that the government was hostile to them as an industry *qua* industry and only grudgingly tolerated them as a revenue resource and, to some extent, they were right.

It was no part of the Department of Finance's brief to promote temperance and the correlation between high prices and falling consumption was not something they looked upon with equanimity. In pursuing a policy of fiscal rectitude the Irish Free State government sought to reduce expenditure and cut income tax. It succeeded admirably in both areas with expenditure toppling from 42 millions in 1923/24 to 24 millions in 1926/27 while the standard rate of income tax was reduced from 5/- in the pound in 1924 to 3/- in 1926.[25] With only 20% of its income coming from direct taxation the demand for revenue from other areas, most notably Customs and Excise, remained high. By 1931 receipts from liquor excise were reduced to 25% of total but were seen by the Department to be 'a source of very substantial revenue which could not be interfered with'.[26] But, of course, liquor revenue did not necessarily have to come from home made products and, while the distillers did have some champions in high places, they were not an equal match for Mr. Blythe and his mandarins.

[24] N.A.I. Department of Finance Files F.43/2/32.
[25] *Op. cit.* Joseph Lee, p. 107
[26] N.A.I. F.43/2/32.

In 1925 the Taoiseach, William Cosgrave, under pressure from the distillers (but also as an ex-publican with some degree of sympathy) sought a conference with the Minister for Finance and his officials to discuss the future of the pot-distilling industry reflecting that 'it would be a pity if the pot-still business went out of existence'.[27] He received a sharp rebuff from Blythe who 'did not wish to enter a conference on the matter' and took exception to the 'tone' of the distillers' demands.[28] Following this correspondence, however, and in keeping with how economic policy was being determined in the Free State,[29] he did request the Revenue Commissioners to submit a report on the current state of the industry.

Working to a very limited brief the Commissioners, perhaps not unnaturally, concluded that the distillers were guilty of their own decline. While they concluded that a decrease in tax would make little difference to consumption in an era of depression (although they accepted it was an important factor) they were less justified in other conclusions which appeared to be based on mere assumption. In comparing what was perceived to be a rise in the consumption of Scotch whisky relative to Irish they claimed that 'peoples' tastes were changing' and that consumers found Scotch 'cheaper in price, more palatable and possibly less injurious in its effects'.[30] There was no evidence to justify the latter two observations but the Commissioners concluded that the remedy for the distillers' problems lay 'in studying the tastes and interests of consumers and producing an article to compete with the imported article'[31]. Evidence of a consumers' preference for Scotch whisky over Irish is scant. Customs revenue from imported spirits for these years show a continuing steady decline corresponding to the decline in home-produced products.[32]

[27] Ibid. F.49/15/25.

[28] Ibid.

[29] Mary E. Daly, *Industrial Development and Irish National Identity, 1922-1939*, (Dublin 1992), p. 16.

[30] F. 49/15/25 *Op. cit.*

[31] *Ibid.*

[32] *Statistical Abstract*, 1931.

Nevertheless, at 12/6d per bottle 'Scotch' was considerably cheaper than 'Irish' at 16/. and can only have been very attractive to whiskey drinkers in a period of recession. The Commissioners also berated the industry for its 'failure to make any determined bid for foreign markets'[33] and assured the minister that its decline was mainly due to this factor. In fact, in 1925, despite very poor world markets the industry had, as already noted, exported 57% of its production. To what extent this was good luck rather than good management is, however, debatable for, arising out of the Revenue Commissioners Report in 1925, the government introduced compulsory bonding of five years for all whiskey sold on the Irish market. While this would help the distillers overcome any perceived problem with 'scotch' on the home market it was highly detrimental in terms of exports as many countries, most notably the United States, refused to import any whiskey at a lesser maturation than that demanded in its country of origin. This naturally gave the Scots, with their three year old whiskey, yet another edge on the world markets and its acceptance by the Irish distillers as being 'slight and unavailing'[34] did not reflect an industry alive to the problems it would undoubtedly cause them when world trade improved and prohibition ended.

This use of the Revenue Commissioners as arbiter of the distilling industry's problems can be accepted as justifiable to the extent that the problem was perceived to be one of revenue-an issue which drags even the most reluctant government bent on the pursuit of liberal economics into the industrial area-but, given the intrinsic insecurity the industry felt anyway, it only helped to exasperate the problem. For at the heart of the matter this was a problem of confidence: confidence to invest in a very uncertain future, confidence to lay down whiskey for marketing seven years hence and know that governments could accept their role in the most important area, the price of the end product and, above all, confidence to know that the industry had value as a legitimate industry with a contribution to make to the

[33] Op. cit. F.49/15/25
[34] *Ibid.*

development of the economy as a whole. On the face of it the latter should not have been in dispute in a developing nation where one of the chief aspirations was that agriculture should be the touchstone of all prosperity. But in this area the government appeared to be at its most grudging.

In 1926 Ernest Blythe, in dismissing any claim that the distilling industry might have a contribution to make to the development of Irish agriculture, told Irish farmers ....

> As regards distilling the market has been lessened to some slight extent, but it represents only the smallest fraction of total barley grown. He had no hesitation in saying that the suggestion that beer and spirit duties had affected farmers adversly were complete nonsense, and would not bear examination. [35]

But Mr. Blythe was, to say the least, being disingenuous. In a memorandum from his department officials regarding the condition of the barley market in Ireland in 1925 he had been informed that: 'The unsatisfactory condition of the Irish distilling trade practically closed this outlet which usually takes a fair proportion of the crop.' That 'fair proportion' which had been 33% in 1919 (an untypical year) was down to 5% by 1927. [36] Also this attitude of Mr Blythe was complicated by the fact that he was speaking to large prosperous farmers, perceived to be the backbone of Cumann na nGaedheal's electoral support, while the depression in the distilling industry hurt small farmers in traditional barley growing areas. This latter sector of the farming community was accustomed to a relationship with the industry which was beneficial to them in a unique way. Barley growing in the Free State was not a priority in Patrick Hogan's (Minister for Agriculture) plans for the development of agriculture. It was accepted as a crop which was expensive to the farmer in terms of drying, milling, transporting and storing. [37] But for the small farmer in the vicinity of a distillery it was particularly viable as the distiller bore the brunt of these constraints and the farmer had also the added

[35] *Irish Times*, 30th Oct., 1926.
[36] *Statistical Abstract*, 1931.
[37] U.C.D. Archive — Patrick McGilligan Papers, P35C/166.

benefit of the 'spent wash' (i.e. exhausted grain) being returned to him as cheap cattle food.

Correspondence from Dalys of Tullamore, a moderate-sized distillery in the midlands, to the Minister for Finance in 1926 best illustrates what a distillery meant to a large town and its hinterland. A grant of £. 800 to relieve unemployment caused by the temporary closure of the distillery in 1925 was made to Tullamore U.D.C. Apart from the direct unemployment caused, Dalys' claimed

> 11,000 holdings in Offaly and Leix under forty acres used the byproducts of grain and wash for feeding. The farmers sell the barley and oats to the distillery who return the byproducts to them for feeding. The economy is disrupted by the closure of the distillery as there is no one to sell the barley to and nowhere to store it. [38]

John Locke and Company, situated within twenty miles of Dalys, also represented this form of activity with small farmers as did Cork Distillers in Middleton, Co. Cork, who claimed a loss of £. 1,000 per week in wages in 1927 when the distillery was forced to close temporarily.

While Cumann na nGaedheal was in power there was very little incentive for Irish farmers to continue producing barley. The government urged them to grow it as a foodstuff for stock, and not merely for selling to maltsters, [39] but the farmers persisted in seeing it as primarily a cash crop. It was, however, a cash crop which was under severe pressure from 'cheap imports' — imports which were readily made use of and, indeed, often organized by the brewers' cartel which operated in the country, and was led by the monolithic Guinness. In the mid-twenties this caused great resentment among grain growers in general leading to agitation for the government to impose a tariff of at least 10%. But even if the Cumannan na nGaedheal government had not had a natural antipathy to protection they were clearly unwilling to interfere in this area, to the detriment of the brewing industry, fearing that Guinness might well transfer

[38] N.A.I. F.49/15/26.
[39] N.A.I. F.22/65/25.

production 'to places outside of the country where there is a free market in barley'.[40] For the purposes of this essay, however, it is interesting to note the contents of a memorandum from J.J. McElligott, a senior official in the Department of Finance, to the minister in November 1925 which included the observation ...

> The only method open of encouraging an increased demand for Irish malting barley is to reduce the whiskey and beer duties and so bring about increased home consumption of alcoholic liquors, a result which would probably also help our manufacturers to compete with greater effect in foreign markets. But 'social' and 'revenue' conditions intervene here (my italics) and it may be pointed out, moreover, that the Report of the Intoxicating Liquor Commission, whose recommendations in the main are apparently endorsed by the government, embody a programme of regulating the liquor traffic with a view to reduced consumption.[41]

The revenue was not yet paramount.

The election of Fianna Fail to power in the Free State in 1932 was not welcomed by the distillers. Whereas the tension which existed between them and Cumann na nGaedheal in the twenties cannot be minimized it happened against a backdrop of a government pursuing a form of liberal economics very acceptable to the industry in general and Andrew Jameson, the banker, in particular. At the pure political level he and his ex-unionist colleagues were comfortable with their seats in the Senate where their grievances might at least be aired if not always addressed. But the arrival of Eamonn DeValera, with his 'slightly constitutional party'[42] produced an apprehension which had not been evident in 1922.

The installation of the government coincided for the industry with its two stalwarts, Jamesons and Powers, applying to the Irish High Court for a reduction in the value of their companies by 25% and 50% respectively. In the case of the latter it was a matter of extreme urgency as 'the realizable assets of the company were not those on the balance sheet of 1932'.[43] Throughout the late twenties and early

[40] *Ibid.*
[41] *Ibid.*
[42] 'Sean Lemass looks back' *Irish Press,* January, 1969.
[43] Irish Distillers Archive — Box P.259.

thirties Powers had been paying its preferential shareholders out of its reserve capital and in 1933 its ordinary shareholders had not received a dividend for nine years running. [44] They felt themselves to be in a very dangerous situation at a time when they were very pessimistic about what they perceived to be 'a very poor government ... who are playing hell with all business'. [45] In fact, Fianna Fail, coming to power with a genuine committment to social, political and economic reform, appeared to pay scant attention, with one notable exception (see below), to the distilling industry in the years running up to the second world war. Their political actions, however, in pursuit of the dismantling of the Anglo-Irish Treaty of 1921 included the abolition of the Senate and the University seats in Dail Eireann and were not calculated to inspire confidence in the minority community. It was Sean Lemass, perhaps the most pragmatic member of the Fianna Fail cabinet, who struck the most discordant note in the debate on the abolition of the Senate when he told his listeners that 'the Granards and the Jamesons are no longer in a position to block the progress of the Irish nation'. [46] It is hardly a coincidence that at the time this speech was being made Lemass, as Minister for Industry and Commerce, was in disputatious correspondence with Andrew Jameson urging him to change the structure of his company to bottle all Irish whiskey at home in their Bow Street Distillery. [47] The ethos of economic nationalism pursued by Fianna Fail in the 1930s held little joy for the Irish liquor industry as a whole but, despite the constraints

[44] *Ibid.*

[45] Powers to Fottrell in U.S.A P.263 IDA

[46] Donal O'Sullivan, *The Irish Free State and its Senate* (London, 1940) p. 379.

[47] Lemass wished Jamesons to bottle all their whiskey in their Bow Street plant rather than to continue to sell it in bulk for bottling in bonded warehouses both in Ireland and abroad. The *raison d'etre* behind this was the promotion of Irish glass bottles. While Jamesons would reluctantly consider this for their export trade they were not prepared to force it on the bulk of their Irish customers who kept small bonded warehouses and generally employed men to do the bottling and cooperage. Indeed given that Lemass's ultimate goal was for full employment his reasoning, in this instance, was faulty as Jamesons were in a position to install a bottling plant without any need to increase their workforce while depriving small bonders their employment opportunities in this area.

of tariff-bound economies throughout the decade, some windows of opportunity were to be opened.

In 1933 when prohibition was repealed in the U.S., the Irish whiskey industry was at its lowest ebb with only two distilleries in production that year. The industry as a whole, nevertheless, was fully alive to the opportunities repeal presented. Both Jamesons and Powers had agents in the United States and Daniel McGrath, the Irish Consul in Chicago, was working diligently on their behalf. He advised them, however, that they had an uphill struggle since 'bathtub gin and bootleg whiskey had debased public taste'[48] and there was little public consciousness of Irish whiskey as a distinct type. They were advised to appeal to the more discriminating drinkers 'whose numbers will rapidly increase'.[49]

Urged on by the smaller distillers the industry made an assault on the American market. Exports to the United States in 1934 amounted to 35% of a total production of 450,956 proof gallons.[50] While the I.P.S.D.A.'s agents in the U.S. claimed to be pushing the Irish product, Irish interests throughout the continent regularly wrote to the Department of External Affairs saying that Irish whiskey was non-existant on the American market. By 1935, however, it was beginning to be seen around New York[51] and, in November that year when Powers began a new agency with Canada Dry Ginger Ale, they were happy with the 'nice orders, if small, that were coming every fortnight'[52]. In a market where there was a demand for good legal whiskey they appeared to be easily pleased and even these 'nice orders' quickly dried up. By 1937 Bertie O'Reilly, managing director of Powers, found it necessary to travel to the U.S. to confront their agents 'who may think perhaps our line is not big enough to make them take a lively interest'.[53]

[48] McGrath to Department of External Affairs — Box P.106, IDA.
[49] *Ibid.*
[50] N.A.I. Box D.263 IDA.
[51] *Ibid,* Fottrell to Powers Box P.104.
[52] *Ibid.*
[53] *Ibid.*

This relationship with their agents was crucial to the Irish industry. Even when a company maintained its own man on the spot it was vulnerable to large agencies such as Canada Dry in the U.S. or W.H. Gilbey in London putting their own profits first and Irish whiskey was rarely, for them, the most lucrative interest. The ultimate failure of the Irish distillers to capture a larger slice of the American market in these years, when the greater part of its time and effort had been put into it, was seen to be the result of its inability to promote its product which was largely the job of the agent. Nevertheless, claiming to have spent an aggregate of over one million dollars on advertising in the United States[54] between 1933 and 1940 the industry was not dismayed by its performance despite only achieving less than one per cent of the eight per cent import market with the Scots getting the other seven per cent[55].

At home, however, the flurry of activity caused by the repeal of prohibition did give a definite fillip to the industry which regained enough confidence to start laying down, once again, moderately generous amounts of new whiskey. The evidence for this is reflected in the sales and export figures for the early years of the second world war. In 1942 sales amounted to 1,309,984 proof gallons of which 62% was exported. (These figures include new whiskey sales to the United Kingdom) As the distillers saw it their efforts were being rewarded but if, as seems likely, they looked forward, with happy anticipation, to supplying a world-wide demand for whiskey in time of war they reckoned without governments' attachment to painless revenue raising. Given the import restrictions due to the war conditions there was, after all, only one cake and if the largest slice of it was going out of the country what was left would be constrained in the amount of revenue it could produce. And, by 1942, revenue had become paramount.

In 1939 excise duty had been increased by 10s. per proof gallon. It was not anticipated that it would make any difference to

[54] *Ibid.*
[55] *Ibid.*

consumption as the government believed that, on the evidence of the static duty during the interwar years, 'the fluctuation in consumption must be looked for in the changing habits of the people' [56] and not the cost of the product. They did not, apparently, allow for fluctuations in people's disposable income which was, indeed, the acid test. In 1940 while overall consumption (i.e. overall sales) was increased by 72,000 proof gallons there was a small reduction in what was sold on the home market while exports increased by 10%. 1941 produced a similar pattern and in 1942, while home consumption increased by 50,000 proof gallons exports soaked up 62% of production. However before the latter became fully apparent the government had acted.

The Emergency Powers (Export of Whiskey) Order, 1941 was specifically designed to maintain revenue from spirits in the home market. [57] The Act decreed that whiskey could only be exported under license and was restricted to an average annual amount exported during the period 1938-41. In 1943 it was reduced to 50% of datum and in 1944 to 25%. In 1945 the original 100% was restored but the Act continued in force until 1953. [58] There was no secret made of the fact that only whiskey surplus to that required for home consumption would be available for export. These restrictions also included whiskey in bond in Dublin which had already been bought and paid for by publicans in Northern Ireland and Great Britain. In terms of good customer relations this latter was particularly damaging to the distillers.

Control of the whiskey industry throughout the war remained tight. While the purchase of raw materials was severly restricted under the Emergency Powers (Cereals) Order, 1942 the distillers were encouraged to 'purchase all the barley offered to you'. [59] They were not, however, allowed to malt it without government permission and at least one reason for this became apparent in the spring of 1942 when John Powers were ordered to pass 1,000 barrels of their barley

[56] N.A.I. F43/2/40
[57] N.A.I. — 'Reply to Dail Debate, 1953' Box P.261 IDA.
[58] *Ibid.*
[59] *Ibid.*

to Guinnesses who were 'substantially short of their requirements'. [60] A shortage of whiskey may have been serious but a shortage of beer was unthinkable and the brewers were brewing for the present market not for seven years hence. Nevertheless, the production of whiskey was kept up and maintained a steady increase until 1953. It was the area of exports of mature whiskey, which was down to 15% of consumption in 1945, which now began to agitate both government and industry alike — revenue versus hard currency.

The need to compete on world markets had, by the early years of the war, penetrated Fianna Fail's economic thinking but it had not taken precedence in policy and planning. After an initial attempt by Sean Lemass to plan for economic expansion, with a view to full employment after the war, the government ultimately reverted to curbing expenditure and moderately increasing income tax from 5/6d to 7/6d as the standard rate. [61] The opportunites presented by increasing revenues from the consumption of alcoholic beverages were not lost on a government looking for easy options. The number and frequency of assurances by the industry to the Department of Finance that they would maintain stocks for home consumption is a telling testament to the fear the government had of any threat to this source of revenue, [62] which grew from 2 million pounds in 1942 to 5.2 millions in 1952 despite, and because of, an increase in duty from 82/6d p.p.g. to 137s. The exodus of approximately 100,000 persons from Ireland [63] in the years of the war had no negative effect on consumption. In fact it is legitimate to argue the contrary as the remittances from Irish people abroad helped to put money in peoples' pockets on which there were few luxuries to spend.

The damage done to the Irish distilling industry by the Emergency Powers (Export of Whiskey) Order can best be seen when it is juxtaposed with the position of their Scottish rivals. At the outbreak of the second world war there was a serious shortage of

[60] *Ibid.*
[61] *Op. cit.* Joseph Lee, p.p. 224-236.
[62] N.A.I. Box. P. 263 IDA.
[63] *Op. cit.* Lee.

whisky in the United States. The Scots, in common with the Irish, were building their market steadily and in 1939 the British government, bent on increasing dollar exports, gave them every encouragement to extend their trade. Freight space was made available at subsidized rates and war-risk insurance cover was provided at a nominal charge. [64] Home consumption was reduced to a fraction of the pre-war figure and, by 1947, only 25% of the pre-war sales were allowed to be released on the home market. [65] Arising out of this the Scottish interest became entrenched in the United States without any great promotional expense while the Irish, after twelve years of drastic restrictions were, to a large extent, starting afresh in 1953.

Although some lip service began to be paid to the distillers as dollar exporters at the end of the war [66] it was only with the change of government in 1948 that the emphasis became apparent. Even then correspondence reveals a reluctance on the part of government to accept that the distillers had very little to offer an export market while they were obliged to maintain excessively high stocks at home. And even when it was possible to improve their export sales they were often hamstrung by the government's lack of confidence. In 1949 Powers requested a special export license to export an extra 6,000 proof gallons to the United States. They wrote to the Department of Industry and Commerce

> We imagine such special exports to hard currency areas will be welcomed at the present time .... I need hardly say that these proposed exports will cause no reductions in the amount we allocate for the home market [67]

But it was refused and it took six months of continuous assurances by the distillers that there was plenty for the home market before the government was willing to issue a licence. In the following two years the government continued to worry about the depletion of

[64] *Op. cit.*, 'Reply to Dail Debate', p. 10.
[65] *Ibid.*
[66] Correspondence with Department of Industry and Commerce Box P.263, IDA
[67] *Ibid.*

stocks which were now coming out of that laid down in the latter years of the war when the distillers had refused a government request to return to the fullest possible production.[68] They had been constrained by a fear of a repetition of the post first world war era. But, effectively, there was never a crisis in production and the distillers always wanted to export more than the government would allow. In 1953, before the restrictions were finally removed, the industry reflected

> There is apparently a disinclination on behalf of the government to permit any increase in exports except possibly to hard currency countries. The reason for this is because of the enormous revenue which is derived from whiskey consumed on the home market.[69]

In 1954 with the installation of a second interparty government the emphasis finally changed. In a debate in Dail Eireann in November on the 'Export Market for Irish Whiskey' politicians displayed collective apoplexy at the inability of the distilling industry to capture export markets. William Norton, Minister for Industry and Commerce, told the Dail

> There is no evidence before me that the distillers are alive, not merely to finding an expanding market, but even to retaining the foothold they now have ... the one impression left on everybody who discusses with the distillers the possibility of expanding, to dollar markets and expanding overseas, is that their overriding consideration is the home market.[70]

But even Mr Norton's distorted cloud had a silver lining for in the years immediately following the industry was strongly supported by An Coras Trachtala (the Irish Trade Board) to develop and market a blended whiskey for the American market leading the Taoiseach to tell the government in 1956 ...

> The export business in blended whiskey based as it is on home-grown raw materials is very valuable and if successful, as it is hoped it will be, should mean an expanding market for the products of home-grown cereals and should, in time, make a very big impression on our trade balance.[71]

[68] I.P.S.D.A. to Industy and Commerce Box P.263 IDA
[69] *Ibid.*
[70] Dail Debates, November, 1954.

The Irish Whiskey industry entered the Free State in 1922 in a fundamentally weak position. Their refusal, with the exception of Cork Distillers, to accomodate the patent still reflected both arrogance and conservatism. While patent distilling did not flourish in Ulster after partition[72] the distillers in the Free State might well have produced a blended whiskey, at minimal cost, and marketing it successfully alongside their traditional products, stood to greatly enhance sales at times of scarcity. Their excess stock problems in the twenties resulted, to a large extent, from their own bad planning and poor business acumen. While they prided themselves on producing a quality product which attracted a global market there is no evidence of them seriously considering how prohibition in North America and widespread temperance in Europe would affect their business. In 1921 John Power & Sons expanded their company with an issue of 450,000 cumulative preference shares apparently believing the 'good times' would last forever.

Nevertheless, while the industry was down it was not out and it had much to offer a developing economy with an agricultural base. Achieving this, however, demanded a relationship with a selfconfident government willing to accomodate the development of a product whose intrinsic value had got to be separated from the problems associated with its abuse. This was difficult for a young government who, while instinctively feeling that prohibition was ill conceived, was not entirely convinced of the morality of maintaining a drink industry at all,[73] particularly an industry whose attendant trade had a perceived political power and vested interest which was anathema to the form of Liberal Democratic state they wished to create.[74] Uncertainty led to ambivalence and the politicians passed the problem on to the bureaucrats where the need for 'political action' was transformed into one of 'administrative routine' and the industry

[71] N.A.I. S. 14818 C.
[72] See Ron Weir 'In and out of Ireland', *op. cit.*
[73] Dail Debates, Vol. 8, 1924.
[74] Humphreys, *Op. cit.*

was almost subsumed in bureaucratic officialdom. In time of war this harnessing of power provided a negative safety valve for a government whose failed economic policies led them to an unhealthy dependence on liquor revenue.

Government control, while not initially causing the distilling industry's problems was, nevertheless, a major factor in its decline. Its preoccupation with the revenue issue together with a degree of arbitrary interference in the day-to-day running of the companies caused a loss of confidence in an industry where confidence is vital. The industry was fully alive to the free enterprise of liberal economics but they could not control the cost of their end product without the approval of government. They could not adjust their costs to stimulate their market and, in their frustration, they turned in on themselves to their own detriment with survival becoming the most important consideration, effectively stifling what Irish industry most needed which was, of course, expansion.

APPENDIX

Citations for the tables:

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