The evolving model of capitalism in Ireland: An insight into enterprise development and policy

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Abstract
Contemporary capitalism in Ireland took off in the late 1950s and affirmed itself as an inward investment-focused model of development. With enterprise development at the core of the policy (as a way of developing the economy and society and ending emigration), all other policy domains – financial, governance, industrial relations, welfare and education – became subservient to the ‘industrialization-by-invitation’ strategy. This article examines and characterizes the Irish model of development, using the lens of the Varieties of Capitalism literature (VoC) as a starting point. The article also examines whether a stage theory of capitalism perspective can capture changes which the VoC perspective might obscure. The collapse of the Irish banking system since 2008 and the subsequent recession raises major challenges for Ireland’s variety of capitalism and may represent a critical juncture.

Keywords
Varieties of capitalist systems, economic development, enterprise development, political economy, public policy, financial crisis, Social Structures of Accumulation

Introduction

Today Ireland is struggling to recover from a severe economic crisis. In common with other countries affected by the global economic crisis which began in 2008, Ireland must decide whether to address the crisis within its traditional institutional structures or whether to seek a more favorable framework through institutional innovation. This context lends additional urgency to the question of the existing structural character of Irish capitalism. An influential and growing literature originating in the United States would pose this kind of question as: ‘What is Ireland’s variety of capitalism?’ If, however, the identification of a particular variety of capitalism for Ireland carries with it the implication that there are strong barriers to any departure from this basic institutional structure, one pole of choice of action, institutional innovation, is prejudged as a less viable option. Indeed, a relative inability to theorize the possibility of innovation and change is one of the prominent criticisms which has been leveled at the varieties of capitalism (VoC) school. The VoC approach emphasizes institutional variation across national spaces but, at least in many versions, de-emphasizes variation within national structures across time. An alternative approach to institutional variation, also originating within American academics, emphasizes both continuity and rupture in institutional structures. This is the Social Structure of Accumulation (SSA) framework.

A first glance at Irish policy evidences a continuity of approach since opening up to the international economy in the 1950s. Yet, a sharp break in performance can be found in the late 1980s/early 1990s with the advent of the famous ‘Celtic Tiger’ period, perhaps now as notorious for its sudden collapse as for the phenomenal growth rates it generated. These contrasting observations raise the possibility that both the VoC approach and the SSA framework could have something to contribute to the understanding of Ireland’s postwar capitalism. At the same time, an examination of the development of Irish capitalism in this period could help to arbitrate between institutionalisms which emphasize continuity and those which are subject to periodic rupture. This article applies these different theoretical frameworks to an understanding of the Irish economy in the post-World War II period. It then
undertakes an evaluation in light of this of the usefulness of the two frameworks under discussion.

This article will first briefly outline the VoC position. The subsequent section, examines key institutions of the Irish economy, identifying the evolution of socio-political compromises and their influence on the dynamics of institutional change. Micro-, meso- and macro-institutional levels of analysis as in Deeg and Jackson (2007) are employed in the next section to identify the actors that drove the development of enterprise policy. The section that follows critically considers what this evidence tells us about Ireland’s VoC and its present woes; this section will also hypothesize that the SSA framework could address many of the criticisms addressed to the VoC approach, while maintaining the importance of institutional structures in understanding contemporary capitalism(s). An assessment will be made of the adequacy of the theoretical frameworks discussed. The final section concludes the analysis and discusses the implications of our analysis for Ireland’s prospects of overcoming its current economic crisis.

**The varieties of capitalism approach**

Critical approaches to the VoC literature have accorded it varying degrees of scope. Bohle and Greskovits (2009) capitalize the VoC approach and largely treat the literature as revolving around the work of that title by Hall and Soskice (2001). Bruff (2011) identifies a lower case ‘varieties of capitalism literature’ in which the Hall and Soskice position has often been central. Deeg and Jackson (2007: 149) analyze a literature on comparative capitalisms (CC) by which they refer to ‘a diverse set of approaches and analytical frameworks’ to understanding the institutional foundations of national varieties of business organization. The broadest consideration is found in Radice (2000: 721) who approaches ‘comparativism’ as comparative studies of national models of capitalism which have ‘emerged across a wide range of disciplines, including geography, sociology, politics and economics’ deploying ‘a great variety of concepts and methods’. However, this may have something to do with Radice’s study ante-dating Hall and Soskice’s seminal collection.
Despite a varying field of vision, these critics find similar sets of identifying features in the varieties of capitalism landscape. Bohle and Greskovits (2009: 358) list four common core assumptions. First, these analyses identify a number of key institutional areas, like financial systems, corporate governance, industrial relations, skill formation, etc. as ‘the building blocks for political economy models’. Second, they have been concerned with the internal logic of whole configurations of mutually reinforcing ‘complementary’ institutions. Third, the complementary character of the institutions creates a limited typology of national configurations. Fourthly, while many scholars conduct such analyses at the national level, others are concerned with sub-national regions and supra-national territories.

Bruff (2011: 482) defines the VoC literature as ’a body of knowledge comprised of contributions which take institutions as their starting point when considering the evolution of national political economies’. Within this overall perspective, there are common themes, prominently including a tendency to categorize national variations into a few broad types of capitalism. Three analytical assumptions are identified by Deeg and Jackson (2007). The first is that economic action is necessarily embedded in social institutions. The second is that an examination of the relationship between different institutional structures and differential economic outcomes results in theories of comparative institutional advantage. The third is that the institutions are non-random, interdependent sets which create a particular logic of economic actions. These non-random sets evolve into a number of typologies.

Radice (2000) identifies four core principles. First, capitalism is necessarily ‘embedded’ in institutions. Second, these institutions have been historically constructed on a national basis, though this does not rule out grouping national capitalisms into broader typologies. Third, these national models, and the broader generic groupings have generated differences in performance. Fourth, the changing international economy poses problems for states which must be addressed through policy changes which have the potential to alter or at least influence their institutional configurations.

It is clear from this discussion that this literature does manifest a set of common conceptualizations. As Bruff (2011) observes, institutions are the starting point. The institutions within nations or regions form complementary sets or holistic configurations which conform to
a limited number of typologies. These institutions then condition economic performance across a range of indices which then poses the question of whether they should be the object of national economic policy.

By using the VoC framework as a starting point of our analysis, the broad sweep of Irish development strategy centers on the relationship between government policy and multinational firms. This parallels Hall and Soskice’s (2001) approach, which is based centrally on the relationship between firms and the state. Yet the Irish case raises a number of puzzles that are examined here in order to situate Ireland in the international literature.

**Key institutional changes**

After decades of slow growth and of massive emigration, the signing of the ‘Anglo-Irish Free Trade Area Agreement’ in 1965 enabled Ireland to prepare itself for entry into the European Community (EC) in 1973. Policy developments during the 1950s and 1960s saw the country move from a protectionist, inward-looking and agriculturally-based economic unit, to one that opened its shores to the world economy (O’Sullivan, 1993). Ever since, the strategy of ‘industrialization-by-invitation’ has remained relatively consistent thanks to a political sphere dominated by two largely centrist parties, Fianna Fáil and Fine Gael. The role of the state and of its institutions has been primarily to shape a favorable business environment through offering attractive elements (particularly a low corporate tax rate) to would-be (mostly US) foreign investors. All other policy domains (financial, labor, education, governance and welfare state) have become subordinate to the primary goal of attracting Multinational Enterprises (MNEs).

Table 1. Key Institutional Changes in the Development of the Irish VoC Model
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<tr>
<th>Date</th>
<th>Key Changes</th>
<th>Brief Description</th>
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<tr>
<td>1987</td>
<td>Finance Act</td>
<td>IFSC companies liable for a 10% corporate tax rate</td>
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<tr>
<td>1994</td>
<td>Criminal Justice Act</td>
<td>Offence of 'money laundering' introduced (emphasis on prevention as well as detection)</td>
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<tr>
<td>1999</td>
<td>Finance Act (Section 71)</td>
<td>Gradually introduced a 12.5% corporation tax rate for all trading companies in Ireland</td>
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<td>2006</td>
<td>Finance Act</td>
<td>Tax credits for R&amp;D over a four year period (further improved with the 2008 Finance Acts)</td>
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<tr>
<td>2006</td>
<td>Finance Act</td>
<td>New tax regime for intellectual property</td>
</tr>
<tr>
<td>2009</td>
<td>New Financial Regulator and New Central Bank Governor</td>
<td>Appointments signal a change in attitudes</td>
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**Corporate Governance**

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<th>Date</th>
<th>Key Changes</th>
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<td>1963-2003</td>
<td>Companies Acts</td>
<td>Various mandatory rules governing the operations of companies</td>
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<td>2001</td>
<td>Company Law Enforcement Act</td>
<td>Company directors must comply with the Companies Acts (Office of the Director of Corporate Affairs ensures compliance with company law)</td>
</tr>
<tr>
<td>2003</td>
<td>Companies (Auditing and Accounting) Act</td>
<td>An audit committee is a compulsory element of all public limited companies</td>
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The crucial actors that have shaped this long trajectory are indeed the foreign enterprises that have been systematically targeted as a major source of employment and growth since the late 1950s (Buckley and Ruane, 2006). Financial policy, as well as developments in the labor market, in education and training became subservient to the primary objective of attracting foreign investment. This explains why the firm-centered VoC approach, and more precisely the liberal market economy (LME) model therein, is an appropriate framework for an examination of the Irish case. This consistent logic of Ireland’s industrial development is now described in the following sub-sections. We will identify key institutional changes in the development of the Irish VoC model under the following six domains: enterprise development and policy, financial systems, corporate governance, industrial relations, education and training, and the welfare state. This analysis is later drawn on for a discussion on Ireland’s VoC.

**Enterprise development and policy**
Economic policy in Ireland took a new direction with the 1958 Whitaker Report, the 1956 Finance Act, and the 1959 Shannon Free Airport Development Company Limited Act. With Ireland’s entry into the EC, the Industrial Development Act 1978 abolished the ‘Export Profits Tax Relief’ (EPTR), which was contrary to the spirit of the common trade policy, and replaced it with a special 10% rate of corporation profit tax for all trade-oriented manufacturing industry from 1981-2000. From the early 1970s, greater emphasis was placed on selectivity and targeting of specific industries (Enderwick, 2005) such as pharmaceuticals and electronics. This was done through the Industrial Development Authority (IDA), a state agency charged with attracting foreign direct investment (FDI). From the late 1980s, a number of innovative features can be identified in Irish enterprise policy (see section - Analyzing enterprise development and policy at different levels). A decisive move towards high-skill services with the establishment of the ‘International Financial Services Center’ (IFSC), and towards less ‘traditional’, more science-based, manufacturing industries was visible. National recovery was also favored by initiatives at EU level, such as access to EU funds. While the targeted industries may have changed over time, the enterprise development trajectory, based on invitation and export-led growth has not changed much, in spite of several critical reviews of industrial policy (commissioned by the Government) coupled later with exercises of industrial/enterprise policy evaluation. In 1982, the Telesis report called for a modification of the strategy by prioritizing the building up and emergence of a limited number of large Irish companies. One of the few positive outcomes of this review was the ‘National Linkages Programme’ (1985) which functioned primarily as a brokerage service to promote local sourcing by foreign affiliates. The 1992 Culliton Report was followed by the Industrial Development Act 1993 revamping and establishing three agencies: IDA Ireland (for overseas industry), Forbairt (for indigenous industry and renamed Enterprise Ireland in 1998), and Forfás (an umbrella industrial policy advisory body). Following developments at EU level in 1994, the first ever in-depth report on small businesses in Ireland (which are mostly indigenous) was published (Task Force on Small Business, 1994). Finally, in the policy evaluation arena, the ‘Industrial Evaluation Unit’ (established in 1993) and the ‘Community Support Fund Evaluation Unit’ (established in 1996) were set up, following guidelines from the European Commission. This led to an improvement in the culture of evaluation, but from a very low base (Lenihan, 1999, 2004).

‘Towards 2016’ (Ireland’s latest social partnership agreement for 2007-15) proposed the interdependence of economic and social policy areas: it aimed to improve the levels of activity
in R&D and to increase investment in human resources. One of the latest enterprise policy documents aimed to reorganize and build Ireland as a so-called ‘Smart Economy’ over the period 2009 - 2014 (Department of An Taoiseach, 2008). The most recent policy document, produced by the current Fine Gael-Labour coalition, the ‘Action Plan for Jobs’ includes measures on enterprise development and the attraction of FDI (DJEI, 2014). The dominant role of multinational investors in industrial policy was mirrored by a constant fine tuning of policies in the financial, labor, education and training domains, as examined below.

Financial systems

In line with Ireland’s objective of greater integration, first, in the EC/EU through various banking directives, and second, in the world economy, a number of reforms have increasingly enabled the liberalization of financial markets and have gradually enhanced the attractiveness of the country as a host economy for foreign investors.

After a short-lived wave of financial market liberalization, major disequilibria in 1975-1976 led to the reintroduction, in 1977, of capital controls, with the re-institution of a 50% deposit requirement on net capital inflows through banks. Poor economic growth over the 1977-1988 period and policy stasis preserved the status quo in terms of financial market liberalization during this period. Following the 1986 Single European Act (SEA), the 1987 Finance Act established the IFSC in Dublin. Coupled with this, the 10% corporate tax rate for financial institutions investing in Ireland contributed greatly to Ireland’s success in attracting overseas financial investment (Ó Riain, 2000).¹

Turning Ireland into an attractive location for foreign financial institutions and making an abundant supply of cheap credit available to domestic customers implied loose regulation in financial markets and poor enforcement as the paucity of laws and sanctions in this domains illustrates (Table 1). In addition to the external factors noted above (EU banking directives culminating with European Monetary Union (EMU) membership), the favorable international investment climate was another external factor that influenced (and in turn, was influenced by) the gradual and increasing ‘financialization’ of the economy, nurtured by poor governance.
Corporate governance

Corporate governance in Ireland is overseen by a number of regulations which are a mixture of mandatory rules (such as the Companies Acts 1963-2003) and non-mandatory guidelines which comprise the ‘Combined Code on Corporate Governance’, with which companies listed on the stock exchange must comply. Recent legislation addressing corporate governance issues includes the Companies (Auditing and Accounting) Act 2003. The Irish legal regulatory apparatus in terms of corporate governance is rather well developed. What is lacking is ‘compliance with regulation, [...] enforcement of compliance and strong sanctions for non-compliance’ (Grant Thornton, 2010: 3). For example, although compliance with the Combined Code is a requirement of the Irish Stock Exchange Listing Rules, breaches of this requirement rarely led to appropriate sanctions. The review on corporate governance in Ireland, which is based on a survey conducted in 2009 of 36 companies with ordinary shares listed on the main market of the Irish stock exchange, shows that only 36% of companies claim full compliance with the Code (Grant Thornton, 2010).

Industrial Relations

The period of economic and social uncertainty of the 1970s and early 1980s was marked by an increasing number of strikes. However, between 1987 and 2009 industrial relations were dominated by the concertative institutions established under what was called ‘Social Partnership’. This involved triennial national wage agreements as well as the coordination of the main elements of economic and social policy among the social partners and resulted in a much more stable industrial relations environment with a significant reduction in industrial unrest (O’Donnell, 2001). Furthermore, the Industrial Relations Act 1990 established the Labour Relations Commission and provided for pre-strike secret ballots.

The 1992 Culliton Report summed up how a common vision of enterprise policy and national competitiveness emerged between the government, development and advisory agencies, employers and social partners during the 22 years of existence of the ‘Social Partnership’ model. In terms of industrial relations, this new common vision enabled the refocusing of industrial relations around principles of mutual gain in the industries identified as being of major strategic
importance. A high-skill and high-wage industrial strategy facilitated a partial departure from the adversarial industrial relations model (O’Donnell, 2001). Gains for the labor force in general are visible in various Acts since that period such as the Unfair Dismissals Acts (1977-2005), many of which found their roots in EC/EU law.

This social partnership model had therefore been the basis for a ‘consensus-based approach to policy formulation’, and it signaled a point of departure from the LME model. However, it should be highlighted that the social partnership model was rather loose in that it lacked a coherent legal framework and in that adherence to it was purely voluntary. The small and highly open nature characterizing the Irish economy and its concern with attracting and retaining FDI from MNEs lead Dobbins (2010) to argue that Irish governments have pursued a policy which on the one hand promotes national social partnership, while on the other, opposes labor market policies which could be viewed as putting at risk Ireland’s attractiveness as a location for FDI. For Rittau and Dundon (2010) the sustainability of the ‘Social Partnership’ model was heavily conditional on the economic boom itself. This lends credence to the hypothesis that although the ‘mutual gains model’ (or social partnership model) of industrial relations has gradually encroached upon both the public and private sectors from the 1990s, ‘adversarialism’ has continued to be strongly rooted in Irish labor institutions and structures (Labour Relations Commission, 2008). The constraints of national wage agreements (for example, no strike clauses as an additional attractive element for foreign firms) caused mounting dissatisfaction among unions organizing low-paid workers who saw limited benefits for their members (Doherty, 2007). Not surprisingly, the ‘Social Partnership’ model did not survive the 2008 crisis and broke down at the end of 2009 (Roche and Teague, 2014).

_Education, training and skill creation_

In terms of education, training and skills, Ireland combines elements of a forward looking and advanced economy, with elements of a country lagging behind many of the advanced EU economies with which it seeks to compete (Barry, 2000). For example, the School Attendance Acts of 1926 – 1967 provided a clear early signal that the country sought to place education at the center of its development strategy. In the mid-1990s, the curriculum, particularly at post-primary level, was seen as inadequate, and general levels of formal training and skills in industrial areas such as those possessed by operatives, were seen as low (OECD, 2006). During the ensuing
decade, continued economic growth was not sufficient to redress a number of weaknesses in the
Irish educational system, such as the small number of PhDs being graduated and below-average
scientific and mathematical literacy levels of 15-year old Irish pupils (OECD, 2007).

Seen as damaging the prospect of attracting foreign investors, these weaknesses led to a
number of institutional changes. For example, in 1988, an Irish National Training and
Employment Authority (FÁS) was established with a remit to upgrade the skills of school
leavers by providing short-term training courses. The implementation of the 1992 Culliton
Report Recommendations on training and development gave birth to the Regional Technical
Colleges Act, 1992 (amended in 1994 and 1999), introducing a unified strategic framework for
higher education, particularly in technological areas. The Industrial Training (Apprenticeship
Levy) Act 1994, provided for a levy on employers to fund a new apprenticeship scheme and
this was developed further in 2000. The Scientific and Technological Education (Investment)
Fund Act 1997 and the Scientific and Technological Education (Investment) Fund
(Amendment) Act, 1998 provided a significant boost to Ireland as a center for excellence in
research at University level with a IR£180m investment package (Advisory Council for Science
Technology and Innovation, 1998), a commitment reiterated in a later document (Department
of An Taoiseach, 2008).

Finally, the internationalization of the training and education dimension is visible in both the
Educational Exchange (Ireland and USA) Act 1991, and through the EC Regulation (General
System for the Recognition of Higher Education Diplomas) as part of the EC ‘1992
programme’.

Economic development during the latter part of the twentieth century has led to continued
upgrading of occupations, ‘which entailed the expansion of professional, technical and
managerial occupations and increased the importance of education and skills’ (O’Connell and
Russell, 2007: 64). Two other important factors underpinned the development of the Irish
education sector throughout this time. First, the coordinated approach based on consensus and a
type of ‘buy in’ from all stakeholders, and second, the important link between education policy
and enterprise policy, with the latter to a significant extent driving the former.

Welfare state
Ireland’s arrangements for providing social protection are not easily classifiable and the hybrid nature of its welfare state has often been emphasized (NESC, 2005). The Irish welfare system borrows in some ways from the ‘Latin-rim’ model where the State does little to redistribute income, and it is also close to the ‘Liberal Anglo-Saxon models (UK or ‘residual’ model), where the welfare state is seen as a compensator of last resort (Arts and Gelissen, 2002). For example, in the area of social care for children and elderly people, Ireland has traditionally undertaken little social care provisions (Cantillon, 2008).

If by the size of the ‘welfare state’, one means social expenditure related to GNP or/and GDP ratio, Ireland showed a wide gap between its pre-crisis relative wealth and its relative social spending compared with the EU-15 countries (NESC, 2005). In terms of expenditure on social protection (per capita and in PPS terms), Ireland ranked third lowest in 2001, in spite of its high level of per capita wealth (OECD, 2003). This poor performance has led some authors (such as Amable, 2002) to place Ireland in the group of countries including the USA and Canada, in contrast to other countries, such as Sweden and Denmark which have developed social democratic welfare states. In the area of public health spending, the country faces a striking paradox: the rise in public health spending in Ireland since 1997 has been dramatic, and yet there is a generalized concern that public health services have deteriorated since the early 1990s (NESC, 2005).

Ireland’s social welfare and other social payments increased by 23.9% between 2007 and 2010 (NESC, 2011: 58). The ‘Celtic Tiger’ era has unquestionably helped redress under-funding in some areas, such as in child protection, where spending on Child Benefit rose from 6% of all social welfare spending in 1993 to 15% in 2002 (NESC, 2005: 15). However, significant improvements are still needed to end child poverty, to tackle social exclusion and to support people in their caring responsibilities. The efforts in addressing the challenges represented by greater social inclusion have not been commensurate with economic growth performance during this period of relative affluence, a state of affairs that leads to the conclusion that the Irish state might be seen more as a ‘growth promoter state’ (Andreosso-O’Callaghan, 2004: 219) rather than as a ‘developmental state’. Analyzing social partnership agreements in the four policy areas of social welfare, housing, health and education as means for reducing poverty, Connolly (2006: 30) found that social objectives remained vague and aspirational and
were subservient to the state’s dominant paradigm of economic development through FDI, so that any increased social welfare effort was ‘effectively defined as anti-competitive in this paradigm’. It can be concluded that Ireland’s welfare effort has been weak compared to its levels of development, particularly over the Celtic Tiger phase.

Summary

Although there was a time lag between the launch of the ‘industrialization-by-invitation’ policy (late 1950s) and the take-off of the Irish economy (from 1993), Irish capitalism has nevertheless shown considerable continuity in terms of policy making over the last few decades. Given the importance of the social partnership process between 1987 and 2009, and of the state’s ability to coordinate labor market, social and economic policy, it might be thought Ireland can be placed broadly within a ‘neo-corporatist system of capitalism’ (Schmitter and Lehmburch, 1979). Yet, Irish capitalism combines strong elements of an LME à la Hall and Soskice (2001) where firms’ activities are primarily undertaken through competitive market arrangements. The Irish capitalist model is nevertheless specific in that it places the foreign MNE at the core of the system. The state’s role is one of facilitation/enablement, of engagement (with the MNE), of giving the (foreign) firm direct or indirect influence over many types of economic or other policy decisions. It is precisely because foreign enterprise development and policy is at the core of the Irish model of capitalism that more emphasis needs to be placed on this domain of analysis in the section that follows.

Analyzing enterprise development and policy at different levels

In this section, we extend the enterprise development and policy analysis further by focusing on the macro-, meso- and micro-institutional levels of analysis to identify the principal actors which account for the shaping of policy as outlined in the previous section. It should be noted that the VoC approach sees the firm, and its relationship with the financial system, as a key institutional dimension that helps to delineate a country’s comparative advantage (Deeg and Jackson, 2007). As will be discussed in the next section, institutions do not have a homogenous
impact on firms. The firms combine different features and the analysis of enterprise development ought therefore to be done at three different levels of analysis: micro, meso and macro.

What drove Ireland’s consistent policy of industrialization-by-invitation: firms, domestic politics or the EU? At the macro level, we explore the role of international factors in shaping change; at the meso level, we examine how changes in political coalitions influenced institutional development through policy changes and finally, at the micro level, we study the degree to which market actors, especially MNEs, precipitated or responded to these institutional changes.

Macro level: the role of international factors in shaping change

EU directives in different areas have been crucial in shaping policy in Ireland during the period under review. This impact can be appraised along two dimensions: direct and indirect. From an indirect point of view, EC membership enabled Ireland to acquire greater economic independence from the UK, through a re-orientation of its trade away from the UK market and towards other EC/EU markets. Subsequently, the mid-1990s witnessed a marked internationalization/globalization of the Irish economy through increasing linkages with both the US economy and a number of economies further afield (Asia and the Middle East). Globalization was driven by US firms investing in Ireland lured by a favorable and stable political regime and other factors, including a low corporation tax and additional incentives from state industrial development agencies, an English-speaking labor force and proximity to the European single market (Barry and Bradley, 1997). In terms of the different ‘domains’ analyzed, this implied some distancing from British institutional and legal frameworks to the benefit of other European ‘models’. The most direct influence of the EU on the Irish trajectory is that the country has been a major beneficiary of the 1988 EC budgetary reform. Through the Delors I and II (1989-93 and 1994-99) packages, Ireland was one of the main recipients of EU structural funding over the 1990s (Andreosso-O’Callaghan, 2005). Their regional impact enabled sustained growth up to and during the ‘Celtic Tiger’ era.

A considerable body of EC legislation transposed into Irish law had a major influence on enterprise development and policy. Innovation policy and Small and Medium Enterprises
(SME) development are two good examples of this, both of which have been in line with the completion of the Single European Market (SEM). With regard to innovation policy, the inclusion of Ireland in different EU funded projects (such as BRITE EURAM [1994 – 1998]), and framework programs (ongoing) has helped the country develop a high degree of technological and research capability over the years. Its eagerness to compete within the SEM has raised awareness of the need for a more technologically sophisticated industrial fabric and has led to the delineation of a technology and science-based policy from 2000, through the setting up of Science Foundation Ireland (SFI) on a statutory basis in 2003. The low-cost model Ireland promoted in the 1980s no longer applied throughout the 2000s; thereafter, the economy began to move progressively into more knowledge-based areas, in line with the industrial targeting strategy highlighted above.

Developments at the international level (World Trade Organization – WTO -, for example) cannot easily be disentangled from EU developments. The EU liberalization and deregulation agenda (particularly in the financial sector) suited Ireland’s own agenda, which was rather liberal over the years under review. Kurpas et al. (2008) note how the intensity of legislative change diminished in the area of the SEM, under Irish Commissioner McCreevy. However, it is clear that EU policy was not the principal driver of Ireland’s policy of industrialization-by-invitation; in order to explain this, a greater focus on domestic politics is needed.

*Meso level: the nature of Irish domestic politics*

In spite of a number of clear and contrasting business cycles (slow growth and emigration up to 1993; high economic growth and inward migration between 1993 and 2007; economic contraction since 2008), the Irish political landscape can be seen as broadly continuous, as the two main parties, Fianna Fáil and Fine Gael, can be seen as being very similar in being broad catch-all, right-of-center parties (Hazelkorn and Patterson, 1994). During most of the period under review, they consistently won between them around 80% of the popular vote in elections with the small social democratic party, the Labour Party, hovering around 12%. Several political coalitions (i.e. Fianna Fáil-led or Fine Gael-led) alternated in power without fundamentally changing the main thrust of economic policy. This conservative political system, dominated by the center right was characterized by a proportional representation system (the
Single Transferrable Vote) that incentivized localist and personalist politics over ideological and policy-driven concerns. Consequently, following the liberalization of the Irish economy amid the economic crisis of the 1950s, successive governments effectively left the thrust of industrial policy to the IDA, operating at arms-length from the political process, thus insulating it from the clientelist politics that predominated (Ó Riain, 2004). Lavelle et al. (2010: 4) contribute to the MNE debate (drawing from a large scale survey of MNEs operating in Ireland) in their study on employee voice in multinational companies in Ireland. Not only do they find that MNCs in Ireland exert significant influence on employee voice but moreover, they report that ‘over the past decade initiatives to introduce legislative provision dealing with trade union recognition, working hours and the establishment of works councils… have met trenchant opposition from…specific MNCs… By and large the MNC position has focused on limiting regulation in these areas of employment practice’. Moreover, Lavelle et al. (2010) point to a plethora of significant studies which have demonstrated that US-owned MNCs are less likely to engage with trade unions when compared to their Irish and European counterparts.

**Micro Level: What role have MNEs played?**

As highlighted in the previous sub-section, MNEs (mostly US) have played a fundamental role in shaping both the Irish industrial fabric and Irish institutions as they dominate the productive sector in the Irish VoC. The focus on foreign MNEs, and the increasing subtle sectoral targeting – from traditional to high-tech and knowledge-intensive industries, in particular in the financial sector – resulted in the fact that, by 1997, nearly half of all manufacturing jobs were in foreign-owned companies (Forfás, 1999) and that MNEs dominated high-tech manufacturing industries such as office equipment, pharmaceuticals, instrument engineering and transport. According to recent available data from the IDA Annual Report and Accounts (2011), for example, FDI accounts for a total of 250,000 direct and indirect jobs (1 in every 7 jobs) and €115b in estimated exports (IDA, 2012: 5). Additionally, FDI is worth €19b to the Irish economy (including corporation tax) and FDI companies accounted for almost 70% of overall business spend on Research, Development and Innovation (IDA, 2012: 5). Clearly the MNE sector of the Irish economy is in a position to exercise a major influence on the state. This influence is best analyzed by focusing on the links between the IDA and the MNE sector. Having an
independence from the state bureaucracy and, what Paus (2005: 71-72) has called ‘a soft budget constraint, which gave it leeway in its aggressive pursuit of foreign investors’, the IDA ‘gradually became the center of policymaking as the Department of Industry and Commerce became more marginalized’ (Ó Riain, 2004: 179), allowing the IDA to speak for the interests of the MNEs.

The IDA maintained its central role in policy making following the criticisms of the 1982 Telesis report and the reorganization of the state’s industrial promotion agencies in the mid 1990s. Its continuing influence on innovation policy is identified by Barry (2006: 46) who has argued that this policy is too narrow in focus, appearing to be designed primarily ‘to ensure that the country is adequately supplied with the kinds of skills and expertise required by MNCs engaged in the offshoring of R&D‘ rather than the building of indigenous capacity. Jacobson and Kirby (2006) also refer to the neglect of policy support for indigenous firms. Moreover, citing the work of O’ Hearn (1998, 2000), they question the wisdom of Ireland’s reliance on high levels of foreign direct investment. This is an area that merits further investigation, though it is beyond the direct concern of the current study (see Andreosso-O’ Callaghan and Lenihan, 2011).

**Ireland’s variety of capitalism**

This brief review of Ireland’s economic development facilitates a characterization of the Irish economic, political and social trajectory as being rather continuous in terms of policy, in spite of different coalition governments since the 1970s; this continuity seems to have been only marginally challenged by the recession in the early 1980s and by the reorganization of the state’s industrial promotion agencies in the 1990s. It is therefore possible to identify a variety of free-market capitalism that has proven remarkably resilient.

This issue of what variety of capitalism Ireland fits into is also explored by Teague and Donaghey (2009a) and by Dobbins (2010). Teague and Donaghey (2009a) argue that that the VoC literature is overly restrictive when grouping economies into either liberal or co-ordinated economies. They argue that some countries such as Ireland are developing ‘hybrid economic and social governance structures, which rely on both market and institutional co-ordination
processes’ (2009a: 74). Thus, the authors argue that Ireland ‘represents an idiosyncratic mixture of the two models’ (2009a: 74). Reverting back to the writings of Hall and Soskice (2001) who define Ireland as an LME, Dobbins (2010: 501) argues that Ireland fails to fit so neatly into either the LME or Coordinated Market Economies (CME) classification and classifies Ireland as a ‘hybrid’, because when compared to highly-coordinated economies, Ireland does not possess the strong coordinated institutional complementarities linking the workplace with the national social partnership.

As discussed earlier, the focus on the role of firms in the Irish economy suggests situating Irish capitalism within the framework of the VoC literature as a useful starting point. Our analysis shows that Ireland emerges as an LME achieving high levels of economic and employment growth between 1987 and 2008 but at the cost of growing relative poverty and high levels of income inequality, and with a basically liberal regime in the sphere of labor relations. However, what creates a certain puzzle about the Irish case is that, at least since the late 1980s, it has developed some of the coordinative mechanisms such as corporatist arrangements between the state and social partners that are more associated with the CMEs. As previously stated, this social pact broke down at the end of 2009. Since that time, Ireland has moved back more completely and recognizably into an LME pattern (McDonough and Dundon, 2010).

What marks Ireland out as distinctive in the context of the VoC literature is its very heavy dependence on foreign companies which have provided much of its growth dynamic over the course of the Celtic Tiger period and which still dominate the cutting-edge export sectors of the economy. In this regard, therefore, the comparative institutional advantage built by the Irish state is based on a strong orientation towards attracting FDI and it is this which conditions the strategic interactions between the state and firms, the state and domestic actors, and the state and the EU. For example, the Irish state has opposed trenchantly any attempt to further harmonize taxation systems within the EU, fearing it will result in common tax regimes for corporations and therefore undercut the comparative advantage Ireland has built up through its low corporation-tax regime (Barry, 2010). This has become the touchstone (or more negatively, the fig leaf) of contemporary Irish economic sovereignty. Ireland’s high level of dependence on US firms and an associated commitment to a certain policy of ‘competitiveness’ severely limits
the room for manoeuvre of the Irish political economy even if the Irish state were interested in adopting the more co-ordinative or collaborative approach that characterizes the CMEs. The leading firms operating in Ireland depend much more on sources of capital in the United States and on innovative capacity developed there (Andreosso-O’Callaghan and Lenihan, 2011), and the collaborative relations they maintain with Irish firms tend to be of the outsourcing variety rather than the dense collaborative networks that characterize the CMEs. Finally, Ireland has shown little awareness of the economic benefits to be achieved from generous investment in social security such as replacement rates for the unemployed or pensions for the retired, which again characterize the CMEs. Far from constituting a distinctive political economy model therefore, Ireland can be seen as a particular type of LME highly dependent on foreign firms.

**Beyond the VoC framework**

Three broad brush critiques of the VoC literature have emerged. The first is that the framework is biased towards an assumption of stability rather than change (Deeg and Jackson, 2006; Bohle and Greskovits, 2009; Thelen and Streek, 2005). In the view of Thelen and Streek (2005), reiterated in later work by Thelen (2009), the VoC literature is not suitable for explaining change over time in specific countries, since it tends to over-predict the stability and inertia of institutions. Institutional theorizing starts by postulating that human behavior is determined by institutional constraints including political structures and often ideological orientations as well as economic institutions. Thus, the constraining and persistent institutions make up the whole of society and it is hard to see where there is traction here for institutional transformation. Yet, as argued by Thelen (2009) in her historical examination of the German labor market, institutional stability is nevertheless periodically called into question by episodes of innovation nurtured by exogenous shocks. As noted by Thelen (2010), other approaches are more concerned with the issue of change and can therefore, be viewed as alternatives to the VoC model.

In the case of Hall and Soskice’s (2001) VoC approach, stability is exacerbated by the inclusion of a theory of economic micro-foundations. Action is by and large limited to firms, since the firms are the key actors that forge the institutions. Firms act as the rational utility maximizers of neoclassical microeconomic theory. If firms confront an LME institutional structure which
encourages and rewards arms-length market transactions and strategies, it will only be rational to invest in developing the skills and capacities which lead to success in such an environment. Having invested in such capacities, firms will oppose changes to a new institutional environment and only support change within an overall liberal framework. Even when a national LME faces a crisis, resolutions will be sought through deepening the existing institutional orientation. A similar logic applies in the case of firms which confront a CME. Firms will develop capacities for coordinated behavior and a path dependence will be established where future choices are constrained by past choices.

Further, the complementary character of the institutions within an LME or CME can be understood to mean that intermediate institutional frameworks which combine institutions from the two types of political economy lose the advantages of complementarity. Thus any transitional state between the two types of economy will perform less well than the pure types. It is hard to envision a successful transition path from one to the other in the absence of a complete institutional breakdown. Bohle and Greskovits (2009: 370) sum up this impasse in the following way:

> From the very moment that factor-based and specific asset-based models are imputed into history, they set in motion a “perpetuum mobile” of systemic logics, which then allow LMEs and CMEs to survive as clear alternatives world wars, global economic crises and political cataclysms.

A second critique of comparative capitalisms partially follows from the first. The observation of widespread change in institutional structures challenges the coherence of the limited number of typologies. Indeed, empirical investigation uncovers a wide variety of institutional configurations. As noted by Thelen (2009), it is doubtful whether there is just one type of LME, and CMEs such as Germany, Japan and Sweden combine many variations among them.

The third broad critique argues that the comparative capitalisms literature has not sufficiently taken on board the changes associated with globalization (Thelen, 2009). As shown by Hassel (2007) in her VoC-based analysis of the German labor market, competitive pressures from abroad combined with reunification in Germany led to a number of ‘adaptative’ institutional
reforms that were implemented in an incremental manner, thereby leaving these institutions intact. For example, although the reforms have preserved the main thrust of both collective bargaining and training, these institutions have nevertheless increasingly converged around the interests of a few core employers. As a result, Hassel (2007) sees the country as still being a CME, although it is very much less socio-democratic than before. The critics generally accept the comparative literature’s observation of continued variation in the face of globalizing pressures to be one of its major contributions. The critics do, however, point to several developments which create problems for the VoC literature. The first is the emergence of multi-level governance. Governance is no longer confined to the national or sub-national level (Jordan, 2001). Global institutions like the WTO have taken on greater weight and regional organizations like the EU, or groups like the G20 are increasingly influential. While it was possible and appropriate in the postwar era to view the interaction of states as taking place in a separate and subordinate international arena, in the current era transnational institutions are increasingly dominant. This does not eliminate the space for national institutional variation.

In addition to these critiques, a more foundational criticism has been advanced. This is that the comparative capitalisms literature has become so enamored with its discovery of the trees that it has started to ignore the wood to its cost. Bohle and Greskovits (2009: 382) conclude their consideration with the following:

More fundamentally, the instability of contemporary capitalism in all its variants suggests the need for a return to very old literatures and debates, which had crucial insights into the system’s expansionary nature, specific vulnerabilities, destructive and irrational tendencies, and recurrent crises: that is, features of capitalism tout court that got lost in the course of the extensive study of its varieties.

Stage theories of capitalism, particularly the SSA framework, hold the promise of addressing these criticisms (Gordon et al., 1982; McDonough et al., 2010). The SSA framework develops on analysis of capitalist stages which are particular to specific periods in capitalist history and differ from one another in the character of the institutions which condition the reproduction of capitalism and the capitalist accumulation process. The framework thus crosses paths with institutional theories of capitalist variation and it shows the recuperative ability of
capitalism (Lippit, 2006). Importantly, however, the SSA framework does not lose sight of the basic dynamics of capitalism in general. In addition to periods of relatively healthy capital accumulation, capitalist social formations also undergo periods of extensive crisis due to multiple crisis tendencies inherent in capitalism in general as well as some peculiar to the particular SSA (Gordon et al., 1982). Indeed, it is these crisis periods which separate SSAs or stages from one another. Variation is thus theorized over time as well as geographical space. The tendency of some of the literature to see capitalist varieties as static and unchanging is thus absent from the SSA framework. The overcoming of the crisis tendencies of the previous stage demands that a resolution of the crisis and a new period of growth is premised precisely on a new and different institutional basis, bearing in mind that institutions are often slow to change and that all SSAs eventually collapse (Lippit, 2006: 103). The discovery of this basis is the result of conflict over the crisis period and no limit is placed on the variety of institutional complementarities that might be created (McDonough, 1990).

The emergence of global neoliberalism as the resolution of the stagflationary crisis of the 1970s was a contingent outcome of struggles during this period. This particular outcome has demanded that the theory considers the possibility of the emergence of an SSA founded on transnational class relations and the inauguration of transnational institutions which both transcend and include the traditional nation state (Robinson, 2004).

The application of such a framework to the case of Irish postwar capitalism would not likely challenge the LME thrust of the Irish policy framework. However, it does pose the question as to whether the crisis of the 1970s and early 1980s represented a break if the character of the Irish social formation were to be further analyzed at a more nuanced level. The popular perception of the emergence of the Celtic Tiger suggests a transformation beginning prior to the 1990s. Thus, Irish post-War capitalism might be characterized by two succeeding stages separated by the 1970s crisis and slump.

**Ireland from an SSA perspective**

We have demonstrated that a convincing argument can be made which places Ireland within the broad parameters of the liberal variety of capitalism and that this is true for the post World War II period. We have further argued that Ireland’s expression of the liberal variety can be more
specifically characterized by the generally successful implementation of an ‘industrialization by invitation’ strategy centered on attraction of FDI. Conceived in these terms, Ireland’s VoC shows considerable continuity over the entire period from 1958 to date. This very continuity, however, makes it difficult to make sense of the popular characterization of the 1990s and, more controversially, the first years of the twenty-first century as ‘The Celtic Tiger’ years.

By contrast, most versions of the SSA approach distinguish between a post-war SSA, its crisis prior to the 1980s, and a subsequent period of global neoliberalism (Kotz and McDonough, 2010). If the trajectory of the Irish economy were consistent with the expectations of the SSA approach, the period subsequent to the stagflationary crisis of the 1970s would be based on changed institutional factors and would perhaps indicate a changed level of performance. The improved performance of the Irish economy in the 1990s is uncontroversial. What an SSA based analysis would have to establish is that this improved performance is based on a number of significant institutional transformations. Further, SSA theory indicates that the most important of these institutional transformations should take place during a period of crisis prior to the period of recovered accumulation.

That Ireland passed through a period of severe economic difficulties in the 1970s and 1980s is also uncontroversial. Based on a standard put forward by Kehoe and Prescott (2002) which argues that economies in a great depression must decline by at least 20% below trend and at least 15% below trend within the first decade of the episode, Ahearne et al. (2006: 218) date the Irish depression from the 1973 oil shock. They find that by 1983, GDP per head of working-age population was 15.5% below trend. A local minimum of 23.5% below trend was reached in 1988. Unemployment peaked at 14.6% in 1989; inflation had passed 20% during 1981, while the exchequer deficit breached 15% of GNP in 1981 and 1982 and remained high through to 1987, when the debt to GNP ratio topped out at over 111% (Department. of Finance). Ireland certainly participated in the stagflationary crisis of the mid-1970s, and remained mired in it longer than most other countries.

This period of stagflationary crisis led to three main institutional changes. First, it led to the emergence of a consensus in 1987 that macroeconomic policy needed to take a new direction. In
1986, a tripartite³ consultative body, the ‘National Economic and Social Council’ (NESC), developed an analysis of Ireland’s economic troubles and a set of policy prescriptions, such as reform of public finances to bring down deficits and debt, and moderation in pay increases in order to improve competitiveness. These recommendations were accepted by the minority Fianna Fáil government that took office in 1987, and formed the basis for opening the social partnership talks which resulted in the 1987 ‘Programme for National Recovery’ (PNR) (Hardiman, 2000). The drive for a consensus policy was motivated by a sense of national crisis and fears that international lenders could refuse to underwrite the increasing national debt. The newly-established Progressive Democrats party and the Fine Gael party undertook to support severe government cuts in total current spending which fell by over 10 percentage points in real terms between 1987 and 1989 (Ó Riain and O’Connell, 2000: 329). The fall in expenditure created room for tax cuts and tax revenue as a percentage of GDP fell from 36.4 to 33.6 from 1985 to 1990 (Hardiman, 2000).

A new IDA strategic plan was unveiled in 1983 and became a cornerstone of a new government industrial policy. The new strategy concentrated on technologically advanced firms in electronics, computer software, biotechnology and healthcare sectors. A watershed for this strategy was reached when Intel decided to locate its EU microprocessor and computer systems manufacturing in a new large plant in Leixlip outside of Dublin. The IDA also played an important role in advocating an improved telecommunications infrastructure in this period.

Second, in addition to embarking on a new macroeconomic strategy, the new Fianna Fáil government also convened the first of a series of tripartite industrial negotiations leading to a national wage agreement. Teague and Donaghey (2009b: 59) argue that this initiative was an admission that it was too weak to govern on its own and that it ‘needed the active support of employers and trade unions to help restore economic stability, improve competitiveness and advance key economic priorities such as membership of [EMU]‘. Baccaro and Lim (2007: 35) characterize Irish employers as being ‘dragged in’ to the first deal.xi

The triennial PNR, established a basic pattern of achieving wage moderation through the promise of future tax cuts. Successive agreements were negotiated until the process collapsed under the
pressure of the 2008 economic crisis. Wage moderation under social partnership led to a falling wage share, from 70.7% of GDP in 1986 to 54.2% in 2001 (Teague and Donaghey, 2009b: 58).\textsuperscript{xi} Unit wage costs also fell steadily (Teague and Donaghey, 2009b). Baccaro and Simoni (2007) argue that social partnership fundamentally changed the dynamic character of Irish wage setting. Hardiman (2000: 292) concludes that ‘the pay agreements negotiated through the evolution of social partnership since 1987 undoubtedly contributed to the remarkable turnaround in the economy’. Equally important is that ‘once growth began in earnest, the pay agreements helped to ensure that the gains were not dissipated by wage inflation and industrial conflict’. Days lost through industrial disputes fell off drastically beginning in 1987 (Barry, 2000: 1387).

Teague and Donaghey (2009a) observe that social partnership was also important for what it didn’t change in the traditional character of Irish policy. Despite the explicit broadening of the partnership process to include issues around social welfare policy, the process was concentrated on employment creation through the attraction of FDI. Consequently, the results of successive partnership agreements did little to challenge Ireland’s lean welfare state and were careful not to jeopardize the internationalization strategy. Thus, Irish social partnership was a ‘corporatism’ without corporatist redistribution of wealth and income. This was paralleled with the maintenance of low corporate tax rates. Teague and Donaghey (2009a: 66) conclude that social partnership operated ‘hand-in-glove with the wider policy of economic openness’. This overall strategy has been referred to as ‘competitive corporatism’ (Nolan et al., 2000; Roche and Cradden, 2003). Social pacts emerged in many European states in the run up to EMU. An orderly and competitive labor market was considered one of the qualifying requirements for participation in the imminent Euro-area. Social pacts, Irish social partnership among them, could potentially deliver on these preconditions. Both the ‘Programme for Competitiveness and Work’ in 1993 and ‘Partnership 2000’ in 1996 explicitly claimed to contribute to creating compliance with the Maastricht criteria for joining the EMU (Teague and Donaghey, 2009a: 65).

Third, in the run up to impending monetary union, the SEA, which secured freedom of movement of capital and a single market in financial services, was passed in 1986 and came into effect in 1987. All credit guidelines were discontinued in 1986; more competitive arrangements for the setting of interest rates were introduced in 1985 and capital controls were dismantled by
January 1993. These changes increased the availability of credit and reduced its cost. In addition, the anticipation of EMU put downward pressure on interest rates. The year 1987 also saw the investment hunting capacity of the IDA applied in a new realm (international financial services), leading to the setting up of the IFSC in Dublin, with its specialization in four niche activities – fund administration, corporate treasury, corporate banking and insurance (White, 2005). More than 40 pieces of legislation were enacted to facilitate the financial services industry (Murphy, 1998). White (2005: 391) emphasizes the importance of what came to be known as ‘light-touch regulation’, and according to Sokol (2007: 251) Dublin had acquired by 2003 the status of the 10th major global financial center in the world (just after Paris).

**Conclusion**

Based on the premises of the VoC approach, this paper has questioned whether the Irish economy during the entire post-war period could be characterized as being an LME type; we have shown that theorizing a continuity can obscure at least as much as it reveals. With the first oil crisis in 1973, Ireland entered into a long-lasting stagflationary crisis. The break in 1987-88 marks the emergence of Ireland from stagflation and the roots of the famous Celtic Tiger period; this is difficult to explain from a perspective which emphasizes continuity.

By contrast, most versions of the SSA approach emphasize discontinuity between a post-World War II order and a subsequent period of global neoliberalism. These two periods are separated by a stagflationary crisis. If the trajectory of the Irish economy was consistent with this framework, the stagflationary downturn is not startling. The period subsequent to the stagflationary crisis of the 1970s should be based on changed institutional factors according to this perspective. A changed institutional framework is likely to be associated with a changed level of performance both from the crisis period and from the expansion associated with the previous social structure. We have argued it is possible to locate a coherent set of institutional transformations at the end of Ireland’s crisis period which would be consistent with the growth of the Celtic Tiger years. These are: a new macroeconomic policy in 1987; social partnership talks; the SEA and financial liberalization; and a more ambitious approach to enterprise policy.
This pattern is consistent with the one which would be predicted by the SSA framework. In addition to being primarily concerned with the capital accumulation process, the SSA framework, when applied to the Irish case, proves capable of dealing with the principal criticisms levelled at theories of capitalist variation. While the institutions of the Celtic Tiger period could conceivably be subsumed within the LME category, the SSA framework identifies the possibility of substantial variation over both institutions and time within this category. It is also capable of integrating several scales of institutional change by locating the EU single market as essential to the structure of accumulation within Ireland. The Irish structure is also broadly consistent with a conception of global neoliberalism operating at the transnational level.

Is Ireland’s LME model now under threat from Ireland’s severe recession and does it signal a new stage – a new shift in its pattern of development? This can only definitively be established after the event when fundamental change produced as an outcome of the critical juncture can be established. Nevertheless, conditions of crisis or cleavage can certainly be analyzed for signs of potential fundamental change (Collier and Collier, 1991). Two dimensions of the current situation present potential: the depth of the crisis and how this impacts on the different actors and institutions, and the decline of Fianna Fáil as the political party that has dominated Irish politics since 1932. Let us briefly examine each in turn to assess whether they hold the prospect of a fundamental change in Ireland’s LME variety of capitalism.

The depth of the current economic recession, while highlighting the role of weak state regulation, particularly of the financial sector, has, if anything, strengthened the dependence of the Irish state on FDI as this sector remains one of the few growth poles of the economy and of exports. The staunch defense of Ireland’s low level of corporation tax by the entire political class, even when put under pressure to raise it by German and French senior politicians as a concession to gain a lower interest rate on Ireland’s bailout package from the EU, illustrates just how deeply embedded are the interests of the MNEs at the heart of the Irish polity. The second fundamental change relates to the decline of Fianna Fáil. Labour emerged as the second largest party and parties and independents to the left of the Labour party also made significant gains in the 2011 election. However, this would only translate into a threat to the liberal MNE-dependent model if these political forces were espousing a fundamental policy shift. While left-wing parties argue for higher levels of public investment and better-quality public services,
Ireland’s growth model has not been questioned by the largest of them. Nor has Ireland’s insertion in the global neoliberal order. All the major political parties have shown a deference to the needs of the MNEs. So far, the fundamentally liberal thrust of Irish developmental policy has not been substantially challenged by the deepest economic crisis in the history of the independent Irish state.

**Funding acknowledgement**

This research was supported by the European Union’s ‘Seventh Framework Programme’ (FP7/2007/2011) under grant agreement number 225349.

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Endnotes
Between 1988 and 2006, employment in the financial services sector increased from 32,000 to 57,000 people (CSO, 2011).

Ireland used the UK Code and, as discussed in the Grant Thornton Review, an issue has arisen as to direct applicability of the UK Code to the Irish case, in particular with regard to the less stringent requirements for ‘small firms’, defined on the basis of a market capitalization of significantly less than €200m (as of November 2009).

The best example of this is probably enterprise development in the agricultural sector (bearing in mind that agriculture policy is a Common Policy and that Ireland still is relatively highly engaged in the sector), where the influence of the EU is blurred with that of the WTO.

The author notes the transformation of these institutions, even though by incremental change, and refers to the notion of ‘cumulatively transformative change’ (Thelen, 2009: 476).

See Allen (2004) for a discussion on the relation between the VoC literature and neoclassical economics more broadly which questions a close conceptual commonality between the two.

Hassel (2007) in her VoC-based analysis of the German labor market does analyzes competitive pressures from abroad, combined with reunification in Germany. She argues this led to a number of ‘adaptative’ institutional reforms that were implemented in an incremental manner, thereby leaving these institutions intact. Although the reforms have preserved the main thrust of both collective bargaining and training, these institutions have nevertheless increasingly converged around the interests of a few core employers. As a result, Hassel (2007) sees the country as still being a CME retaining its basic institutional structure, although it is very much less socio-democratic than before.

A comprehensive two volume collection of SSA material by various authors is forthcoming from Edward Elgar (McDonough et al. forthcoming).

It is interesting to note that, contrary to the Irish case, the major economies generally performed less well in the global neoliberal era that they did in the postwar period.

Output doesn’t return to trend until 2002 (p. 218).

That is, involving government, organized labor and employers. The NESC was in a sense left over from a previous period of corporatist negotiations which had been abandoned for several years.

Baccaro and Lim (2007: 27) argue that social pacts ‘emerge as deals between a weak government faced with a political-economic crisis and the more moderate sections of the trade union movement, and are institutionalized when (and if) organized employers come to support them fully’. They analyze Ireland as one case in point.

The EU average in 2001 was 67.2%.