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THE COMPETITION STATE – LESSONS FROM IRELAND

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The Competition State –
Lessons from Ireland

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Abstract

International attention has been focused on the mechanisms through which Ireland created the conditions for its economic boom in the late 1990s, the Celtic Tiger. Foremost among these was the role of the state on which extensive debates developed. This paper surveys the role played by the Irish state, identifying the principal policy mechanisms used. The following section surveys debates on how the Irish state has itself changed over the period of the Celtic Tiger, between proponents of Ireland as a developmental state and those who argue that Ireland is a competition state. The essential differences between both characterisations are identified. This opens an examination in the following section of how the differences can be explained which seeks to find common ground to understand the nature of the contemporary Irish state. The final section draws lessons for the international debates on the nature of the state in this globalised world.

Introduction

One of the central debates in the social science literature on globalisation relates to the impact it is having on state power. As Bisley puts it: 'Unsurprisingly, the proposition that globalization is hollowing out the state has become one of the central arguments in the globalization debate' (Bisley, 2007: 56). Yet, his survey of the literature concludes that 'there is little empirical evidence to support the position' and that policy makers throughout the world do not feel their work is pointless. 'The state is very much alive', he concludes (ibid.: 66). In the light of this, the debate has to an extent moved on to consider the nature of the changes to state power entailed by the processes we label globalisation. In what ways is globalisation impacting on state power and with what consequences for economic and social well-being? Sørensen has summarised the nature of the empirical issue to be examined when he concluded that modernising states 'must be understand as what they really are: as systems in a complex and contradictory process of transformation, profoundly changing states from what they were but not subjecting them to a simple process of becoming either "weaker" or "stronger"' (Sørensen, 2004: 160).

The role the state has played in Ireland's economic transformation makes it an interestesting case to examine, despite claims by some that it is atypical. The Celtic Tiger period of Ireland's development has seen the country's economy and society transformed, as the *Economist* magazine put it, 'from basket case to "emerald tiger" in ten years' constituting 'one of the most remarkable economic transformations of recent years' (May 17th, 1997). Furthermore, the role of the state in this transformation has been widely acknowledged; as Nolan et al. put it: 'The state has been deeply implicated in the entire process, managing both economic development and the welfare state' (Nolan et al., 2000: 2). Through active industrial policies, stable macroeconomic management and attention to social inclusion by means of a more activist social policy, the Irish state has helped foster the conditions for the private sector to thrive, upgrading the productivity, technological capacity and skills base of the Irish economy, and an active partnership in policy making and implementation between the state, the private sector and organisations of the poor and marginalised. Furthermore, this transformation has, in the eyes of some analysts, resulted from the way Ireland opened up to globalisation. As Smith put it: 'The Irish Republic is perhaps *the* test case for globalisation' (Smith, 2005: 2; emphasis in original). This found some evidential support in the fact that Ireland emerged as the most globalised country in the world three years in a row on the widely referenced globalisation index produced by *Foreign Policy* magazine – 6th place in 2001, 1st place in 2002, 2003 and 2004, 2nd place in 2005, 4th place in 2006 and 5th place in 2007 (see A.T. Kearney/Foreign Policy, 2007, 2006, 2005, 2004, 2003, 2002, 2001). Examining the role played by the Irish state in this transformation and, more importantly, how this has reconfigured the nature of the Irish state, thus has lessons to offer for the wider international debates. This is the subject of this paper.

The chapter begins by surveying the role played by the Irish state, identifying the principal policy mechanisms used. The following section surveys debates on how the Irish state has itself changed over the period of the Celtic Tiger, between proponents of Ireland as a developmental state and those who argue that Ireland is a competition state. The essential differences between both characterisations are identified. This opens an examination in the following section of how the differences can be explained which seeks to find common ground to understand the nature of the Irish state today. The final section draws lessons for the international debates on the nature of the state in this globalised world.

Role of the Irish state

The is a widespread consensus in the literature on Ireland's 'economic miracle' that four sets of policy instruments were central to the success achieved – active industrial policies (and the role played by EU structural funds in facilitating such policies), policies on education and training, the innovative concertative arrangements known in Ireland as 'social partnership' and a new activism in the state's social policy. Each is surveyed in turn.

i) Active industrial policy:

The large economic literature that seeks to explain Ireland's exceptional performance from 1994 to 2007 (exceptional both in relation to previous Irish performance and in relation to experience among most industrialised countries over this period) identifies a range of factors as laying the foundations for the boom, among them industrial, educational and infrastructural policies. Undoubtedly, as Fitz Gerald has written: 'The pro-active industrial strategy pursued by Irish policy makers was central to the long-term development of a strong industrial base' (Fitz Gerald, 2000: 38). The state Industrial Development Authority (IDA) became very successful at identifying emerging sectors in the global economy and attracting many of the major companies in those sectors to Ireland. While this strategy had initially begun in the 1960s by attracting clothing and textile firms like Wrangler, Bluebell, Farah Jeans and Burlington Industries, in the 1970s an electronics sector was established by attracting firms like General Electric, Ecco and Core Memories. Already in 1971 the computer manufacturer Digital had been attracted to set up a plant in Galway and this marked the beginning of a strategy to develop a cluster of computer manufacturers in Ireland.

In 1980 Apple was attracted to establish its European manufacturing base in Cork and in 1989 Intel was successfully lobbied to establish a major centre in Kildare, just outside Dublin. Bradley identifies the IDA's success as stemming from its ability to target firms 'at a relatively early stage in their (technological) life-cycle, immediately after the new product development stage' in the sectors of computers, related software, pharmaceuticals and chemicals. He gives the example of the IDA first lobbying computer manufacturers and their subsequent targeting of the makers of individual computer components, such as keyboards, hard disks, cables, mice, printers and software (Bradley, 2002: 41). Another key element of the IDA's armoury in attracting firms has been Ireland's low-tax regime on company profits (a 10 per cent tax rate on manufacturing profits guaranteed for 20 years was introduced in the early 1970s and in 2003 this became a blanket 12.5 per cent tax on all trading companies). This has again and again been promoted by policy makers and senior company managers as the single most important reason for Ireland's success in winning high levels of FDI (see, for example, Mac Sharry and White, 2000).

The remarkable success of this strategy, boosted by the expansion of the EU economy throughout the 1990s and by the advantages offered by Ireland as a relatively low-cost manufacturing platform with access to the EU market, is illustrated by the growth in inward FDI flows from 2.2 per cent of Ireland's GDP in 1990 to 49.2 per cent in 2000 (World Bank, 2002: Table 6.1). Bradley summarises the IDA's success in the 1990s:

> The high point of the IDA strategy came during the late 1990s, when Ireland became the front-runner for most of the sophisticated foreign investment in electronics, computers and software. A virtuous circle had been created, with electronic components and computer equipment at its core, a spillover into PC-related software development and customisation, and a further spillover into telecommunications-based marketing, customer and technical support services both for existing producers located in Ireland, as well as for the creation of a sophisticated international financial services sector (Bradley, 2002: 52).

In many ways, Ireland was very lucky. Not only did it get its national finances in order just in time to benefit from the US boom and from the completion of the Single Market in the then European Community, but it also benefited from the new funding lines established by the EC in the late 1980s to improve the infrastructure and standard of living in its poor countries and regions, the structural and cohesion funds (Delors I 1989-93 and Delors II 1994-99). Ireland was successful in winning high levels of these funds on a per capita basis and they were spent in four main areas – upgrading infrastructure (roads, ports, communications), improving human resources (education and training), aids to the private sector (grants and subsidies to aid new industries) and income support (mostly to farmers and rural dwellers). O'Donnell estimates that Ireland's net receipts from the EU averaged over 5 per cent of GNP throughout the 1990s with a peak of 7.6 per cent in 1991 (O'Donnell, 2000: 185).

The late 1980s and 1990s also witnessed significant policy innovation by the Irish state. A central policy shift in industrial policy followed the Telesis Report of 1982. This was very critical of the state's exclusive dependence on foreign multinationals and urged greater support for indigenous industry. As Ó Riain puts it, it 'did cause a stir within the policy community' and 'the general tenor of policy did shift through the 1980s to consider some of the recommendations of the Telesis Report' including a reorganisation of the Industrial Development Authority (IDA) into two divisions in 1988, one for foreign-owned industry and one for Irish-owned (Ó Riain, 2004: 181). This new set of industrial development agencies focused on indigenous industries and, crucially, on business and technological upgrading through networking in a proactive way local business entrepreneurs with university research centres and state officials. Ó Riain has charted the upgrading of investment, R&D, skills, and productivity that took place in key sectors of the Irish economy in the 1980s and 1990s through this innovative alliance of state officials, business entrepreneurs and university research institutes. Many of these entrepreneurs were young people who had gained experience working in multinational enterprises either in Ireland or abroad. Most noteworthy was the emergence of an Irish software industry which Ó Riain calls 'the leading edge of indigenous industrial upgrading in the Celtic Tiger' (Ó Riain, 2004: 56). However, despite the turnaround in the fortunes of indigenous industry, a marked dualism between foreign and indigenous firms continued to mark Ireland's industrial structure, even at the height of the Celtic Tiger boom. Gallagher et al. conclude about this period: 'Foreign-owned industry treats Ireland as an export platform, generating 74 per cent of total Irish exports in 1998. On the other hand, while 85 per cent of local plants are Irish owned and 53 per cent of manufacturing employment is generated in these plants, they produce just 28 per cent of gross output' (Gallagher et al., 2002: 64).

ii) Education and training:

The foundations for educational expansion and reform, and for active training policies, were laid under a series of young and energetic Ministers for Education in the late 1960s and early 1970s; these were to be identified as playing a significant role in Ireland's later economic success. The introduction of free secondary education in 1967 saw a major increase in the numbers of students completing secondary education. Between 1965 and the late 1990s, the proportion of 15-year-olds participating in full-time education increased from 50 per cent to 100 per cent while for 17-year-olds the increase was from 25 per cent to 81 per cent. As Smyth et al. put it: 'The 1970s and 1980s had seen the transformation of second-level education from one serving an elite group of students to a system of mass education' (Smyth et al., 2007: 139). The curriculum was also reformed in the light of a major OECD report on Irish education in 1966 entitled *Investment in Education* which identified major shortcomings in the contribution of education to providing the skills necessary for economic development. A major expansion of technological and vocational education was also begun in the late 1960s, and the 1970s saw the foundation of regional technical colleges around the country (later called Institutes of Technology), expanding greatly the curriculum of studies available for students at third-level. Overall, the number of students at third level in 1970 was around 25,000 of which 18,600 were at university; by 1998 overall numbers at third level had grown to 112,200 of which 61,300 were at university and 41,900 at various technological colleges.

An Industrial Training Authority was established in 1967 and two decades later three different agencies that had grown up to respond to training needs for different groups in the labour market were amalgamated into a single labour market training agency, named in Gaelic the Foras Áiseanna Saothair (FÁS). From its foundation in 1987, it began to play a key role in furnishing the skills required by the TNCs moving into Ireland. In his study of FÁS, Boyle states that it is unusual among European agencies for the breadth of its responsibilities and it 'has remained a crucially important institution in the Irish political economy throughout the economic boom' with over 1 million people participating in its training and/or employment programmes since 1987 (Boyle, 2005: 2). It became such a key institution of the Irish state that one third of the structural funds that Ireland received under Delors I were spent through FÁS while a quarter of Delors II funds were. As a result, Ireland was spending throughout the 1990s around 2 per cent of its GDP on active labour market measures, double the OECD average.

iii) Social partnership:

Another major policy initiative widely credited with playing an essential role in Ireland's success, is social partnership. While concertative arrangements at national level between employers and trade unions facilitated by the state had resulted in negotiated national pay agreements in the 1960s and 1970s, this national approach was abandoned in 1980 amid the crisis of the national finances. However, the advisory body, the National Economic and Social Council (NESC) made up of representatives of the state, employers' bodies, farmers' organisations and the trade unions, continued to elaborate an economic and social analysis agreed among the social partners and its 1986 report entitled *A Strategy for Development* became the basis for the incoming government in 1987 to bring the social partners together to negotiate a three-year Programme for National Recovery (PNR). This agreement between the social partners, not only on national pay awards, but on key elements of economic and social policy, has become institutionalised as a feature of Ireland's governance structures; to date seven such agreements have succeeded one another with that signed in 2006 covering a ten-year period and entitled *Towards 2016*.

Furthermore, the partnership principle has been extended to regional and local level in such bodies as City and County Development Boards and the local area-based partnership bodies with a brief for economic and social development in deprived areas. In 1996, national social partnership bodies were expanded to include Community and Voluntary sector organisations as full members; these represent private, charitable and voluntary bodies working with people in poverty, people with disabilities, women, and other vulnerable and marginal groups. Social partnership, seen by some as part of 'a new and developing form of governance in Ireland' (Taylor, 2005: 4) is more widely seen to have played a decisive role in ensuring wage moderation at a time of high economic growth thus safeguarding Ireland's competitiveness internationally. This was achieved through trading moderate national wage increases for reductions in income taxes. In general terms, the partnership approach to governance is seen to have maintained industrial and social cohesion at a time of major social change.

iv) Active social policies for the marginalised:

Already in the 1960s and 1970s, the Irish state significantly expanded its welfare effort through the introduction of insurance and means-tested schemes for groups like the unemployed, deserted wives and unmarried mothers and new benefits including invalidity and death benefit. The period of economic boom in the 1990s also saw a new activism in social policy with the establishment of new agencies and programmes. Notable among these were the National Anti-Poverty Strategy (NAPS), one of the final acts of the social welfare minister and leader of the small Democratic Left party, Proinsias de Rossa (1994-97), and the Equality Authority. The NAPS charted the rise in poverty since 1973, analysed its causes and set time-bound targets for poverty reduction: to 'aim at considerably reducing the numbers of those who are "consistently poor" from 9-15 per cent to less than 5-10 per cent' between 1997 and 2007 (NAPS, 1997: 9). These targets were more than met, though much debate has taken place about the adequacy of this measure particularly in the context of a booming economy. In 2002, the NAPS was revised and integrated with the EU National Action Plan on Social Inclusion. The Equality Authority, established by the state in 1999, has as its brief to reduce discrimination under nine named headings, including gender, sexual orientation, political and religious beliefs and membership of the Travelling community. This it does largely through public education and through supporting cases against employers or service providers on grounds of discrimination.

This section has described some of the key policy mechanisms used by the Irish state to help transform the economy and to try to ensure that the benefits of this transformation were widely shared throughout society. It offers what may be called the dominant or mainstream interpretation and illustrates the central role this interpretation accords to the state. As such it offers strong evidence that, at least in this test case of globalisation, success has been achieved not by sidelining the state or hollowing it out, but rather through the active role it has taken on. However, such a positive reading fails to do justice to the ambiguities of the Irish success and hence avoids the most interesting questions this throws up for the role the state has played. For example, it tends to neglect or elide Ireland's high level of dependence on foreign investment as its motor of economic growth, the increase in relative poverty and inequality that has accompanied its boom, and the many social deficits that continue to characterise Irish society, particularly in health care and social provision (see Kirby, 2002, 2008). It is these ambiguities, and what they tell us about the nature and role of the state in the Irish case, that provide the basis for the lively debate on characterising the Irish state that has been one interesting legacy of the boom for the neglected area of state studies in Ireland. To this debate we now turn.

Debates on the Irish state

Up until the advent of the Celtic Tiger, little scholarly attention had been paid to the Irish state. Apart from occasional debates about the state in very specific contexts (such as church and state, the post-colonial state or the Irish state in relation to the EU), social scientists paid little attention to the Irish state and none at all to its developmental capacity (see Adshead, Kirby and Millar, 2008: 4-13 for an overview). Only in the 1990s did Irish social scientists for the first time turn their attention to the potential of the state to play a decisive role in economic and social transformation. Drawing on the East Asian developmental state literature and applying it to the Irish case, O'Malley (1989) argued that latecomers to industrial development faced specific obstacles (such as advanced technology, large capital requirements and highly skilled labour) that required an active state with 'a strategic planning capacity' to overcome. Similarly, Girvin's (1989: 211) study of economic policy-making from the foundation of the state to 1961 concluded that for greater developmental success Ireland would require 'a strong state to direct the economy and to provide for the welfare of the society'. Lee's (1989) major work examined extensively the institutions and culture of the Irish state, further reinforcing the conclusion that it bore major responsibility for the country's relatively poor economic and social performance since independence. In their study of state, class and development in Ireland, Breen et al. (1990) concluded that the Irish 'state's capacity – so formidable on paper – on closer examination proves to be illusory' (Breen et al. 1990: 213). One much quoted example of this illusory capacity was given by O'Connell and Rottman (1992: 206) who argued that the Irish welfare state expanded in such a way as 'to leave privilege essentially undisturbed' since it combined minimal levels of universal entitlement to income and services with market-based resources from which the middle classes were able to benefit disproportionately.

Within a few short years the tenor of this debate changed completely to take account of emerging evidence that the Irish state was playing a key role in Ireland's economic boom. For example, in later work, O'Malley examined the ways in which a more active state policy since the 1980s had resulted in 'a substantial improvement in the growth performance of Irish indigenous industry … without historical precedent in twentieth century Ireland' (O'Malley, 1998: 57). Kirby (1997: 196-97) argued that the Irish state's capacity was not as illusory as stated by Breen et al. (1990) and that the problem lay rather in the state's developmental direction, deferring too much to conservative forces rather than seeking a more robust project of national development. O'Hearn's (1989, 1998, 2000) extensive work on Ireland's development model also identified as its major weakness the commitment of the Irish state to a form of dependent liberal industrialisation which required that it put the profitability of transnational corporations before the welfare needs of its own citizens. In a more positive vein, Nolan, O'Connell and Whelan (2000: 2) argued that the state had played a key role in Ireland's transformation, 'managing both economic development and the welfare state'. Central to this success was its ability successfully to adjust to global market forces, they contended.

More recent debates about the Irish state have expressed themselves in terms drawn from two related but distinct international literatures on the political economy of the state – that which developed in the 1980s out of analyses of the role of the East Asian state in that region's developmental success and which elaborated the concept of the 'developmental state' (Johnson, 1982; Woo-Cumings, 1999; Wade, 1990; Amsden, 1989) and a more recent political economy literature on the changing nature of the state under the impact of economic liberalisation and globalisation which proposed the concept of the 'competition state' (Cerny, 2000a and b). In applying the concept of 'embedded autonomy' taken from Evans (1995) to the Irish state, Ó Riain (2000, 2004) characterised the Irish state as a 'flexible developmental state' in contrast to the bureaucratic developmental states of East Asia, arguing that this constitutes a new model of state-led development that is more responsive to the demands and pressures of globalisation. His later work slightly amended the concept to that of a Developmental Network State (DNS) as 'network centrality is critical to this new state – isolation from the local or the global renders it ineffective' (2004: 4). Though contested by O'Hearn (2000) and Kirby (2002), the concept of the developmental state was adopted by the National Economic and Social Council (NESC) in its 2003 tri-annual statement of the state's economic and social strategy and used as the basis for proposing a Developmental Welfare State (DWS) for Ireland (NESC, 2003: 29-33; 2005a, 2005b).

In critiquing the adequacy of the concept of the developmental state for the Irish case, Kirby (2002, 2005) argued that the concept of competition state describes more accurately the nature and operation of the Irish state in the era of the Celtic Tiger since it prioritises goals of economic competitiveness over those of social cohesion and welfare. Following Kirby, Dukelow also adopts the concept of competition state for the Irish case as 'the state has taken a selective interventionist role in the manner of a competition state to re-orient social security policy to enhance economic competitiveness by tackling unemployment, yet leaving levels of income inequality and poverty remain relatively high' (2004: 27). Boyle, though seemingly unaware that the concept had already been introduced into debates on the Irish state, baldly states: 'Contemporary Ireland is an exemplar of the competition state, where social policy is subordinated to the needs of the economy' (2005: 16). In analysing the deficiencies of local government in Ireland, Tierney draws on the concept of the competition state 'with its emphasis on the market and the increasing alienation of many people from government in the process' and argues that these deficiencies can be effectively addressed through local government (Tierney, 2006: 71).

These two conceptions of the state – developmental and competition – have some common features but differ in a number of crucial ways. Perhaps most significantly, both agree that the state can make a difference though, perhaps echoing their different origins, the competition state concept recognises more fully the constraints placed on state actions by the competitive pressures of today's globalisation. Both acknowledge the uneven nature of state actions, though both also claim that a central overarching logic can be identified behind this unevenness. It is the nature of this overarching logic that constitutes the key difference as developmental state theorists claim that such states possess the capacity to achieve outcomes that fundamentally transform the economy and society towards higher levels of development. For example, Amsden makes clear the crucial importance of equality to this developmental success (Amsden, 2007: 139-42). Competition state theorists, on the other hand, identify a logic that moves state actions away from the maximisation of welfare towards the promotion of enterprise and profitability as national elites respond to the pressures of globalisation. Theorists of both concepts recognise that both developmental and competition states do not confirm to uniform models but reflect the internal political configurations and culture through which the overarching logic of developmentalism or competition is mediated, though both literatures have paid insufficient attention to the politics through which these logics emerge and come to dominance.

There is less clarity in regard to the possibilities for more progressive forms of both types of state. Cerny et al. recognise that neoliberal public policies 'do not merely constrain but also bring opportunities. Contemporary politics entails both a process of choosing between different versions of neoliberalism and the attempt to innovate creatively *within* the new neoliberal playing field' (Cerny *et al.*, 2005: 20; emphasis in original). One expression of these possibilities is the emergence of a social neoliberalism, they state (ibid.: 20-21). Ó Riain criticises the competition state concept since it 'unnecessarily narrows our understanding of the institutions underpinning economic growth' and obscures 'the existence of a political space for struggles within and through existing institutions over how development could and should be structured' (Ó Riain, 2004: 18). What here distinguishes proponents of each of the concepts is the potential for transformation that exists. For, as made clear above, competition state theorists also recognise that politics matters and that it results in different outcomes in different states – 'different versions of neoliberalism'. Ó Riain goes further in claiming that spaces exist for going beyond neoliberalism to social democracy and his book ends by outlining what this might entail (2004: 237-42).

Here again what is at issue is more empirical than theoretical: Cerny et al. outline at some length the erosion of the basis for a social democratic alternative as it is happening in practice in many parts of the world whereas Ó Riain's account is limited to a purely theoretical outline of what such an alternative might look like in Ireland while neglecting the political or social bases for its emergence. On the contrary, he acknowledges that the developmental state 'will face an increasingly contentious politics of national inequality because unequal integration into the globalisation project undermines solidaristic national social contracts'; however, he fails to address how it might overcome these to build a more social democratic alternative (2004: 38). From these accounts therefore a lack of clarity lingers as to whether, through progressive political actions, both the competition and the developmental states could come increasingly to resemble one another. Indeed, Cerny has equated the East Asian developmental states with competition states (Cerny, 2006: 381). Yet, it does appear that a fundamental difference still distinguishes Cerny's social neoliberalism from Ó Riain's social democratic developmentalism with the latter entailing a much stronger version of governing or restraining the market whereas the former is posited on a benign market to which the state plays a supporting role.

A number of contributors to this debate have argued against this binary division. While acknowledging that 'strong tendencies towards prioritising economic competitiveness are indeed apparent', Smith rejects that Ireland can be characterised as a competition state since some distributive and developmental tendencies are also apparent and change over time. She therefore argues that Ireland cannot be neatly categorised as either a developmental or a competition state and that state policy 'has instead entailed elements of both' (Smith, 2005: 120, 135). She concludes:

> The highly complex (and at times contradictory) picture suggests that processes of change need not (and perhaps even *should* not) be forced into all-encompassing categorisations such as 'the distributive/developmental state' or 'the competition state'. Rather, it highlights the need to conceive change in terms of the ebb and flow of particular tendencies and counter-tendencies that may shift significantly over time. In turn, such a characterisation allows for the possibility that particular tendencies (such as those towards prioritising competitiveness) are not confined to a particular model but may instead be compatible with a range of state forms (Smith, 2006: 520; emphasis in original).

O'Donnell is also sceptical of efforts to characterise states, seeing in it echoes of Marxist theory and politics in the inter-war period when much hung on whether a particular state was characterised as socialist, imperialist or fascist. 'Nothing equivalent hangs on our current characterisations and we might indulge ourselves (and mislead ourselves) if we use descriptions in such a categorical way' (O'Donnell, 2008: 74). Instead, he agrees with Smith that what are being examined are dimensions of the Irish state in which one can identify tendencies and counter-tendencies.

This survey raises more complex questions about the nature and role of the state in the context of globalisation, illustrating that the Irish case does not lend itself to easy conclusions, despite what might appear from the dominant reading. Yet, clearly, a state cannot be both a developmental state and a competition state at the same time, if these categories are to have any robust meaning. Or, as Smith and O'Donnell would have it, do we have to settle for the fact that it is a bit of both, again begging questions about whether the attempt to identify an overriding characterisation of the state is an illusory exercise. If it is not possible to arrive at any firm identification of how globalisation is serving to reconfigure the nature of the Irish state, then it seems that the whole international debate about globalisation and the state is rather futile, at least when it gets beyond generalities and attempts to engage with the specifics of state change in some detail. If we want to hold that the task of identifying the core logic of state actions is a valid one, and thereby to identify how globalisation may be impacting on the state, then it seems necessary to probe further the bases for the differences that have emerged in the recent debate on the Irish state. This is the task of the next section.

Probing the differences to advance understanding

Essentially the differing interpretations of the state in the Irish case derive from differing readings of the Celtic Tiger experience. The dominant reading, as described in the section above on the role of the Irish state, rests on a positive evaluation of the developmental impact of the economic and social changes in which state actions played a significant and perhaps even decisive role (being a necessary if not sufficient condition). Yet, a more critical interpretation of the Celtic Tiger highlights questions about the role of the state that lead some analysts to a less positive view. Essentially, five areas of difference can be identified and each is treated in turn here.

i) Links between economic transformation and social development:

The single most important difference between a mainstream and a more critical reading of the Celtic Tiger relates to the extent to which the high economic growth rates achieved are seen to have resulted in social development. Focusing on the issues of distribution raises a number of anomalies that are usually neglected in the more benign reading of the Irish experience.

The first is the trend in welfare spending over the course of the economic boom. While Ireland's expenditure on education and health are exactly the EU 25 average (as a % of GNP in the Irish case but a percentage of GDP in the case of the other countries) (CSO, 2006), Ireland's spending on social protection in 2002 was well below the EU average (at 19.3 per cent of GNP as against an EU25 average of 27.4 per cent of GDP) (CSO, 2006) though by 2005 the gap had narrowed a little with the EU25 average down to 27.2 per cent and the Irish figure up to 21.4 per cent (CSO, 2008). On 'service effort', namely spending on benefits in kind as a percentage of GDP (GNP in the Irish case), Ireland slipped from 6th to 8th place out of 14 EU states between 1993 and 2001; however when 'transfer effort' is measured, namely spending on cash benefits, Ireland slipped from 13th to 14th place over the same period, namely the years of its economic boom (NESC, 2005a: 97)[1]. The NESC concludes that, 'compared to other EU member states, Ireland was a low spender on social protection' with 'a particularly wide gap between Ireland's relative wealth and its relative social spending with the EU' (NESC, 2005a: 107).

The second is the trend in both budgetary and taxation policy. Examining the distributive impact of budgets from 1987 to 2005 (a combination of the distributive impact of changes in taxation and in welfare benefits), and thus covering the height of the boom, the NESC concluded:

> In the late 1980s, Budgets were generally harsh but protected the incomes of the lowest quintile: they reduced incomes everywhere except for the lowest quintile where they raised incomes significantly. During the first decade of the 1990s (to 1994), Budgets were more benign in their overall impact but preserved a mild redistributive thrust with marginally higher increases in disposable income for the lowest quintile than for other groups. From 1995 to 2002, a regressive pattern was dominant with Budgets improving the disposable income of the top three quintiles by significantly more than for the bottom two quintiles. Finally, after a Budget that almost marked time in 2003, a redistributive thrust has re-emerged with higher increases being occasioned for the lowest quintile than for other groups in the Budgets of 2004 and 2005 (NESC, 2005a: 81). It is paradoxical that, in a period where the state was committed to a National Anti-Poverty Strategy (NAPS), introduced in 1997, the redistributive thrust of government taxation and welfare policy was regressive.

A third anomaly results from the first two: at a time when the Irish state was committed to reducing poverty, relative poverty and inequality grew steadily over

[1] Due to the effects of profit repatriation by multinational companies operating in Ireland, Gross National Product (GNP) tends to be favoured over Gross Domestic Product (GDP). As O'Sullivan points out, Irish GNP has steadily declined in relation to GDP over recent decades, being between 14 to 17 per cent less in the early 2000s: 'There is no other developed country where there is such a disparity between GDP and GNP' (O'Sullivan, 2006: 76).

the course of the boom. Official statistics show a steady increase in the percentage of persons below 60 per cent of median income from 15.6 per cent in 1994 to 22.7 per cent in 2003. The situation of the elderly is particularly striking: the percentage of households headed by a retired person which were in poverty in 1994 was 8.2 per cent. This increased to 18.4 per cent in 1998 and peaked at 36.9 per cent in 2001 before dropping to 20.5 per cent in 2005. This is directly attributable to what happened to state pensions over this period. Overall, Ireland has one of the lowest reductions of risk of poverty through social transfers in the EU. In 2005, the average reduction in the risk of poverty in the EU25 was 27 per cent of the population; in Ireland it was only 20 per cent of the population, the lowest reduction after Greece, Spain and Cyprus (CSO, 2007: Table 4.5). Meanwhile socio-economic inequality, already high in comparative international terms before Ireland's boom, has remained stubbornly high and, on some measures, has grown significantly. Comparing Ireland's income distribution after the Celtic Tiger boom with EU and OECD countries shows that it remains something of an outlier for its level of economic development. Comparing it to 30 countries using data from around 2000, Smeeding and Nolan write that 'Ireland is indeed an outlier among rich nations. Only the United States, Russia, and Mexico have higher levels of inequality. … Among the richest OECD nations Ireland has the second highest level of inequality' (Smeeding and Nolan, 2004: 9). Meanwhile, trends in the share of national income going to the top decile of income earners over the period 1989-2000 show a substantial increase from 33 per cent to 38 per cent. The top 1 per cent saw its share rise sharply in the second half of the decade with all the growth in the share of the top decile being concentrated among this 1 per cent whose share ended up being twice what it was in the 1970s and 1980s (Nolan and Maitre, 2007: 33-34). Data on the functional distribution of national income confirms this conclusion. From having an average wage share of national income compared to the EU in the 1980s (71.3 per cent in Ireland compared to 69.6 per cent for the EU12), Ireland's wage share dropped to 62.6 per cent in the 1990s and to 55.1 per cent in the early 2000s whereas the EU12's wage share declined to 66.8 per cent in the 1990s and 64.4 per cent in the 2000s (European Commission, 2007).

Overall, then, social policy is characterised by a policy direction that sets very modest aims and is inconsistent in adopting effective measures to achieve more robust distributional outcomes. As former Fine Gael Taoiseach (prime minister), Garret FitzGerald has written:

> It has to be said that we have notably failed to secure the benefits that might have been expected to accrue from the fact that we are now one of the most prosperous of European states. Our chaotic health service and our grossly understaffed education system, together with the many serious inadequacies of our social services, reflect very badly upon a political system that has massively

> maldistributed the huge resources we have created. The harsh truth is we have allowed far too much of our new wealth to be creamed off by a few influential people, at the expense of the public services our people are entitled to (FitzGerald, 2008: 16).

ii) Reliance on FDI and path dependency:

However, the Irish growth model itself raises other anomalies that again are usually neglected in the more positive reading of the Irish 'miracle'. Bradley, an influential economist of the Irish boom, identifies three stages that Ireland's strategy of 'industrialisation by invitation' has followed. The first, corresponding to the period from the late 1950s to the mid 1980s, 'was "factor" driven, based on low rates of corporation tax, low wages, and subsidised capital formation'. Acknowledging that policy makers in Ireland are now seeking to shift to a strategy based more on indigenous innovation, he writes that 'this has exposed some of the limitations of an industrial strategy that came to be based largely on foreign direct investment' (Bradley, 2002: 44). For example, in analysing technological innovation, he draws attention to the fact that 'the forces that drive innovation in products and manufacturing processes tend to originate in the USA rather than in Ireland' and he concludes that it is 'this feature that presents the most serious threat to the survival and progress of the sector' (ibid.: 34-5). The central anomaly of the Irish growth model, he expresses as follows:

> The crucial role of management is to formulate a corporate strategy that aligns with the nation's wealth-building strategy. So, this issue is usually examined largely from the point of view of domestic corporations adjusting to national strategy. In Ireland however, causality more often as not runs in the opposite direction. In other words, the Irish Industrial Development Agency – the IDA – was constantly scanning the world for inward investment in high technology sectors. Quite often the domestic environment initially was not sufficiently attractive to persuade cutting edge firms to locate in Ireland. But information on firms' needs was fed back to the Irish government authorities by the IDA, and major policy changes could be executed rapidly. The national wealth creating strategy in Ireland often needs to adapt to the requirements of firms in the global corporate environment, and not the other way around (ibid.: 38-9).

Bradley draws the conclusion that, based on international industrial policy frameworks, such as Vernon's product life-cycle framework or Porter's diamond of competitiveness, if Ireland displays behaviour like a less developed region 'it will always remain an underdeveloped country that competes in low cost production of maturing products' (ibid.: 45). His hope is that, based on Best's capability triad, Irish policy can have more influence over creating the conditions for more entrepreneurial Irish firms to emerge in the future.

Recent empirical evidence, however, give grounds for concern about the possibilities of such an emergence. Examining Ireland's innovation performance over the period of the Celtic Tiger boom, Hewitt-Dundas and Roper find that the proportion of manufacturing plants making product changes has increased by only 5 per cent over the period while the proportion of plants undertaking process innovation declined almost 7 per cent. They find that manufacturing innovation 'is driven by a relatively narrow range of external knowledge sources aside from knowledge created within the plant through R&D'. This they put down to the low level of business R&D spending in Ireland and 'the lack of any positive link between the extent of innovation activity and links to public knowledge sources' such as universities. Unsurprisingly, they find that externally owned plants and those with access to group R&D are more likely to be undertaking product innovation (Hewitt-Dundas and Roper, 2008: 59).

iii) Ideology and political culture:

These anomalies raise serious questions therefore about the nature and role of the state, requiring a more explicit examination of features of the Irish state and political system that can only be briefly touched upon here. Three features are examined: ideology and political culture, the relationship between the political system and the bureaucracy of the Irish state and the key question of state capacity and autonomy. These questions are largely ignored by proponents of the more positive view of the state's role in the Irish case.

FitzGerald has attributed the social neglects of the Celtic Tiger to 'a very marked swing to the right in the broad policy stance of Irish governments' since the mid 1980s as 'the influence of American economic liberalism became much stronger' (FitzGerald, 2003: 29, 30). Such explanations based on ideology find supporting evidence in the influence of the neo-liberal Progressive Democrat party on policy as they have been in government with Fianna Fáil for the greatest part of this period (1989-92 and 1997-2007). Explaining how a small party can have such an influence draws attention to central features of Irish political culture that have helped mould the Irish state in particular ways. Dominated by a cross-class party, Fianna Fáil, that regularly gains the electoral support of between 35 to 40 per cent of the electorate, and within an electoral system (Single Transferrable Vote Proportional Representation or STVPR) that emphasises localised contests between candidates (often from the same party) in multi-seat constituences, Irish politics tends to be pragmatic and personality driven, focusing on local issues and with little patience for ideology or even sustained policy discussion and formulation. From this political system therefore has emerged a policy system 'dominated by the culture of short-term pragmatic politics' (Murphy. 2006: 152). Because politicians have little interest in long-term policy planning, policy tends to be developed 'in an ad hoc and fragmented fashion' (ibid.: 125) and the system has spawned a 'consensus-driven, blame-avoidance, no-losers political culture' which, in Murphy's view, appears to be the principal reason for the slow pace and muted type of change in Irish social policy (ibid.: 242).

iv) The relationship of the political system to the state:

The localist and non-ideological nature of Irish politics has resulted in a state which has relied heavily on the role of professional civil servants in administration and in policy development. Research among former Ministers and civil servants has found that Ministers did not play a 'direct role in the internal management of their departments' (quoted in Connolly and O'Halpin, 1999: 263) and instead they leave this to civil servants. Retired senior civil servants stressed the incremental nature of policy change and Connolly and O'Halpin comment that it is here that civil servants probably exert their greatest influence 'not only through their preparation of information and the evaluation of policy alternatives, but also through their ongoing contact with a wide range of interest groups' (ibid.: 263). In examining social policy, Murphy sees 'a lack of policy capacity and a weak tradition of policy making' to be a defining feature of the Irish civil service. Despite the homogeneity of the civil service when viewed from outside, she finds 'great cultural and ideological differences and a clear hierarchy between key government Departments' in the area of social policy (Murphy, 2006: 127) while the dominance of the cost-fixated Department of Finance is a constant theme in analysis of the Irish bureaucracy (Adshead, 2008: 71). Policy tends to get made in tight policy networks made up of Ministers, their political and personal advisers and key civil servants, supplemented by select academics and outside experts. Examining social policy making, Murphy concluded that 'international policy ideas are carefully filtered and selectively amplified to suit the agenda of the domestic actor' (Murphy, 2006: 182), which in the case of Ireland is dominated by an emphasis on market liberalisation and international competitiveness.

Another dimension of the Irish state relevant to this discussion is its growing fragmentation. As it takes on ever more complex responsibilities, the state has adopted the practice of establishing new agencies to deal with them. Among these are the Combat Poverty Agency, the Equality Authority and FÁS, all mentioned above. A recent analysis identified something in excess of 450 public bodies at the end of 2005, up to half of which had been created in the last decade (Clancy and Murphy, 2006). Furthermore, the Irish state remains highly centralised, with a weak form of local government which has very limited tax-raising powers and 'a drastically reduced set of functions in comparison to their European counterparts' (Ó Broin and Waters, 2007: 55). Over recent years, state responses to a myriad of demands (some social demands, others coming from the need for accountability for EU funding) have resulted in a complex tangle of agencies with overlapping responsibilities at local level, while some 94 per cent of local expenditure decisions continue to be made at national level (ibid.: 21). This has resulted in an ever more fragmented system of local planning and the provision of services.

v) State capacity and autonomy:

This discussion therefore raises questions about the capacity and autonomy of the Irish state that have been scarcely examined with any thoroughness, certainly not by those who make claims about that state's developmental nature. In her ground-breaking analysis of the subject, Adshead traces 'the range of autonomy/capacity trade-offs … and … Irish governments' paragmatic propensity to pursue them' that can be identified in 'the asymmetrical development of the state' (Adshead, 2008: 72). She adds, however, that her characterisation 'may best be viewed as a set of hypotheses for further research' (ibid.: 70), thus drawing attention to the limits of our knowledge of the Irish state.

In the light of this discussion therefore, it is possible to draw the following conclusions about the debate on the nature and role of the Irish state. Firstly, proponents of the developmental state and of the competition state can both agree that the state played a central role in transforming the industrial base of the economy through the attraction of high levels of high-tech FDI; however, the major disagreement concerns the extent and depth of this productive transformation and the link between it and social development. Secondly, proponents of the developmental state have concentrated on outcomes achieved and claimed state capacity on the basis of this; those who argue for the competition state have drawn this conclusion from a more fine-grained analysis of policy-making, policy outcomes and the institutions and culture of the state and the political system. These have served to draw attention to the contingent nature of the successes achieved and to the constantly evolving interaction between the state and its political governance. Ó Riain's analysis of the competing state projects in the contemporary Irish political economy illustrates what such a fine-grained analysis can contribute to our understanding, highlighting both the developmental potential of sectors of the Irish state but also how these were smothered by a neo-liberal fixation with tax cuts from the late 1990s (Ó Riain, 2008). In the light of our knowledge so far, it seems most accurate to characterise the Irish state as a competition state but to acknowledge that despite its overriding logic of global competitiveness, pockets of developmentalism do exist within it. While this is consistent with Smith's view, it has the added advantage of highlighting that the logic of competitiveness is the dominant one within the Irish state.

Conclusions

The objective of this paper has been to contribute to understanding the 'complex and contradictory process of transformation [that is] profoundly changing states as they respond to the pressures and opportunities of globalisation' as Sørensen put it. It has done this through examining the case of Ireland, regarded by some as a test case for this issue. The paper has illustrated the dominant view based largely on a description of the key state policies that helped create the Celtic Tiger. The next section surveyed the debates on the nature and role of the Irish state before then examining aspects of the Irish case than tend to be neglected or underplayed by proponents of the developmental state, both outcomes of the economic and social change of the past two decades but also features of Ireland's political culture, its political system and its state. This discussion raised questions about just how developmental the Irish state has been and concluded that it is a competition state with pockets of developmentalism.

What does this offer the wider international literature? Three key points can be drawn out. The first concerns the importance of seeking to characterise the state. Just as the concept of welfare state emerged during the era of national capitalism to capture the ways the state was being reconfigured within the opportunities presented by that era, the task of characterising the changed nature of the state today allows a probing of the opportunities and limitations presented by today's era of globalised liberal capitalism and also the ways states manoeuvre within this context. The second point draws attention to an aspect that has tended to be lost sight of in much of the literature on the changing nature of the state, namely that any particular state's response is moulded by the structure of its economy (and here the Irish state's extreme dependence on FDI obviously acts as a constraint), by its political culture and party system, by the institutions and structure of the state itself, and by the nature of civil society activism and organisation. Therefore, just as few now dispute that a broad range of welfare states exists, so too this examination of the Irish case illustrates that the model of state emerging under the constraints and pressures of globalisation, what is here labeled the competition state, is bound to display different forms. Examining the Irish case shows the potential for upgrading the capacity of one small state's economy by making use of opportunities opened by globalisation but it also shows that these benefits are captured within the constraints of that state's political system and state organisation which pose limits to the extent to which these benefits end up being developmentally transformative, both economically and, particularly, socially. The third point that can be highlighted from the above is that, while much empirical work remains to be done to describe and analyse the forms of competition state that are emerging, what has been almost entirely neglected in the literature is any fine-grained examination of the potential that exists for more progressive and socially just forms of the competition state to emerge. For, as the conditions for social democracy seem to recede, this may be the best hope in the immediate future, for mobilising and channeling political forces for progressive social change.

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