

Irish Economic Policy in the 1930s and the Authority of Eamon de Valera

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ABSTRACT

The 1930s proved to be particularly difficult years in Irish history. The electoral victory of Eamon de Valera's Fianna Fáil party in February 1932 brought a change of government and of economic policy. It also signaled the reopening of unresolved financial and constitutional issues with Great Britain, eventually resulting in the so-called Economic War. De Valera led his party and his country towards independence and self-sufficiency under the banner of protectionism. This article assesses the authority and influence of de Valera in making Irish economic policy in the 1930s, in view of its long-term consequences. After a brief introduction, the article is organized into two main sections, the first describing the crucial disputes with Britain and the British positions, the second examining the economic performance of Ireland in 1930s. A concluding section summarizes.

Introduction

At the beginning of the 1930s, the economy of the Irish Free State was still grappling with the consequences of the war of independence and the ensuing civil war. Its performance suffered from the partition of the country; the six counties of the north-east remained part of the United Kingdom, while the rest of the island became the Irish Free State in 1922 after the Anglo-Irish Treaty of 1921. The partition led to the creation of two separate economic systems. Northern Ireland was still integrated in the global market

as part of the United Kingdom. By contrast, the first government of the Irish Free State had to build up the new state's economy based entirely on agriculture, as industry was concentrated in the north-east of the island. During the first years of the new state, protectionist measures began to find a place in economic policy; by the time the Great Depression gripped even major European economies, protectionism was ready to stand duty in the Irish Free State as a panacea and the chief economic weapon.

An analysis of Irish economic policy in the 1930s is impossible without considering two key factors. The first relates to the economic implications of domestic political developments in the early 1930s. The Cumann na nGaedheal party that had been in power since the founding of the state in 1922 was relatively pro-laissez-faire.¹ On the other hand, Fianna Fáil, which capped its ascent by winning the 1932 general election, had long been committed to protectionist ideas. Led by Eamon de Valera and representing the defeated side in the civil war that had followed the war of independence, Fianna Fáil remained in power until 1948; its government was associated with the dispute involving the payment of unpopular land annuities and the refusal to take the oath of allegiance to the British monarchy. The second factor to consider is the stance and reaction of the British government during this problematic period. This article describes the reasons that led the Irish government to impose high tariffs on crucial British commodities in the 1930s, the British reaction, and the consequent eruption of the so-called Anglo-Irish Economic War. It also points out that a link between Irish political and economic developments can be found in the personality of Eamon de Valera, who exerted decisive authority not only in the 1930s but beyond. The period of Irish economic policy examined here fundamentally shaped

¹ *Relatively* because the government also experimented with tariffs in order to support infant industries and secure a comparative advantage for them in the long run; see Ó Grada (1994), p. 406. Patrick Hogan, the Minister for Agriculture for Cumann na nGaedheal, described the party's attitude to protection as pragmatic rather than dogmatic; Neary, Ó Grada, 1991, p. 253.

the development of the Irish state and the direction of Irish economic policy in the 1940s and the 1950s.

1. The division of Ireland: North and South

1.1 *Negotiating the Treaty*

The Anglo-Irish Treaty, signed in December 1921 and narrowly ratified by the *Dáil* in January 1922, was the fruit of complicated negotiations that lasted for several months, mainly between the British Prime Minister, David Lloyd George, and Eamon de Valera. The basis of Lloyd George's proposal for a political settlement involved the offer of Dominion Status,² a considerable advance on Home Rule, but still much less than complete independence. Dominion Status for Ireland meant that it would have full control of its domestic affairs, but would maintain its allegiance to the Crown and its membership of the British Empire. In addition, Lloyd George insisted on keeping naval bases in Ireland (so-called Treaty Ports) and on the recognition of the state of Northern Ireland, which was not to be abolished except with its consent. The British government's original proposal was rejected by the hardline Republican majority in the *Dáil Éireann*, for whom the oath of allegiance was a step too far. However, de Valera himself was prepared to accept some sort of link with Great Britain. What was needed was a formula of well-chosen words which would appropriately describe the status of Irish independence with formal membership of the Empire. De Valera agreed to send a five-man delegation to London to negotiate the final draft of the treaty, but he also decided to remain in Dublin as a symbol of "the Republic". This decision created tension between the leaders in Dublin and London, because de Valera insisted that any draft of the treaty should first be submitted to the government back home, even though the heads of the Irish delegation, Arthur Griffith and Michael Collins, were authorized to sign a binding treaty with the British

² See Mansergh, Mansergh (ed.), 1997, pp. 93-102.

government on their own authority (they were described as “plenipotentiaries”). This misunderstanding on the Irish side gave a substantial advantage to the British and signally to Lloyd George, an experienced and skilled negotiator. He was assisted by Winston Churchill, Austen Chamberlain and Lord Birkenhead, who were there to ensure consensus with the Conservative Party on any Irish settlement.

There were three main topics of discussion. The first of these, British security and defense, was dealt with quite easily when it was agreed that Britain would have three naval bases in Ireland (see below). The second concerned the powers of the new Irish state and embraced, notably, the question of the oath of allegiance to the Crown. This was more a matter of symbols than political realities for both sides, and it therefore turned on specific verbal niceties and cosmetic formulas. Eventually, Lloyd George managed to get the Irish delegates to accept wording describing the relationship between the Irish state and the Crown and the Empire. Last, but certainly not least, there was the Ulster question. In the end, it did not prove as difficult as might have been expected. Certainly, none of the Irish leaders wanted partition, but none of them was really ready to challenge the entire negotiation process because of Northern Ireland. It is also important to note that the original treaty applied to the whole of Ireland, but that Northern Ireland was given the right to opt out afterwards.³ This is not to say that the treaty negotiations went smoothly. After months of talks, Lloyd George threatened that if the Irish delegates did not accept the treaty, the British would be forced to resume the war. The Irish delegates reluctantly agreed to sign the Anglo-Irish Treaty on 6 December 1921, even though Lloyd George may have been bluffing: it is questionable that the British

³ The government of the Irish Free State and a significant minority of the population of the North considered the six counties a constitutional component of a united Ireland. Partition was regarded as a stopgap until the Boundary Commission and the Council of Ireland could find a more suitable solution. As Dixon points out, the long-term sustainability of the North’s economy was not considered; Dixon, 2008, pp. 56-57.

would have been willing to continue the war in the face of what would have most certainly been profoundly hostile domestic public opinion.⁴

1.2 *The consequences of the treaty*

The treaty was well received in Great Britain and it passed through Parliament without a hitch, mainly thanks to the fact that it had been signed by Chamberlain and Birkenhead despite the reservations and misgivings of some opposition members. Its reception was quite different in Ireland, where, ironically, it brought not unity, but conflict and discord. The question of ratification divided the Irish Cabinet. Some ministers were certain that there was no chance of getting better terms from the British, while others were for resuming the war. The decision fell within the purview of the *Dáil*. Eventually, after a series of passionate debates, the *Dáil* ratified the Treaty by a narrow majority. De Valera, who opposed it because it included an oath of the allegiance to the Crown, resigned as President and was succeeded by Griffith. Nevertheless, he told a private session of the *Dáil* on 14 December: "I was captaining a team and I felt that the team should have played with me to the last and that I should have got the last chance, which I felt would have put us over and we might have crossed the bar in my opinion at high tide" (Keogh, 2005, p. 2). For de Valera and many others, the treaty fell far short of what the country could have got. On the other hand, the Irish public was generally in favor, as were the British. As McGarry observes, the birth of the Irish Free State was marked by apathy which was also a consequence of the difficult compromises that had been required to secure the British approval for the new state (McGarry, 2014, p. 647).

The terms of the treaty began to be implemented very quickly. A new provisional government headed by Collins was appointed, power was formally handed over by the British Viceroy, and the

⁴ See Fitzpatrick, 1998, pp. 100-114.

British army began to withdraw from Ireland. A general election held in June 1922 gave the pro-treaty group a convincing majority. But the anti-treaty group led by de Valera refused to accept the agreed terms, and so a civil war began in Ireland that was even more devastating and distressing than the earlier Anglo-Irish war.⁵ It lasted until 1923, when “the Troubles” ended and the rebels made their peace with the new regime. The long-term results of the treaty were seen in the following years. One by one, its provisions limiting the sovereignty of the Irish State were rejected after 1932, as will be discussed below. Ireland cut its last remaining ties with Great Britain and the Commonwealth in 1949 and became a fully independent republic, following its declared neutrality during the Second World War. Britain accepted this more in sorrow than in anger, but a certain bitterness tinged the negotiations on Irish participation in the post-war European Recovery Program. British Prime Minister Clement Attlee accepted the new status of Ireland after the war, but he had Parliament pass the Ireland Act, which affirmed the existing constitutional and territorial status of Northern Ireland and insisted that no change could take place without the consent of Northern Ireland. This commitment remains in place in British politics to this day.

1.3 Northern Ireland

We remarked above that the parliament of the new Irish state faced the challenge of creating and managing a new economic system. This was also the case in the North, under the jurisdiction of Westminster. Northern Ireland inherited a thoroughly different system of economic infrastructure from that in the South. The economy of Northern Ireland was under the control of the Treasury in London and was therefore tied to all the flows of the British economy. Fiscal,

⁵ The civil war eventually became a conflict between those who felt that, in the face of the British threat to renew hostilities, there was no choice but to swallow the oath to the Crown, and those who contended that the oath had to be rejected at all costs. Lee notes that the long shadow cast by the civil war over Irish public life constituted an inescapable formative experience of the Irish state; Lee, 2008, p. 26.

monetary and financial policy had been shaped in London, but the northern part of Ireland was now cut off from what had been its natural hinterland and the heartland of Ireland, which now formed the Irish Free State. As Hoppen observes in a chapter on *new free states*, the government in the South adopted at best a vacillating and at worst a vindictive attitude towards its northern counterparts, with Collins demanding schemes from other ministers “for not cooperating in every possible way with the northern parliament” in May 1922 (Hoppen, 1999, p. 188). This attitude impacted on the border areas most heavily.⁶ Ties with the British economy proved to be crucial ten years later when the Great Depression reached the United Kingdom.⁷ Thanks to industrial employment and high wages, living standards in the North had been better than those in the South. In addition, there had been opportunities there during the 1920s that had not been available to the population in the South. As Kennedy, Giblin and McHugh have noted, there were almost as many people employed in the six counties in the North as in the rest of the island by the mid-1920s: 505,000 vs. 762,000. Furthermore, over three times more were employed in industry in the North than in the rest of Ireland in 1926: 34,000 vs. 10,000 (Kennedy, Giblin, McHugh, 1988, p. 99). The new northern state was affected from the very beginning by the sectarian divide, with Catholics constituting a permanent minority.⁸ This may have been the most palpable consequence of the

⁶ The endeavors of the Irish Free State to detach itself as much as possible from the British economy led to a differentiation of economic policies and business activities in the North and South that was most evident in the border areas, where both sides were forced to look away from their natural local connections and turn to the nearest economic hub in their own state. This resulting cooling of mutual commercial relations affected the border areas for decades to come; McCann, 2011, pp. 80-81.

⁷ As McCann notes, the average rate of unemployment during the 1920s was around 20%. Once the Great Depression hit Great Britain, unemployment in Northern Ireland rose to almost 30%. This mainly reflected the links to the British economy, with the export sector and manufacturing employment taking the brunt. Industry became essential for the survival of the northern economy, and the connection with the British economy once again became its lifeline; McCann, 2011, p. 80.

⁸ Darby says that 33.5% of the population of Northern Ireland was Catholic in 1921; Darby, 1983, p. 102.

partition for the population in the North. In the following years, it made its presence felt in many aspects of society, including administration and politics. As Keogh remarks, “The Catholic community had to learn to live with institutionalized sectarianism” (Keogh, 2005, p. 1). For example, the Minister for Home Affairs in the mid-1920s refused to accept any Catholic appointments in his ministry (McCann, 2011, p. 81).

In Northern Ireland, the dominant problem for economic policy in the 1930s was how to contend with the impact of the Great Depression on employment and living standards, especially in urban communities. Meanwhile, however, a series of expensive iconic projects were introduced: The Ulster Museum opened in 1929 and the Silent Valley reservoir in 1933. Unfortunately, anti-Catholicism still plagued the North, sadly culminating in 1932 in an organized attack on Catholic pilgrims returning from a Eucharistic congress in the South. Nevertheless, all the problems in the North, as complex and difficult as they may have seemed, were overshadowed by the coming of the Second World War.

2. The crucial disputes

Two main causes must be considered when investigating the origins of the Anglo-Irish Economic War of the 1930s. Both were connected with Eamon de Valera’s ascent to power after the election of February 1932 and both involved unresolved constitutional and financial issues. The first concerned the land annuities which de Valera had promised to stop transferring to the British government.⁹ The second was the oath of allegiance to the British monarch, which de Valera had promised to remove from the Free State Constitution as soon as he was elected. These disputes can be divided into several phases, starting with the outbreak of the Economic War in 1932 and the abolition of the oath of allegiance in 1933, followed by other con-

⁹ This sum amounted to about £ 5 million per year; Moulton, 2015, p. 165.

stitutional legislation, i.e. the diminished role of the Governor General, the Coal-Cattle Pact of 1935,¹⁰ the new constitution of the Irish Free State in 1937, and culminating in the spring of 1938. The British encountered many problems in dealing with de Valera, finding it particularly difficult to negotiate with him.¹¹ De Valera was regarded as nothing less than a stubborn and uncompromising fanatic (Canning, 1985, pp. 140-141).

2.1 *The British stance*

The Economic War began in 1932, an especially hard year even when the consequences of the Great Depression are taken into account.¹² The British side is often criticized for its handling of these disputes and for its hesitant, sometimes reluctant attitude to engaging with the new Irish government. At the very outset of the debate on the problematic questions of land annuities and the oath of allegiance, the British government had to contend with the strong opposition of de Valera in rejecting those parts of the Anglo-Irish Treaty of 1921. The treaty's legal validity had been undermined by the Statute of Westminster in 1931, which officially acknowledged the right to self-government for British Dominions.¹³ The British also proceeded quite cautiously, because, at a time of domestic and international economic crisis, a turn towards any kind of sanctions might easily have led to a self-destructive economic war with one of their most important trading partners.¹⁴ De Valera persisted with

¹⁰ Agreed in 1934 and renewed in the following years, the Coal-Cattle pact demonstrated a willingness to end the Economic War. As the name indicates, the agreement eased the custom duties on British coal and Irish cattle. NAI, DFA/10/S 32.

¹¹ For more, see McMahon, 1981, pp. 331–361.

¹² In February 1932, almost 3 million people were unemployed and the number was still rising. Britain turned sharply towards protectionism. British exports had fallen in value by 50% between 1929 and 1931. The balance of payments in 1931 was the worst since 1919. For an extensive analysis of the consequences of the Great Depression for Ireland, see Barry, Daly, 2011, pp. 1-18.

¹³ For the full text, see The Statute of Westminster, available at: http://www.legislation.gov.uk/ukpga/1931/4/pdfs/ukpga_19310004_en.pdf.

¹⁴ Ireland received 60 % of its imports from Britain, mainly industrial goods and coal,

his previously stated goals and it was therefore the British side that actually had to adapt to the situation and the new government's leadership. Keogh notes that the pressure from de Valera may have been responsible for the British side adapting to the hardline in Anglo-Irish policy which de Valera drifted into within weeks of coming into power (Keogh, 2005, p. 68).

The British government in 1932 was dominated by the Conservatives, led by Stanley Baldwin and Neville Chamberlain. The final decision on any significant matters therefore rested with them. The British were more inclined to deal with William Cosgrave's Cumann na nGaedheal party than with de Valera's Fianna Fáil, hoping that de Valera himself would undermine his delicate majority in the Irish parliament with the Irish Labour party through a rash move.¹⁵ Accordingly, the British followed a policy of caution and restraint. It was crucial for them to avoid taking any action which might encourage the Irish Free State to break away from the Commonwealth. In his Memorandum on the Political Situation in the Irish Free State, J. H. Thomas, the British Government and its Dominions Secretary, wrote that the situation was completely different from that in the 1921, when most of the Irish people were against the British because of the Anglo-Irish Treaty; now, instead, there was a strong political party in favor of maintaining the British connection (Cumann na nGaedheal). Thomas recommended waiting until de Valera had revealed his will. If the law abolishing the oath of allegiance became constitutionally legal or if de Valera refused to submit the dispute over the land annuities to an imperial arbitration tribunal, the British would need to consider imposing some kind of sanctions, probably economic ones (Canning, 1983, p. 182).

and sent Britain 90% of its exports. In the mid-1930s, exports from Ireland were about half of what they had been at the end of the 1920s; livestock exports, in particular, were at approximately one third of their previous market value; McCann, 2011, p. 96. In spite of the strong tradition of trade, de Valera stressed the goal of absolute economic self-sufficiency for Ireland.

¹⁵ Cosgrave's government also successfully established normal relations with the US administration under President Calvin Coolidge. Whelan, 2006, p. 469.

2.2 *The Economic War*

The British cabinet was of the general opinion that firm action had to be taken towards de Valera, but without any specific agreement as to how to proceed further. However, de Valera subsequently refused to remit the land annuities payment to the British government on 1 July 1932. The British responded by imposing a customs duty on Imports from Ireland, including cattle, to compensate for the loss (Moulton, 2014, p. 165), whereupon de Valera decided to impose additional retaliatory tariffs on British commodities. The main British commodities affected were coal products, cement, electrical equipment, and pork products and meat, and changes were also made to the duties on potatoes imported from Northern Ireland and Britain.¹⁶ Among Irish commodities, cattle and other agricultural products were subjected first to tariffs and attracted the highest rates.¹⁷ The British government found itself under enormous pressure. It was criticized by the Liberals, who were committed to free trade and feared the destructive consequences of a trade war. In the Liberal press, the *Manchester Guardian* called the trade war a “stupid and insane episode in the whole history of Britain’s commercial relations” (Canning, 1983, p. 194). The British undertook an aggressive policy of sanctions that made them look like bullies and from which they could not easily back down, and which also assisted de Valera’s later electoral success (McMahon, 1984, pp. 289-290). The dispute with de Valera escalated and the whole situation grew more heated

¹⁶ The Emergency Imposition of Duties (No. 1) Order from July 1932 authorized the government to impose, “whether with or without qualifications, limitations, drawbacks, allowances, exemptions, or preferential rates, a customs duty of such amount as they think proper on any particular description or descriptions of goods imported into Saorstát Eireann on or after a specified day and, where such goods are chargeable with any other customs duty, so impose such first-mentioned duty either in addition to or in substitution for such other duty.” Available at: <http://www.irishstatutebook.ie/eli/1932/act/16/enacted/en/print.html>

¹⁷ The average import tariff in the Irish Free State rose from 9% to 45% between 1926 and 1936; Ó Grada, 1994, p. 407. The number of articles covered by some sort of tariff increased from 68 to 281 in the same period. There were about 1947 articles subject to some kind of customs control in 1937; Johnson, 1985, p. 28.

during the summer of 1932. It affected relations between the United States and Britain, owing to the strong Irish lobby in America, a matter of most pressing concern for the British Foreign Office. The Foreign Office recommended, to no avail, maintaining a careful and smooth approach; the British government instead adopted a firm stance and a more abstract approach, with support from the Conservative press (Canning, 1983, p. 198).

In the autumn of 1932, de Valera offered to discuss the land annuities, provided the British revoked the tariffs they had imposed, but he was still determined to go ahead with the abolition of the oath, laying more stress on the latter issue than on the former. Inevitably, the British position was exactly the opposite, for they linked the economic relationship to the constitutional concept of the Commonwealth.¹⁸ There was no room for any kind of agreement while de Valera focused on financial matters and the British focused on constitutional ones. De Valera eventually abolished the oath of allegiance in 1933 and introduced a new constitution in 1937.¹⁹ The trade war between the two countries went on until 1938, but it was softened by the Coal-Cattle Pact of 1935.²⁰ The Economic War ended in 1938 with the signing of the Anglo-Irish Trade Agreement;²¹ the Irish compensated the British for the land annuities with the sum of £10 million and the British lifted the tariffs on Irish goods. (Canning, 1983, p. 205) In addition, Britain returned the Treaty ports – Berehaven in Co. Cork, Spike Island near Cobh and Lough Swilly in Donegal – to the Irish, a matter that entailed some difficulty.²² Getting the

¹⁸ For more on the Irish Free State and the Commonwealth, see Moulton, 2014, pp. 168-171.

¹⁹ The new Constitution combined the essence of liberal secular democracy with an emphasis on family values and a sense of community and it referred to Ireland as to the island of 32 counties rather than the 26 counties of the Irish Free State, because the issue of partition was still unresolved to de Valera. Ferriter, 2014, p. 678.

²⁰ Agreed in 1934 and renewed in following years. NAI, DFA/10/S 32.

²¹ Commented on in Anglo-Irish Trade Agreements of '38 and '48, NAI, DFA/5/314/10/4/1.

²² At the end of the decade, questions of defense overtook constitutional issues in Anglo-Irish relations. The southern Irish ports had been retained by the British in 1922 for mil-

Treaty Ports back enabled de Valera to keep Ireland neutral during the looming world war. Overall, the terms of the Anglo-Irish Treaty are described as “highly favorable to the Irish” (O’Rourke, 1991, p. 358). The consequences of the economic policy introduced by de Valera are discussed below.

3. The Irish economy in the 1930s

The 1930s, hard times for Ireland, brought substantial political and economic changes. The economy of the Irish Free State had peaked under the Cumann na nGaedheal party in 1929, after which output, employment and trade began to decline (Neary, Ó Grada, 1991, p. 250). Consequently, Fianna Fáil was expected to settle outstanding issues and deal with the pressures of contemporary economic problems, while remaining true to its traditional commitment to protectionism.

3.1 *De Valera’s economic policy*

With a vision of a self-sufficient Ireland, de Valera focused on creating new jobs and building a larger industrial sector that would mainly produce for the domestic market.²³ The overarching idea of an independent Ireland heavily affected economic as well as political matters. J.M. Keynes, in a speech on national self-sufficiency in 1933, remarked that “the Irish Free State, a unit much too small for a high degree of national self-sufficiency except at great economic cost, is discussing plans which might, if they were carried out, be ruinous”

itary use. By 1938, most of the British government had concluded that the ports were mainly of symbolic value, but Winston Churchill and the Admiralty put up a rearguard action against turning the ports over to the Irish; Moulton, 2014, p. 167.

²³ This can be seen in the parliamentary record from the spring of 1932. Minister for Finance Sean MaEntee declared that developing protected industries would hopefully generate a sufficient number of jobs by next year. With regard to the issue of land annuities, he said that if these payments were to be rejected for the future, framing the next year’s financial state budget would be easy; Parliamentary Debates of Dáil Éireann, 20 April 1932, vol. 41, co. 289.

(Keynes, 1933, p. 768). But he also observed: "I am inclined to the belief that, after the transition is accomplished, a greater measure of national self-sufficiency and economic isolation among countries than existed in 1914 may tend to serve the cause of peace, rather than otherwise" (Ibid, p. 757).²⁴ De Valera himself offered this description of his policies: "If the servant was displeased with the kicks of the master and wanted to have his freedom, he had to make up his mind whether or not he was going to have that freedom, and give up the luxuries of a certain kind which were available to him by being in that mansion" (McCann, 2011, p. 88). The problem was that de Valera focused on building minor industries which could not compensate for export trade, turning his back on the comparative advantage that Ireland had enjoyed.²⁵ On the other hand, unemployment did decline, thanks to new jobs in construction and industry; over 65 000 houses were built between 1932 and 1938 (Barry, Daly, 2011, p. 3). The Fianna Fáil agricultural policy dictated a shift away from farmers' traditional focus on livestock towards tillage and cereal production (Meenan, 1982, pp. 17-18). De Valera was convinced that more tillage meant more employment, even though agricultural employment had not been closely related to tillage acreage. As Lee points out, male agricultural employment fell fastest in Leinster, which recorded the biggest increase in tillage, and slowest in Connaught, where tillage acreage actually diminished (Lee, 1989, pp. 185-186). The impact on agriculture was therefore severe; net agricultural output dropped in value by nearly 40 % between 1929 and 1935 (Barry, Daly, 2011, p. 3). The evidence points to the conclusion that living standards declined

²⁴ Keynes also indicated three major dangers of economic nationalism and the movement towards national self-sufficiency: *silliness* – i.e. the need to be fully aware of the difference between rhetoric and the power of actual authority; *haste* – because the economic transition of a society is something which should be accomplished slowly; and *intolerance and the stifling of instructed criticism* – i.e. the need to be aware of violence or quasi-violence upon coming into power; Keynes, 1933, pp. 768-769.

²⁵ This loss of comparative advantage was due to the fact that the Danes had taken advantage of the situation and relied on their solid methods and standards to seize the place in the British market formerly occupied by Ireland for their bacon, butter and eggs; Neary, Ó Grada, 1991, p. 251.

in rural areas while improving in towns and cities, and that the de Valera government's economic policy was inappropriate on this score (Meenan, 1970, pp. 321-323). By the late 1930s the economic policies that had brought Fianna Fáil into power were exhausted (McCann, 2011, p. 98). Fortunately, the Anglo-Irish Economic War ended in 1938 with the signing of the Anglo-Irish Trade Agreement.²⁶ The British feared that a real war was in the offing accelerated and softened the negotiations on the British side and encouraged some members of Fianna Fáil to declare that the Irish had won the Economic War (Ó Grada, 1997, p. 6).

3.2 *De Valera's academic opposition*

The causes of the Economic War were chiefly political, as was its context. Even though the land annuities had serious economic implications for the Irish Free State, de Valera handled the dispute from a political point of view, making it one of the main planks of his party's program. However, some observers assessed the Economic War purely in economic terms. This was the position of academic economists such as George O'Brien of University College Dublin and George Duncan of Trinity College Dublin. George Alexander Duncan adhered to the principles of the Austrian school of economics, represented mainly by Ludwig von Mises and Friedrich August von Hayek. For his strong belief in the role of the market and free trade, he was often called backward and accused of teaching according to timeworn principles. He was left out of the actual policy making chiefly because of his firm opposition to de Valera's approach and to the ascendant Keynesianism. In his academic work, he criticized bureaucratic regulation and the protectionist economic policy (Murphy, 2006, pp. 71-74). George O'Brien, similarly devoted to the principles of free trade, wrote in 1934 that "... the Great Depression is the result of too much interference by governments with the free play of private enterprise. ... The only

²⁶ For an extensive account of the negotiations, see McMahon, 1984, pp. 258-285.

hope of recovery ... is to be found in a relaxation of State interference with the price structure in the stabilization of exchanges, the removal of trade restrictions, the freeing of the market, the restriction of restrictionism and the restoration of capitalism" (Barry, Daly, 2011, p. 4). As we have seen, none of this was the case of Ireland in 1930s.

3.3 *Various views on the matter*

Evaluations of Irish economic performance in the 1930s and of the economic outcomes of the Economic War are somewhat mixed. In the findings of O'Rourke (1991), the prevailing view is that the Irish won the Economic War from an economic point of view and that de Valera won it politically, seeing that he was reelected in 1938 and garnered more than half the total votes (Ó Grada, 1997, p. 5). O'Rourke, based on his general equilibrium model, concludes that the Economic War was a good thing for the Irish in general. His results suggest that its aggregate welfare cost was less than previously claimed, and that de Valera's subsequent electoral victory was ascribable to rising living standards in urban areas and increasing job opportunities (O'Rourke, 1991, p. 366). Bearing in mind both the arguments of the pro-free-trade academic economists who strongly opposed de Valera's protectionist policies and the direct impact on the agriculture of the Irish Free State, it would still appear that the balance of the Economic War was positive even if de Valera's economic policy was not faultless. O'Rourke shows that the conflict generated some of the self-sufficiency that de Valera was aiming for and fostered a local business elite, but it also disrupted local industrial development in Ireland and entrenched economic nationalism for decades to come. Neary and Ó Grada reach a similar conclusion, writing that "the debt write-off and the lump-sum payment made by the United Kingdom in the 1938 settlement which ended the economic war may have more than compensated for the allocative inefficiencies attributable to the protective policy" (Neary, Ó Grada, 1991, p. 262). However, they also point out the long-term perspective of de Valera's policy with regard to increasing industrial employ-

ment and support for infant industries – none of which lasted or performed continuously. They also question the justification of imposing tariffs and custom duties as a reaction to the slump in demand following the Great Depression. They conclude that “Ireland under Fianna Fáil rule may not have lost the economic war” (Neary, Ó Grada, 1991, p. 263). Johnson and Kennedy find that, compared with other European countries, the Irish Free State did not seem to be pushed out of the middle range of economic performance, even though it struggled with regional imbalances and deep poverty during the globally hard times of the 1930s (Johnson, Kennedy, 2003, p. 453). It is important to consider the matter from a long-term perspective and to bear in mind that the economic problems on the agenda were addressed from a political vantage point and with a view to political rather than economic gains. This is not to say that the economic future of the Irish Free State was completely neglected. It is just to point out that the political influence was omnipresent and dominant. Ireland did not abandon its protectionist-based economic policy until the late 1950s.²⁷

Conclusion

The birth of the Irish Free State in 1922 followed difficult negotiations between Irish and British delegates in London. The creation of two new states – the Irish Free State in the South and Northern Ireland in the North – was marked by a civil war that left painful feelings on both sides. Partition affected many aspects of life both in the North and in the South, notably in the border areas where the economic impact was greatest. The political, economic and social development of the two parts of the island diverged over the following years, as the North remained integrated in the United Kingdom and its system, while the South took its own path through the difficult decades of the 1920s and 30s.

²⁷ For more, see Breen, Dorgan, 2013, pp. 1-15.

The Irish Free State engaged in the so-called Economic War with Great Britain for most of the 1930s. The financial and constitutional origins of that conflict have been attributed to the influence of de Valera and his Fianna Fáil party. De Valera's policymaking rested on a vision of an independent and self-sufficient Ireland, which, he averred, could best be achieved through severe protectionist policies. It was de Valera who decided on and encouraged protectionist policies throughout the 1930s and who hewed to them even though eminent economists of the Austrian school advised otherwise. De Valera remained resolute and did not alter his vision for the future of Ireland, despite the severe hardship that the Economic War caused for some sectors of the Irish economy. De Valera's influence was powerful, he shaped the form and image of the Fianna Fáil party, and he personified Irish politics and economic policy. Despite the political and economic turmoil, the Irish Free State may have profited from the Economic War by concluding the land annuities issue and regaining the Treaty Ports from Britain. On the other hand, the protectionism that took root in the decade determined the future of economic policy in Ireland for many years to come.

It should be remarked that most of the works cited in this paper mention de Valera as an individual when referencing the Irish side of the matter, whereas references on the other side are always to the name of an institution or an office, such as the British government, the British cabinet, etc. Although de Valera had staunch support from other members of Fianna Fáil, e.g. Seán Lemass, Minister for Industry and Commerce, he alone directly embodied Ireland, which from 1932 onwards, even in the mid-1950s, would be referred to as *de Valera's Ireland*. De Valera was also connected with keeping Ireland neutral during the Second World War and with moving Ireland away from any forthcoming European integration after the war. His stance did not change over time; he preferred for Ireland to remain isolated, both politically and economically, rather than to engage in any kind of integration with Britain, the rest of Europe or the United States. From a long-term perspective, by standing on his principles and paying almost no heed to the changing political and economic

climate, de Valera may have actually distorted rather than enhanced Ireland's position and performance in the international sphere. Nevertheless, the authority he wielded is undeniable.

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