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Imperialism: An Overview

**Reviewing 1917:
The Revolution Defended**

The North: What Price Peace?

FEATURE

The Paradox of Irish Economic Development

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Picture shows the three key facets of Irish economic life: the unions, the state and the private sector; Liberty Hall, the Customs House and the Financial Services Centre respectively. Pic by Declan Shanahan

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EDITORIAL

Nationalism, Trade Unionism and the Irish Class Struggle

THE POLITICAL and social developments of two decades past in Ireland are at this moment crystallizing on two important fronts. A historic defeat is being prepared by the republican movement, ending more than two decades of open revolt by Six County nationalists against their oppressor sectarian state. And in the Republic the grinding down and atomisation of the organised working class movement, over the past two decades, at the hands of a bloated trade union bureaucracy, is taking shape in major reversals of historic gains.

The Irish economy presents socialists with a paradox. One of the weakest economies in the European Union – yet within the world's biggest imperialist bloc – Ireland has recorded sustained economic growth while the others plunged into recession. Irish capitalism achieved the lowest rates of inflation, a strong currency and a declining weight of international debt which a few years ago had been among the highest per capita in the world.

The rapid internationalisation of the Irish economy which brought about such apparently favourable 'economic indicators' – and which created the modern Irish working class in the process – was undertaken by the Irish bourgeoisie to guarantee its own wealth and privileges not least *against* the needs and demands of the Irish working class. It could only do this, however, by creating a uniquely intimate alliance and collaboration with the leaders of the trade union and labour movement.

For the organised working class, the outcome has been a deepening *division* into at least three distinct strata – a labour aristocracy whose salaries and wages have been very effectively defended against inflation and in several areas significantly increased; a growing mass of workers on low wages or additionally with insecure contracts; and a vast mass of unemployed and their dependents.

Most dramatic and dangerous of all these developments has been the growth of mass unemployment – in periods of recession and *growth* – a kind that seems increasingly *permanent*. Official reports are already preparing us to accept 400,000 unemployed in a population of 3.5 millions by the end of the decade, even if favourable 'growth' rates continue.

These dramatic contrasts are symptoms of the very peculiar nature of the Irish economy and especially of its relatively privileged position as an English speaking neighbour to one of the world's biggest powers and as a full member of an integrating European economy.

The last seven years have brought these features into stark relief. First, in the mid 1980's 'surplus' labour migrated in a new surge out of the country – with a facility hard to match in any other economic region of the globe – continuing the pattern of two centuries. Secondly, Europe 'invested' in Ireland two massive injections of financial 'compensation' to overcome the marginal position and relative backwardness of the south.

As the first wave of European 'aid' was absorbed, Irish capitalists benefiting from the boom increased their *export of capital*. Their inability to overcome relative economic backwardness at home was expressed in *growing* unemployment, despite new waves of emigration. The second and bigger wave of European 'aid' now arriving seems set to repeat and emphasise the same trends.

An important result was that general levels of wages and social welfare, rather than being cut, were able to keep pace more or less with inflation, and public spending overall was not reduced despite areas of cruel cuts in health and local services.

In these conditions the trade union leaders could indulge a certain smug satisfaction at the fruits of deepening collaboration between themselves and the major bourgeois party, Fianna Fáil – both when it was in coalition with the neo-liberal Progressive Democrats to 1991, and since then in coalition with Labour. The nature of this collaboration of the trade union (and labour) leaders with the capitalist class and the state is central to an understanding of, and the prospects for the class struggle in Ireland.

Exhaustion of the Anti-Imperialist Movement

Equally crucial, in this respect, are recent developments in the North. Since the mass anti-unionist revolt of 1969-72

succeeded in bringing down the paramount political institution of Orange rule (Stormont) the mass character of the anti-imperialist struggle of the nationalist population against British occupation has gradually been demobilised and nearly exhausted. Among the many factors which led to this exhaustion, the key has been the bankrupt political strategy of the leadership of the republican movement.

Since partition this movement has oscillated between giving priority to the guerrilla struggle or to petit-bourgeois reformist politics at a local/community level. The former consisted of a military campaign waged by 600 or so volunteers operating in clandestine cells in Ireland and Britain and on occasion in continental Europe.

This campaign has proved inadequate to the defence of nationalist communities in the Six Counties against the British and Loyalist death squads – which for the last 22 years should have been the absolute priority for the military struggle. Side by side with guerilla struggle Sinn Fein has developed an extensive network of community and local government political representation in the Six Counties.

Its councillors have braved the attacks of the loyalist and British terror gangs, have battled against the censorship imposed on them by the British and Irish media and the conspiracy of silence imposed by the British and Irish labour bureaucracy. Both the methods and object of this municipal struggle has been reformist, at best *bringing* short term relief from the worst abuses of the nationalist working class.

From the mid 1980's Sinn Fein implicitly recognised the limitations of its struggle within the Six Counties. It turned to the south hoping to overcome its isolation by building a mass nationalist movement along the lines of the PLO or ANC. This strategy has failed miserably – another reason for pursuance by the mid 1980's of a 'peace campaign'.

Finally, Sinn Fein has seen its economic programme made irrelevant by events. Its programme for national development has been turned into a historical curio by the nature of world economic development *and the fall of Stalinism*. The combined results of this failure of perspective have pushed the petit bourgeois nationalist Sinn Fein closer and closer towards the bourgeois constitutional nationalists of the SDLP.

The Hume-Adams agreement represents the fruits of their long search for a pan-nationalist alliance. The significance of this is underlined graphically by its dalliance with the Downing Street Declaration. A long lasting reconciliation within the framework of any such agreement *and alliances* would mark the end of Sinn Fein's credentials as a revolutionary nationalist petit-bourgeois led movement and the beginning of its evolution into a bourgeois nationalist party.

Historic Failure of the Irish Left

Against the background of these developments the record of the Irish left has been one of irrelevance. A major part of this irrelevance lies with a historic failure of the left to seriously examine the Irish social formation. For too long impressionism and an inherited tradition of republican nationalist sentiments concerning the nature of Irish society and its domination by British imperialism has been the model.

Whilst there have been in the last ten years efforts by the SWM and the IWG to re-examine critically the nature of the Irish economy, against the background of a changing global economic order, there has not yet been from within the camp of Marxism a sustained analytical interrogation rivalling either radical bourgeois contributors, e.g. O'Malley or dependency theorists, e.g. O'Hearn. The IWG has begun that task.

The bulk of this journal is devoted to our attempt to characterise the dynamic processes within the Irish economy – especially as they have developed in the context of the changing face of the world capitalist order in the last 40 years. We have set ourselves the task of answering the question: what is the relationship of the Irish economy to the metropolitan imperialist world?

Among the left there are socialists who disagree with characterising a country as imperialist or imperialised. They point to the impressive economic development of a number of formerly backward countries, such as South Korea and Ireland which, they claim, have been lifted into the lower ranks of the 'imperialist' league.

We intend to show in our study of the Irish economy, how the reality contradicts this appearance, just as we believe that in South Korea and the other 'newly industrialising countries', their 'development', too, is trapped in fundamentally semi-colonial relations of dependency on imperialism. No newly-developing country has managed to break into the imperialist club (except for the peculiar case of South Africa where the economic condition of the masses paradoxically were not transformed).

Socialists, such as the SWM, who state that the Irish bourgeoisie has effectively escaped from its historic subordination to imperialism as part of a global tendency of a new international division of labour, have a problem. Quite correctly they do not want to concede to weak bourgeois classes in the backward countries the capacity to take forward genuine development. Working class experience throughout this century has constantly re-asserted that only beyond capitalism, in a democratically planned world economy, can there be genuine economic and social development for the masses of this planet.

SWM, however, create an impression-istic category of 'sub-imperialism' for backward countries which have

industrialised under imperialism. This enables them to see these more developed semi-colonies as part of the enemy imperialist camp or as part of the world oppressed by imperialism according as the political climate dictates. This new category is ambiguous and inadequate for understanding any disparate group of countries to which it is light-mindedly applied. 'Sub-imperialism' is variously explained as applying to Ireland, Korea, Iraq, Israel, Argentina etc. with quite different possible meanings.

National Interests Remain a Historic Obstacle

Alternatively, or even at the same time, SWM have argued that the internationalisation of capitalism has speedily eradicated any significance that national divisions might have in the actual power relations between the bourgeoisie and the masses world-wide. Such a view tends to present the more backward semi-colonies as equivalent to impoverished regions within the imperialist world itself. This schema fits well with impressions of Ireland as a country integrating into the European Union (EU). This view is irreconcilable with any close scrutiny of the capitalist world order.

Despite the passage of a century of global capitalist inter-penetration, the national interests of the capitalist powers remain a historic obstacle to the formation of a unified world economy. The enormous scale of apparent internationalisation of capitalism and trade which has indeed been achieved has in no degree permanently dissolved the antagonistic national interests among the major powers.

Regional groupings of capitalist nations recognise in local co-operation their only hope of resisting the competition from more powerful global rivals. Their recognition, however, has generally failed to translate into significant co-operation, not to speak of integration. Exception-ally, some major capitalist interests in the EU

states aspire to full economic, and political union as their only defence, so powerful is the threat of subordination they fear from the US and Japan as their global rivals. Their highest practical achievement despite decades of favourable conditions since 1947, even if a single currency is eventually installed, may be nothing more than an integrated internal market among co-operating but competing national economies.

Immensely greater external pressures may be required even then to force this set of states to constitute a unified European capitalism, but only in order to compete with other states. In specific conditions a semi-colonial bourgeoisie may strive precisely to become an economic region integrated into an economic bloc of states. Ireland, we believe, is such a case, but its hope for permanent social equalisation within a contradiction-riven Europe is unlikely to be realised.

Imperialism ensures that national divisions remain a contradiction for capitalist development on a world scale. The power hierarchy of states sustains national antagonisms and perpetuates new forms of the national question as a focus for conflict. The character of the conflict may have progressive or reactionary implications for the international class struggle depending on the relation of each nation and of each national bourgeoisie to imperialism.

The principle underlining the work we have undertaken in this journal is that no real understanding of the dynamic of the class struggle is possible, and thus no programmatic basis for intervention in that struggle can be developed, without a scientific analysis of the nature of the dynamics of capital accumulation in Irish society.

This analysis falls into two parts. Firstly, a summary of the Marxist theory of imperialism and an outline of the key transformations in global political economy since the war, which have posed problems for classical Marxist theorists. The second and major article, in what we hope will be the first in a series of articles devoted to Irish political economy, takes up the challenge of analysing the origins, role and nature of productive capital in the Republic. ■

Imperialism: An Overview

CONTEMPORARY MARXIST thought on the causes and impact of capitalist foreign economic expansion has its roots in the methodology and analysis developed by Karl Marx in the mid nineteenth century. For Marx the system-defining elements of any mode of production are the particular relations of production and they way surplus labour is extracted from the direct producers. He set out to disclose capitalist exploitation which was obscured by the complex relationships among social classes and individuals at the level of the market.

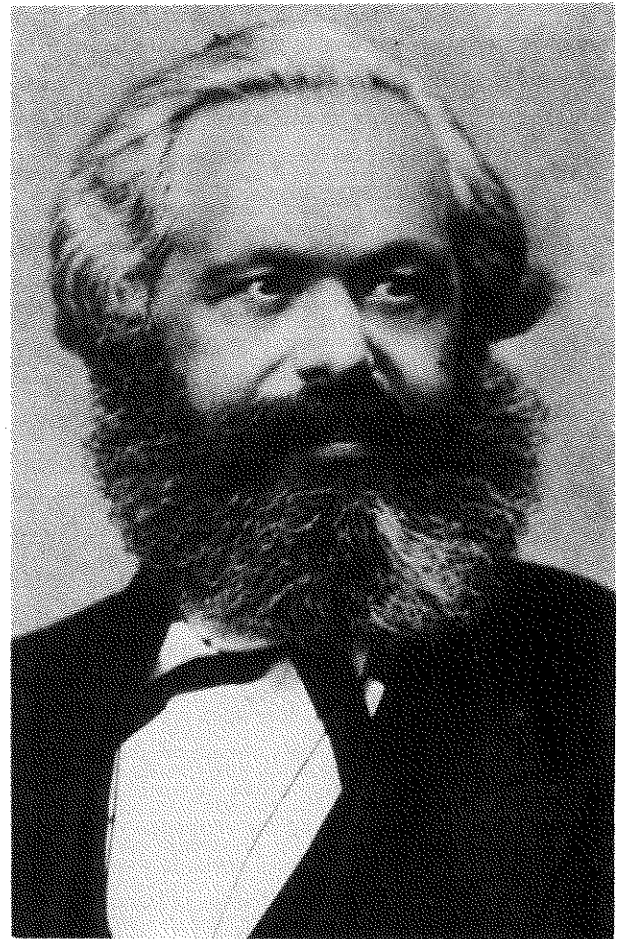
Therefore, Marx viewed capitalism as a social system that conceals the real productive activities of society behind commodities, land, labour and capital. What was obscured was the class nature of capitalism, the origins of profit in surplus labour and the exploitation of workers. The immanent law of capitalism, capital accumulation, was based on the production of surplus value. That is, capitalism unlike any other social system preceding it, is self-expanding, dynamic, driven by the logic of competition, to constantly revolutionise technology and the means of production, to create more and more surplus value.

The dynamics of capitalist commodity production, what Marx calls "the laws of motion of capitalism" are predicated on the process and rate of capital accumulation. As a result of this process certain inevitable consequences flow. Capitalism's inherent need to expand brings more and more constant capital, i.e. forces of production, factories, machinery etc. as well as variable capital, i.e. labour power/workers, under its survey. It expands into every branch of production and every region of the globe, confronting an ever greater portion of the population as an objective and subjective power over the labour process.

This process resulted in the concentration and centralisation of capital, uneven development, a rising industrial reserve army and economic crisis, contradictions which, for Marx, laid the basis for the overthrow of capitalism.

Marx believed that capitalism's inherent drive to expand would transform the non-capitalist world in "its own image", so that capitalist relations of production would be reproduced everywhere. Although his writings

on the effects of this process are fragmentary and incomplete, there are a number of perceptive insights that anticipate the more coherent theory of capitalist imperialism developed by Lenin.



For example, in *Capital* Vol. 1, Marx underlines the role of foreign markets, in the early period of 'primitive' capital accumulation, in accelerating the destruction of domestic non capitalist sectors and branches of production, a process which in turn accelerated the amassing of money capital, capital necessary for undertaking capitalist forms of production through plunder, tribute and trade carried out under monopoly conditions.

Moreover Marx treats the need for world markets as a reaction to the tendency of the rate of profit to fall, i.e. international trade can raise the rate of profit by cheapening the

necessities of life, thus lowering the value of labour power. Also, surplus profit is earned by the advanced country selling goods in a foreign market *above* the value in the home country.

Capital can also realise a higher rate of profit through being invested in a backward country that has a lower organic composition of capital, i.e. is less industrialised. So, too, by using forced labour there, from whom absolute surplus value can be extracted more easily than from labour in the more developed countries, where trade unions and working class resistance are more organised.

Marx was also aware of the significance of competition among the capitalist nations for market shares in revolutionising technology. This accelerated production, creating the raw material and new markets necessary for capitalist expansion. A new division of labour, 'suitable to the major industrial centres' is imposed upon the world.

Finally, Marx anticipating Lenin, saw the concentration and centralisation of capital inevitably leading to *monopoly* whose impact on foreign expansion would create growing international antagonisms:

*In practical life we find not only competition, monopoly and the antagonisms between them, but also the synthesis of the two, which is not a formula but a movement. Monopoly produces competition, competition produces monopoly. Monopolists compete among themselves; competitors become monopolists ... and the more the mass of the proletarians grow as against the monopolists of one nation, the more desperate competition becomes between monopolists of different nations. The synthesis is such that monopoly can only maintain itself by continually entering into the struggle of competition*¹

Lenin and Imperialism

Therefore, while Marx never developed a theory of imperialism holding that capitalism's impact on the non-capitalist world would invariably create "a world in its own image", he was also aware that the expansion of markets, export of capital and international monopoly competition would impose an international division of labour dictated by the needs and requirements of the major capitalist nations.

It would fall to Lenin in his theory of imperialism to provide a more thorough analysis of the contradictory role of capitalist expansion and its impact on the globe.

What makes a theory not only scientific but revolutionary? A revolutionary theory is one that objectively demonstrates the continuation of the inevitable periodic breakdown of capitalist accumulation and capitalism's inability to satisfy

*expanding human needs. This bring with it economic crises, famines, epidemics and wars of unimagined destruction – all of which creates political crises allowing for the overthrow of bourgeois rule.*²

In the first two decades of the twentieth century revolutionary socialists within the Second International increasingly turned their attention to the phenomenon of imperialism. Their concern was prompted by a number of developments in the last decades of the nineteenth century, namely the spurt of *colonial* expansion, especially in Africa and the sharpening rivalry between the leading industrialised countries.

For revolutionary Marxists, like Hilferding, Luxembour, Bukharin, and Lenin, as distinct from most bourgeois writers on imperialism, the starting point for analysis was what they discerned to be its underlying process – the internationalisation of capital. By the internationalisation of capital was meant the deepening tendency for capitalist businesses/banks etc. of the western developed world to engage in transactions which went beyond the boundaries of their own nation state. The process involved any or all of the following forms.

- (a) International Trade: Foreign countries providing more and more trade and raw materials for domestic business
- (b) Export of Capital: Domestic firms investing abroad, either by lending to foreign firms or governments, buying shares in firms established abroad or setting up firms abroad to develop mines or plantations.
- (c) MNCs: Multinational corporations and monopoly capitalist firms plan their operations on an increasingly international scale and carry out production in several countries.

In examining these developments the theoreticians of the Second International came, gradually, and not without contradictions to recognise the emergence of a new capitalist epoch, one in which, following the logic of its inherent drive to accumulate, capitalism broke through the barriers of the national economy and strove to create a single world market.

In relation to this, therefore, certain key questions need to be answered. How does imperialism differ from previous stages of capitalism? How are the laws of motion of capitalism modified by imperialism? Are the cyclical crises capable of being eliminated or, on the contrary, does imperialism signify inherent stagnation of the capitalist mode of production out of which there is no escape? Can imperialism be transcended by yet another stage.

¹ K. Marx, Engels, "The Poverty of Philosophy", *Collected Works*, Vol. 6., p.195.

² Keith Hassell, *Permanent Revolution*, Vol. 8. p.23.



Lenin wrote *Imperialism the Highest Stage of Capitalism*, in the Spring of 1916 while in exile in Zurich. He described it as a pamphlet, subtiding it 'a popular outline'. It was written as an intervention into European socialist politics in the middle of the horrors of World War I, a war which had witnessed the 'Marxist' leaders of the Second International abandoning internationalism to support their own national governments.

Lenin's aim was to explain the nature of the war, to lay bare its economic causes, and to establish that its *imperialistic* nature was to carry out a violent redivision of the world among the major European capitalist powers. This was a task made unpostponable by the accumulated tensions and contradictions from the previous decades of rapid growth.

Lenin argued that the highest stage of free competition capital ended with the cyclical crisis of 1873. There then opened up a 'transitional' period coinciding with the 'great depression' which combined features of the free competition and monopoly periods. In concrete terms this development was a product of the tendency of the *new* capitalist powers in Germany and the USA to erect tariffs and to build their industries behind protectionist walls.

The late start of these capitalist powers, deprived of colonies, meant that they could only catch up with the old powers, France and Britain, through an accelerated bout of concentration and centralisation with a rapid fusion of industry and banks to oversee the process of accumulation.

By the end of the last decade of the nineteenth century both Germany and the US were in a position to challenge Britain and France for colonial possessions, resulting in the rush to annex territories not yet subject to a great power. Underlying these developments which he believed had assumed a distinctive imperialist character between 1895-1903, Lenin identified the drive to monopoly as the decisive form within the economic life of capitalism.

Just as the home market was no longer an arena of free competition, so the world market was divided into the fiefdoms of monopoly firms. These in turn had been the consequence of the increasing concentration and centralisation of capital fuelled by 'finance capital', the fusion of bank and industrial capital. As an example, Lenin points to the relationship between GEC of the USA and AEG of Germany, 'electrical great powers', as he called them.

In 1907 the two companies concluded an agreement to divide up the world between them, GEC being allocated the USA and Canada, with AEG settling for Germany, Austria, Holland, Russian, Denmark, Switzerland and Turkey. There was to be no competition between them in these two separate areas, and, to cement this arrangement, they were to exchange technical know-how.

Lenin's point was not that particular agreements reached were final – indeed that was impossible – but that attempts to regularise competition between giant firms through subdivision of the world economy were a permanent feature of the new stage of capitalism. But, dialectically, alongside this 'tendency' to monopoly and regulation went competition, undermining agreements and deepening the economic and political antagonisms within capitalism in a qualitatively different form and at an international level.

The export of *capital*, Lenin argued, as distinct from the export of commodities, assumed a singularly important role in all of these processes. Monopoly firms were taking on the attributes of nation states, negotiating with each other for spheres of influence and investment. These negotiations increasingly were involving the national states themselves, bearing witness to what Lenin defined as the essence of imperialism, the epoch of *state monopoly capitalism*.

By the end of the nineteenth century all areas of the globe had been claimed, and under some degree of control of, a modern imperialist state. Thus territorial expansion by one was not possible without antagonising another great power. At the same time the growth of the forces of production of the large firms inexorably demanded room for expansion in a world no longer 'open' to new 'peaceful' capitalist expansion.

To accommodate the demands of the underlying forces of accumulation within the capitalist system now

required a repartition of world markets and investment opportunities; and these could only be accomplished by force. Wars and revolutions were now the chief characteristic of the new epoch!

The Progressive Nature of Capitalism

Lenin, like Marx, believed that the global extension of capital had a profoundly progressive character – monopoly expressing the immense progress in the socialisation of production, i.e. the allocation of resources and the organisation of production was at a level guided less and less by the ‘invisible hand’ of the market and more and more by the conscious planning of large firms. Thus were the objective preconditions for socialism being furthered.

Therefore Lenin, again following Marx, argued that capitalism was developing faster in those countries that were in receipt of capital imports. So, far from suggesting that imperialism *retarded* the capitalist development of the colonised and dependent ‘world’, he realised that in general, it brought with it industrialisation and development. But if so, he also saw that international economic and political rivalry and conflicts intensify all the more in a profoundly uneven and contradictory way.

He was not arguing, therefore, that imperialism was *always* and *everywhere* destined to push the productive forces forward. Indeed, the holocaust of the Great War summed up perfectly the contradictory and anarchic tendencies which defined imperialism as a system. The necessity therefore of a *dialectical* approach such as Lenin’s to lay bare the overall direction and character of world economic and political developments is obvious.

The division of the world by the dominant imperialist powers, whatever its uneven and combined character, placed profound limits upon the possibility of *new* economically independent capitalist nation states emerging. In the imperialist epoch metropolitan capital dominates globally through its historically established greater productivity.

It is able to *exclude* the colonial world from making its own road to independent capitalist nationhood by locking it into the international division of labour, whereby it supplies raw materials, minerals and labour to the metropolis. Thus, while Lenin recognised that in 1916 certain ‘independent’ states did exist, he claimed that these were essentially ‘transitional forms’ or semi-colonies on their way to becoming subject colonies.

As to the semi colonial states, they provide an example of the transitional forms which are to be found in all spheres of nature and society... Finance capital is such a great, it may be said, such a decisive force in all economic and all international relations, that it is capable of subjecting, and actually

*does subject, to itself even states enjoying the fullest political independence ... of course finance capital finds most ‘convenient’, and derives the greatest profit form, such a subjection as involves the loss of political independence of the subjected countries and peoples.*³

Transitional societies, such as Portugal and Argentina, claimed Lenin, were destined to become fully fledged colonies. Only the balance of forces between rival greater powers permitted such a transitory state of affairs to exist.

But Lenin over-emphasised *territorial control* because to an important extent he under-emphasised the *dynamic* character of what he called ‘finance capital’. In conceiving of it exclusively in terms of the export of *loan* capital Lenin fails to register the significance of the fact that foreign branches of monopolies were being established across the globe. In discussing the strategy of large corporations he underlined their *tendency* towards cartel agreements and the manipulation of financial markets ‘coupon clipping parasitism’, as superseding technical innovation in the forces of production as a way to secure profit.

What he failed to recognise enough is the beginning of *fixed* capital investment, i.e. multinational capital and the multinational corporation. While they were more than ever reliant on ‘coupon clipping’ loan capital, they were dependent, above all, on *technical innovation* through which to exploit and subordinate nations and peoples on a world-wide scale.

Control of territory was an important form for *developing* the social relations of capitalism on a global scale, but as was to become more apparent after 1945, once established the dynamics of the accumulation process, fuelled by rivalry and conflict, established a monopoly capital exporting international framework. Through this power and control over the globe assume an ever more powerful form. Imperialism, thus is best understood not so much as the exploitation of backward nations by advanced capitalist ones but as the economic, political and military consequences of monopoly competition and the drive to accumulate among a key number of countries on a world scale. As Marx had predicted, the more backward countries will suffer not only from the development of capitalist production but also from the incompleteness of that development.⁴

The Nature of Dependency Post WWII

Events after World War II have seen the liquidation of the subject colonial world almost everywhere. Most

³ V. I. Lenin, “Imperialism the Highest Stage of Capitalism”, *Selected Works*, Vol. 5, p.74.

⁴ K. Marx, *Capital*, Vol. 1, p.9

colonies have become politically independent and a vast number of new states have been created. In order to grasp the nature of the 'new world order' of the post 1945 period we need to understand the significance of the emergence of the United States as the dominant imperialist power creating and presiding over a new context of international development and global division.

The USA did not participate in the scramble for colonies in the nineteenth century but under cover of the Monroe doctrine had been able to exert a form of semi-colonial rule over many of the formerly independent states of South and Central America. By exploiting its huge internal natural resources it was able to expand rapidly in the opening period of the twentieth century, to the extent that by the end of the first world war it was able to pose as an anti-colonial power in favour of the liberation of the oppressed.

In his 'Letter to American Workers' of 1918 Lenin explained how the USA gained most from the 1914-18 war by turning Britain and Germany into its 'tributaries'. Over half of the world's gold was in the US.

Throughout the 1920s and 1930s (ignoring the period of the Great Depression) the US economy, drawing upon the new techniques applied to the production process (Fordism) relied upon its huge continental internal market for mass production and consumption of consumer durable for its continued growth. The US ruling class, as in 1914 were prepared to sit out the coming 'European War', in the knowledge that Latin America and East Asia remained its strategic area of exploitation, while hoping to pick up new areas in the fall-out of the war.

But once Germany threatened to subordinate the whole of Europe the USA could not afford to stay out of the war which it entered neither exhausted by economic failure nor burdened by internal political contradictions. Throughout the war the US was able to preserve all its productive capacity intact and expand it greatly through providing the finance and the hardware for its allies to fight the war in Europe. Thus the war created the conditions where growing US power in the inter-war period was tuned into absolute economic and political hegemony after 1945.

At the end of the war the US controlled approximately 70% of the world's gold and foreign exchange reserve and more than 40% of all its industrial output. Also the war had struck a major blow to the hierarchy of the old imperial national states.

The Post War Global Economy

The US, therefore, in the context of the ravaged economies of Europe, the expansion of Stalinism, and its

appeal as a superficially more just social order, and the emergence of what would become the unstoppable process of anti-colonialism, had to find the means to satisfy the needs of her mighty industry and staggering productive power. It required the US to construct a new world capitalist economic order!

Central to this task was the creation and use of a number of economic/political mechanisms. The International Monetary Fund (IMF), World Bank and GATT, (General Agreements on Tariff and Trade) combined with the establishment of a stable international payment system of fixed exchange rates, tied to the value of the dollar, provided the framework for the restoration, regulation and growth of international trade. The period of the long boom, 1950-70 had begun, fuelled initially by billions of American dollars in Marshall Aid. By 1973 output in the advanced capitalist countries was 180% higher than 1950, more being produced in a quarter of a century than in the previous three quarters.

The main cause of this spiralling productivity was a phenomenal increase in the quantity and quality of means of production, as America's new technology and machinery revolutionised production everywhere. The years of the boom saw a phenomenal extension of trade. Between 1951-71, the volume of world trade in manufactures grew by 349%, whereas the volume of output grew by 194%. America, and the other fast growing advanced capitalist powers expanded their export of manufacturing by 480%, the largest share of which was in the form of trade between the advanced countries.

A major development encouraging trade between the dominant powers was tariff cuts, especially after the formation of the EEC in 1958, and lowering barriers in the European Free Trade Association (EFTA). The Kennedy round of cuts in the 1960s saw the average level of tariffs on manufacturers falling by one third and by one half on machinery and vehicles. At the beginning of the boom the economic might of the US was overwhelming. In 1952 nearly 62% of the production of all the developed countries was located there, produced by around 33% of the total number of workers operating one half of the business capital stock.

In coal mining US productivity was between four and five times greater than that of Germany, the UK or France. In manufacturing the USA was over twice as productive per worker as Britain, over three times that of Germany and even more than that of Japan. The dominance of US business across the globe was powered by the role of the American multinational corporation.

Today it is calculated that the world economy is straddled by at most one thousand or so giant multinational corporations. They control between them one quarter/one third of all production and a larger percent-

age of trade, a situation directly connected with the US inspired politics of 1945-50. Such policies reflected the fact that American monopoly capital, financial and industrial, found itself in a historically unrivalled position to exploit the material and human resources of the globe.

Between 1950 and 1970 the total book value of US direct investment overseas rose from £12 billion to £70 billion. Manufacturing investment in Europe alone, to gain access to the cheaper labour and to get round the external tariff of the EEC from 1958, grew faster, from £1 billion in 1950 to £14 billion in 1970.

The bulk of overseas investment came from multinational enterprises. By 1976 US multinationals controlled 70% of all overseas investment. Over the period 1957-65 US manufacturing, gained extra sales from their overseas subsidiaries estimated at 13% of the total increase in production. By 1966 20% of their total sales was accounted for by overseas subsidiaries. By 1972 an estimated 22.5% of US multinationals production took place overseas.

During the 1950s and 1960s the major expansion in US multinationals actually took place in industry and primary production. But from the end of the 1960s a new and crucially important feature emerged, with a very large expansion in international activities of the leading US banks, a situation which underlined the fact that the US was no longer the unrivalled great power. For example, in 1957 74 of the top 100 firms across the globe were from the US. By 1972, however, the figure was 53. In 1962 the sales of the largest 100 US firms were nearly double that of their European and Japanese rivals. But in 1974 they were only 40% more.

So, intense and successful was European and Japanese competition that US investment fell to 58%. By the mid 1970s the dominant capitalist firms stretched across the globe, reflecting an increased international redivision of labour in the wake of the further internationalisation of banking and stock exchanges. This furthered the economies of scale necessary for the cut-throat world of multinational competition. By the end of the 1970s nearly 11,000 companies operated some 82,000 foreign affiliates and of these 371 operated in 20 or more countries.

Uneven and Combined Development

From the late 1940s onwards the US and other major capitalist powers defended the programme of liberalisation of world trade and the integration of world markets as the necessary conditions to create 'a level playing field' in which all countries involved would benefit. America's anti-colonial rhetoric, plus the upsurge of national liberation movements after 1945, strengthened this belief.

In 1946 the Philippines became independent, in 1947

India, 1950 Indonesia and by 1960 17 countries of Africa had gained political independence. How then did the changed character of the post war economic order, with one 'super' economic power dominating the rest, and the end of the system of colonial empires, plus the enormous global expansion of investment and trade, affect the relationships between the developed capitalist world and the rest? Had, in other words, the imperialist leopard changed its spots?

As we have already noticed the historical spread of capitalist relations of production across the globe led to the consolidation of an international division of labour – a hierarchy of *national* units in the reproduction of capital – that Lenin called the imperialist chain. But the destruction of the old modes of production in the colonial and semi-colonial world had, as Lenin noticed, a deeply *uneven* character, and did not lead *automatically* to the organic growth of capitalism in their place.

Instead the economies of the vast majority of the 'dependent' world were moulded according to the international needs of capital. For example, during the 'age of railroads', these were built purely to service the export sector, quite often ill-suited in their planing to the needs of *internal* development. Similarly, the development of ports took place at the expense of the development of internal communications.

In other words, the needs of the imperial powers were for primary agriculture, minerals and other raw materials, determining in turn, the relations of production and the class structure in these countries. The heyday of British imperialism, for example, led to the consolidation of a British 'informal empire' in Latin America, where formally political independent countries, like Argentina, found themselves the sources of cheap exports – food and raw materials – to industrial Britain. Similarly the US with Central America.

In 1918 and again after 1929, the collapse of the international capitalist market produced a deep crisis within many of the world's colonies and semi-colonies. With no outlet for their primary goods export sectors, several countries, especially Latin America, embarked on a process of import substitution industrialisation to try to escape the grip of world imperialism.

Whatever the limited success of this industrialisation, it was largely dependent on the nature of the internal market and the degree of development previously achieved, so that only countries such as Brazil, Mexico and Argentina were able to establish *some* forms of light industry supplying internal demand for non-durable consumer goods.

After the second world war in a climate of growing world trade and increased US capital exports across the globe many Latin and Central American and, later, newly independent African and Asian countries embarked on the

same path. It reflected the fact that sections of the bourgeoisie (or aspiring bourgeoisie) in these countries recognised, correctly, that within the perspective of a 'free-trading' international order, dominated by multinational capital, there could be little room for genuine independent indigenous economic development for those countries not already industrialised.

For those who sought to embark on their own independently domestic/foreign economic policy the goal had to be to acquire foreign exchange to buy western capital equipment and technology, necessary to sustain transition from primary producers to industrial production, *and* to organise the domestic economy to create conditions for infant industries to grow. During the period of the boom the experience of import substitution and protection was mixed and uneven.

But growth did occur, and along with it significant transformation in the economies and social class structures of many of these former 'traditional' societies. In the low income regions growth averaged, over a decade and a half, 3.6% while in the middle income countries it was 5.7%. Foreign multinational investment amounted to £57.6 billion by 1970. Significantly growth was especially marked in heavy industry. Steel making, which started in China, Mexico, India, Brazil and South Africa after World War I and had by 1960 produced only 5% of the world's steel, made 15% of it by 1980. Along with this there has been a 6% annual growth in mining, construction, electricity, water and gas, with output per head at around 3-4% since 1950.

In keeping with protectionist policies, large scale nationalisations occurred, from both left and right wing governments. The World Bank in 1983 estimated that the local state in the 'third world' countries still accounted for the bulk of all investment, though foreign multinationals remained in control of large scale manufacturing industry. Between 1960 and 1978 production of manufacturers in the 'middle income' countries, taken as a group, grew by over 7% per annum. This was more than was the case in the low income countries (5%) and also more than in the advanced industrialised countries. (4.8%).

But in the newly industrialising countries manufacturing grew faster still in some cases by over 15% per annum. More importantly for an understanding of the changed world economic structure, exports of manufacture from the third world grew faster than either total world production or total world trade in manufactures.

But although the developing countries as a whole managed to increase their share of world trade in manufacturing, this was largely due to the penetration of the world market by exports from the new industrialising countries (NICs). Some 80% of all manufacturing exports from the third world originates in 12 NICs, 50% of which is coming from South Korea, Taiwan, Hong Kong and Spain. Countries like Mexico and Brazil, Malaysia, Indonesia plus the 'capital surplus oil exporters' of the Middle East and Latin America have rapidly transformed themselves in a similar fashion.

However, among some of the NICs, especially in South Eastern Asia, there are some who have moved away



Hyundai shipyards, South Korea.

from export of light manufactures (textiles, footwear, clothing) into serious competition with the advanced countries in the export of electronics, steel, machinery and transport equipment. Clearly the range and extent of economic differentiation among third world countries since 1945 makes it no longer adequate to *simply* characterise the global economic system as exhibiting a dependent 'periphery', producing primarily raw materials for 'first world' manufacturing at the 'core'.

A better characterisation would be a global system in which many NICs are ever more intricately involved as part of an increasingly specialised and interdependent division of international labour. To the extent that such development takes place in advanced semi-colonies it is dictated by the needs of capital accumulation in the other main imperialist powers. These same powers also dictate the limits within which this development is allowed.

Problems for Dependency Theorists

The fact of third world industrialisation and development raised problems for many dependency theorists and radicals who contrary to Lenin saw imperialism as a system of economic exploitation which generated, simultaneously and inseparably, 'development' for the metropolitan capitalist 'centre' and 'underdevelopment' for the third world 'periphery'. Thus while such a view had, at least, the merit of underlining the division of the world into dominant and dominated nations and the necessity of analysing such divisions in terms of the development of a 'world system', it located the basis of relationships in exchange rather than in the productive relations of monopoly capital and the export of capital as the drive towards competitive accumulation globally.

Industrialisation and development have occurred, and continue, across the globe. But contrary to those like Warren (1974) and Harris (1987) who believe that 'underdevelopment' is a thing of the past, the pattern exhibited both in the period of the boom, and even more subsequently in the period of neo-liberalism has been to *underline* the deepening uneven and combined character of 'development' as its subordination to the economic forces and mechanism of the world imperialist powers intensifies.

For example, during the period of import substitution and protection many of the countries developed severe balance of payment problems – not, in itself, a problem as long as the boom continued – which it didn't! Moreover population growth rates of many countries continued to increase while per capita income as a proportion of the developed world stayed constant. The gap in GNP per capita widened!

Furthermore increasing disparities became more and more apparent against a background of the rise of oil-rich Middle East states and the NICs of South East Asia. Serious structural problems of the protectionist policies exacerbated under these conditions. Among them the most severe were:

- (a) The balance of payment deficit worsened as the cost of capital good imports from the 'centre' led to large transfers and resources from indigenous sectors to exporting sectors.
- (b) Employment growth was constrained by the nature of new capital intensive technology leading to deepening social inequalities.
- (c) Growing inefficiency, waste and corruption emerged as a result of the bureaucratic/administrative task of the state organised allocation and regulation of the economy.
- (d) The need to 'incubate' a new proto industrial national bourgeoisie to 'spearhead' the 'take off' to industrial development ensured that they were granted enormous privileges in market opportunities, subsidies, prices – all paid for by higher taxation of workers and peasants, who in the name of patriotism were also expected to buy the more expensive domestic goods of the indigenous producers.
- (e) An expanded state bureaucracy to negotiate terms for both foreign loans and fixed investment from multinational capital. Subsidies and interest payments had to be paid for out of workers' income/working conditions etc.
- (f) Military intervention, from either the 'left' or right, often with public support, sought to address the deepening collapse of public order in many Latin and Central America states, Africa etc.

Thus the 1950s and 1960s policies for import substitution and protection were gradually discredited. What is striking about the global economy today is the deepening *uneven* character of industrialisation under the very different conditions of neo-liberalism. This reflects starkly the fact of the international distribution of multinational corporate investment and trade.

The bulk of it has been and remains among the developed imperialist powers and their regional trading blocs, increasingly a feature of neo-liberal imperatives. Their aims furthered by the IMF and the World Bank savage Structural Adjustment Programmes, are to force open the economies of the remaining protected primary producers to the ravages of free competition, while simultaneously blocking *their* exports of agriculture and textiles to the first world.

The reality of multinational capital and the post war order which underpinned it has indeed transformed the

international division of labour, resulting in the transfer of immense quantities of surplus into the metropolitan centre of imperialist powers. As part of this process, a new pattern of semi-colonial dependence has emerged. Within the semi-colonial world the distribution of industrialisation is even more distorted.

For example, all the countries in the world outside the 24 OECD countries only accounted for 28% of global output in 1980 and 1990. And this despite the growth of NICs. Of them, the four Tigers account for an incredible 50% of all developing countries' exports. The top OPEC countries have 63.5% of all multinational investment in the third world, while the small tax havens have 13%. Sub Sahara Africa receives hardly any!

The economic activity of the majority of the semi-colonial world is becoming marginal to the concerns of the core nations, making it now, as a whole, less important economically by most indicators than twenty years ago. Imperialism is less dependent upon raw materials, primary commodities and low labour costs as depressed accumulation energy saving processes and shorter production cycles have reduced the components of this in each unit of output.

Along with this the terms of trade, access to capital funds, the level of commodity prices, the level of real interest rates are all *outside* the control or influence of these countries, while acting upon them with the force of an external law through the operation of capital accumulation in the OECD. Outside of a handful of NICs, multinationals are less interested in trading with the semi-colonies and increasingly concerned with buying up any high technology industries owned by the state in these states.

What investment does occur is more and more restricted to those countries within the ambit of the three blocs of the world economy. Mexico, several East European states and the NICs/China consume an increasing proportion of a declining share of imperialist investment in the semi-colonial world. Even the much heralded NICs of South East Asia, whose rapid development was fuelled by foreign investment prompted by Cold War concerns which overlooked their protected markets, have not broken free from semi-colonial, however, advanced, status

They remain economies crucially dependent on low wages, cheap credit and relatively free access to US markets, with possibilities for development of frontier research and development strictly controlled from without – unstable regimes whose Dickensian squalor amidst growth and development can only be maintained by terror.

Outside of these particular areas the more marked aspect of multinational corporate development has been



Living conditions for workers in South Africa

the setting up of what Froebel⁵ has called the 'world market factor' in certain selected sites of third world states. The location designated for such factories are variously referred to as 'export processing zones', 'industrial parks' or 'free producing zones'. On these sites the multinationals relocated the more labour intensive parts of their global production process in order to benefit from the availability of free and unorganised labour.

To the extent that production in these factories is integrated into the MNCs global production and distribution flows, the greater the *disarticulation* from the domestic economy. Not only do industrial relocation plants *not* contribute to a country's economic development, their initial selection seems also unconnected to the level of economic development already existing or even the availability of skills and other natural resources.

A cheap and abundant labour force and a government willing to suppress it as well as offer generous tax allowances and profit remittance legislation are all that is necessary. Once more islands of 'progress' sit amidst mass urban and rural squalor. ■

⁵ Froebel, *The New International Division of Labour*, Cambridge, 1980.

The Paradox of Irish Economic Development

TO THE CASUAL observer the Irish Republic¹ is one of the European Community's economic success stories of the 1980s. Between 1986 and 1992 growth has averaged at 5% per annum.² During the international recession of the last three years Ireland has bucked the cyclical downturn and maintained growth of more than 6.5% between 1990 and 1993.³ In 1992 the growth rate, at 3.5%, was the highest in the EC.⁴

Undeterred by the recession elsewhere the Irish Finance Minister Bertie Ahern confidently predicted 4% growth in 1994 in his January budget. Past growth has enabled Ireland to improve its per capita income; at \$11,120 pa it is far higher than Greece or Portugal and not far below that of Spain.⁵

But behind this impressive facade lies a more mundane edifice. The actual economic structure that supports this growth is in reality weaker than most of the other EC states and certainly weaker than the handful of major industrial nations. At one level this is illustrated by the fact that despite the eye catching growth figures Ireland has an unemployment rate amongst the worst in the EC and OECD, presently over 17%. Even the casual observer cannot fail to notice among the impressive statistics that Ireland's economy has an open wound which haemorrhages its young and unskilled in

unmatched numbers for a "developed" country. Tens of thousands a year flee the dole queues, depress the level of official unemployment and contribute to the fact that Ireland – almost uniquely among the world's nations – has a population today smaller than at the turn of the century or even 150 years ago. The sobering truth is that Ireland remains a semi-colony, that is, a country whose economy is fundamentally at the mercy of patterns of investment, finance and trade, the shape and direction of which are determined by a small group of countries that monopolise the world's reserves of capital and are home to the dominant multinational companies.⁶

How Ireland became a semi-colony and how this status has been reproduced over the last 35 years in particular is the subject of this article. The article outlines the nature of capital accumulation in Ireland over the course of the last few decades such that it explains both the dynamic aspects of certain sectors of manufacturing industry and state funded infrastructural projects and the chronic lopsidedness of economic growth that ensures continuing obscene levels of mass unemployment and emigration. The consequences of this condition for its future development in the 1990s is also touched upon. For revolutionary socialists as opposed to contemplative academics, the classification of a country's socio-economic status is central to an understanding of the main features of the political life of that country and by extension for the prospects for the class struggle within which revolutionaries intervene and try to shape the outcome.

This article traces the course of the Irish economy from the early attempts by its bourgeoisie to break from its traditional role as supplier of agricultural goods for the British market by a policy of import substitution industrialisation (ISI). After some conjunctural success in the 1930s and after the war that followed this model of accumulation imploded faced with the narrow limits of the national market. Without abandoning protectionism

¹ The Republic, the Twenty Six counties, the South will be used interchangeably in the article.

² Over a longer period the Irish Republic's GDP has grown at 3.9% pa since 1965 as compared to 2.3% pa for Great Britain.

³ Over the 1992-93 period the EC member states were gripped by recession from which they have yet to emerge by Q1 1994. Output was down 0.5% in 1993. Ireland by contrast registered 1.2% growth. Even more striking is the fact that during 1992 manufacturing value added grew in Ireland by 9.8% while the whole economy only grew 2.1%. This points up foreign manufacturing plants as the dynamic core of the economy, especially the US MNCs as their exports rebounded on the back of a US domestic recovery while the EC went into recession.

⁴ The main reason for the high growth rate was the dynamism of the exports sector which last year rose by 12.5%, much faster than import growth at 5.4%. The balance of payments surplus, which includes the very positive trade balance figures, in 1993 was the highest in the industrialised world.

⁵ The World Bank listed Ireland number 21 in the the league table of 127 richest nations as judged by per capita GNP figures.

⁶ Provisionally, we may list the following countries as imperialist powers: US, Japan, Germany, Britain, France, Italy, Canada, Spain, Netherlands, Australia, Sweden, South Africa, Switzerland, Belgium, Austria, Norway, Denmark, Finland, Portugal and Luxemburg.

all at once a slow process of inviting foreign capital into Ireland gathered momentum in the 1950s and really grew apace after 1958. The Irish bourgeoisie hoped that this would have the effect of disseminating technological benefits across the whole economy, boost foreign exchange reserves and assist the development of the Irish capitalist class itself.

The success in attracting multinational corporation (MNC) capital in the 1960s and 1970s injected dynamism and jobs into the Irish economy; but over time it wasted the domestic manufacturing sector that provided the home market. Imports took their place. The lack of linkages between the MNCs and the domestic economy further inhibited the parallel growth of a strong Irish manufacturing class.

But the Irish bourgeoisie was not stupid; it did not throw itself entirely to the lions. Through international borrowing and an expansionary fiscal policy paid for by Irish workers the Irish state substituted itself for the weak private capitalist class and promoted state investments in many areas and employment along with them. This development depended for its success on a newly forged post war alliance with the Irish trade union bureaucracy and labour aristocracy against the interests of the rest of the working class. Even here relatively generous welfare payments bought acquiescence in the face of the MNC invasion and growing unemployment. But this dual model of accumulation faces serious difficulties ahead, the article concludes with an examination of what these are.

Ireland: from colony to semi-colony

The Irish Republic gained its freedom from colonialism in a period of capitalist development – the imperialist epoch – in which the world markets for goods and services, and access to raw materials were already divided up. The process of concentration and centralisation of capital and wars carried out for the possession of these supplies ensured that a handful of countries monopolised these capital resources by the turn of the century.⁷ The countries that built up powerful independent sectors of industrial and financial capital, especially in the main means of production, and where the export of capital was becoming or already was predominant over the export of

commodities, these countries were imperialist. Those that lacked these attributes were imperialised – either colonial or semi-colonial. From this time on the possibilities for spontaneous economic redivision of the world between semi-colony and imperialist were severely limited. The imperialist countries maintained inherited advantages over the rest of the world in productivity rates, access to capital and technological renewal. These advantages were defended by powerful state machines. Forcible redivision of the world (e.g. First and Second World Wars) – a violent interruption in the process of normal capital accumulation – could change the status of countries.

But in war semi-colonies were invariably the victim, or more accurately the prize, of any redivision. For a semi-colony to escape its condition is a gigantic task which the national bourgeoisie has been incapable of. The path from imperialised to imperialist country could only be done by a process of “catching-up”; by so directing and controlling the pattern of domestic capital formation (investment) that the national bourgeoisie in the semi-colony could replicate and outperform the imperialist states in productivity growth and technological development. Only through successful competition, in other words, in the market place for internationally traded advanced commodities and services can the semi-colonial capitalist class and its state escape imperialist domination and still remain within the framework of capitalist private property.

We have to analytically distinguish between the content of Ireland’s semi-colonial development and the form within which this content is expressed. We have to likewise distinguish between the essential elements of this relationship and the mechanisms by which this relationship of subordination and dominance is and was reproduced. In the colonial period the relationship is expressed through political and military subordination and control over trade. Later it may be expressed through the trade of commodities; that is, the pattern of commodity exports and imports into which a semi-colony is locked secures its subordination through disadvantageous terms of trade.⁸

When a semi-colony has undergone significant industrialisation, while this aspect of the relationship does not entirely disappear, the chief mechanism for

⁷ This process has hardly changed during the century; the USA, EC and Japan accounted for 76% of manufacturing value added in 1990. On direct foreign investment this incestuous story is the same. In the 1980s despite the investments made in a range of semi-colonies the 24 OECD countries accounted for 97% of worldwide flows of FDI. The real concentration however is shown in the fact that 81% of FDI outflows and 71% of FDI inflows originated within the EC, USA or Japan.

⁸ Marxists call this phenomenon “unequal exchange”. It is a process whereby unequal quantities of labour—or the products of labour—are traded against each other. The raw material or agricultural products of the semi-colony contain labour of a lower value than that contained in the products (e.g. machine tools) of the industrially advanced nation. There is thus a drain of value out of the semi-colony. This unequal exchange reflects the differential productivity rates of the different countries and the process of exchange on this basis widens the productivity differential and reproduces the hierarchy.

reproducing the subordination is the structure of domestic capital formation of which one crucial component is the nature of capital exports and imports – whether fixed, portfolio or loan capital. Feverish capitalist development has and continues to be experienced by semi-colonies under the spur of inward MNC investment. But this is not enough to ensure the transformation of a semi-colonial into an imperialist bourgeoisie. This process must itself lead to the strengthening and diversification (including the development of a strong MNC sector) of the national capitalist class itself. But the imperialist states by and large have no interest in seeing the emergence of a rival to their monopoly and adopt measures to prevent this outcome.

Even so the uneven and combined development of capitalism in the imperialist epoch henceforth ensures that the unevenness grows more exaggerated: between the richest and poorest countries, between the advanced and backward sectors of the economy within the more developed semi-colonies.⁹

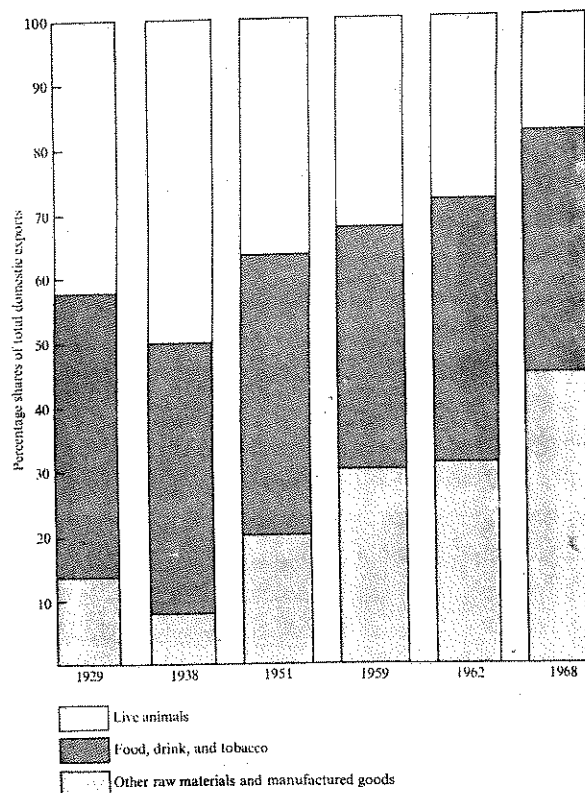
Ireland's economy under De Valera

Ireland was a semi-colony from the moment the Free State accepted independence from Britain. It jumped from the frying pan of colonial enslavement into the fire of semi-colonial servitude. Its economy carried with it the legacy of 100 years or more since the Act of Union which had completely subordinated economic development in Ireland as a whole to the needs of capital accumulation in Great Britain. Ireland's economy was one-sidedly restricted to low value added agricultural goods and textiles for imperialism. Moreover, the social structure of Irish society with a large class of small farmers itself inhibited the concentration and centralisation of capital that could have spurred the development of a dynamic capitalist class.

In 1932 Eamon De Valera's Fianna Fail came to power. There was little by way of foreign capital in the country. Industrial employment was less than 15% of the workforce. Agriculture dominated everything; farming was the most important and the most dominant sector of Irish capital devoted to production. Farmers – capitalist and non-capitalist – had just come out of a struggle in which they had torn the land away from the foreign

landlords into their own exclusive possession and control.¹⁰

Farmers in turn created the biggest section of private manufacturing – the co-operative dairies and food companies, pioneering practical economic nationalism in the Republic. The domination of the main produce of farmers – live animals – and that of their associated co-ops – food – over exports until well into the 1960s can be seen from the following table even if food in it is aggregated with drink and tobacco.



Source: *Trade and Shipping Statistics*.

Despite its dominance a history of imperialist relations had left agriculture condemned to backwardness. A devastating famine in 1845-47 – the legacy of colonial domination in the nineteenth century – had left the South with a very small home market. The South was thus forced to look to Britain for markets for its agricultural produce. Domination of farming by British imperialism meant that it never reached a scale capable of diversifying export destinations. Ireland had no other market and was totally at the mercy of British imperialism for the sale of its agricultural produce.

⁹ Thus, the lack of linkages between multi-national and domestic capital, the disarticulated character of banking and industrial capital in semi-colonies is an expression of this law of uneven development. This lack of a more rounded development within the nation state can only find its expression in world markets.

¹⁰ Until the end of the 1950s Irish farmers and associated agril usinneses owned virtually the whole of the land.

The prices for agricultural goods were forced right down as a result of this dependence;

In the 1930s the UK had adopted a policy of paying a higher price for domestically reared and fattened cattle than was available for similar cattle exported from Ireland. Irish fat and store cattle were also limited by quota, so that there was discrimination against Irish cattle by price and by quantitative restrictions ...

... It – the 1945 Cattle Industry Report – suggested that the collapse of the early 1930s was but the final phase of the collapse of a programme which, for so many years, had for its object the supplying of foreign markets (Britain is meant) with food and other primary products at prices, which, by suicidal international competition, eventually fell below the cost of production.¹¹

The health of the two other most important fractions of the bourgeoisie prior to the open door – the banks and merchant capitalists – depended very deeply and directly on the health of the capitalist and other farmers, their associated co-ops and other food companies. First of all it was the capitalist farmers and the associated food companies who exploited the greatest number of workers and generated the bulk of surplus value of which the banks and merchants prospered. Compared to them the rest of the small manufacturing enterprises which developed under De Valera's protectionist programme were much more ephemeral and the banks and merchants could not depend on them in the same way.

Moreover, several semi-state enterprises depended directly for their existence, their survival and even their rhythms of operation on farming capital; for example, Comhlucht Siúcre Éireann which was established in 1933; Cemic Teoranta – later to become Nitrigín Éireann Teo (NET) – established in 1934; and the Agricultural Credit Corporation (ACC). In addition some of the biggest semi-state enterprises e.g. the national transport company (CIE) and the Electricity Supply Board (ESB) were deeply dependent on agriculture/agribusiness indirectly. The limits to the development of capitalist farming became barriers to the growth of the associated co-ops too. Ireland possessed a tiny home market and the small effective demand it contained was further depressed by mass poverty. Secondly, the exploitative terms of trade imposed by British imperialism – Britain sold Ireland her manufactured goods relatively dear while getting Ireland's agricultural raw materials cheap – directly retarded capital accumulation among the co-ops.

In order to try and escape from this form of semi-colonial subordination inherited from colonial times De

Valera embarked upon an attempt at import-substitution industrial development (ISI) behind protective barriers. Throughout the 1930s and using such legislation as the Control of Manufactures Acts (1932-34) which restricted foreign control of Irish industry Fianna Fail sought to build up native manufacture to serve the home market. The programme failed abysmally to achieve the aims which defined it from the mid 1930s. These were economic self sufficiency – marked above all by less and less dependence on Britain – an end to emigration, a rapid increase in industrial employment towards a drastic reduction of unemployment, decentralisation and the reversal of Dublin's top heaviness, an increase in the numbers living on the land and the revival of Irish.

Protectionism Fails

Even though there was a modest if significant growth of industrial employment in the South for a short period in the 1930s, which was artificially maintained during the war emergency, this was always combined with massive unemployment and massive emigration. In effect, de Valera only replaced one type of dependence on British imperialism for another slightly less virulent one. Once the new US dominated world order, established on the basis of the destruction of world war two had been firmly established from 1950 on all the contradictions in de Valera's protectionism came to the surface. The protected factories, effectively exclusively directed at the Southern home market, soon reached their ceilings at the puny effective demand of the South. The future thereafter was stagnation.

Nevertheless they had to be built and re-equipped with new machines and spare parts and virtually all these had to be imported – mainly from Britain. Imports of capital goods in exchange for agricultural or low value added manufactures ensured the extended reproduction of the gap between Ireland and its imperial trading partners. A growing proportion of economic wealth generated in Ireland went abroad to imperialist companies in the form of profits on trade in manufactures. Ireland's commodities were needed to finance any given amount of capital imports. Thus, a balance of payments crisis was the form in which the natural limits of this type of semi-colonial economic development was reached and it came to the surface with a vengeance during the 1950s leading to austerity and savage balancing of the books and budgets which caused still more massive unemployment. At the same time Britain and the US were at the start of the longest booms in their histories. Hundreds of thousands of workers passed a vote of no confidence in

¹¹ James Meenan, *The Irish Economy Since 1922*, p103/104.

De Valera and his policy by taking the emigrant boat to Britain, the US or Australasia. This, however, only accentuated the crisis of viability of De Valera's tiny industrial factories.¹² It was clear that de Valera and all his shenanagins, at least as far as economic policy was concerned, had to go.

This impasse could only be transcended by raising Ireland's contradictory and one-sided development to new heights: on the one hand, feverish export-oriented industrial development and, alongside it, surrendering more of the ownership of manufacturing capacity inside Ireland to foreign capital as the very condition of this feverish development. On the other side, the Irish bourgeoisie sought to compensate for this by using the state as a forcing house for accumulation

Export Led Industrialisation

Even during the pre-war years of de Valera's economic nationalism several hundred foreign companies set up operations in the South. After the war De Valera had to tolerate the setting up of the Irish Development Agency whose primary aim was to attract foreign capital as early as 1949 – almost a decade before the formal demise of his protectionist policy. The southern bourgeoisie did not commit themselves to an end to protectionism or usher in foreign investment all at once at the end of the war. It was done in stages and involved both changes in Ireland's relations with imperialism and a struggle between sections of the Irish bourgeoisie.

The United States emerged from the war triumphant. It unquestionably stood over all the other imperialist powers including Britain. Part of its might was testified to by the USA's dominance over the supply of raw materials and machine goods. To continue its policy of industrialisation the Irish bourgeoisie needed US dollars more than they needed sterling. Therefore, the existing dependence upon Britain was increasingly irksome for the bourgeoisie. Britain for its part wanted Ireland to stay within the sterling area but recognising its weakness was prepared to make concessions to Ireland over coals and machines provided it continued to supply Britain with food and slowed the pace of its machine imports from the USA.

This policy suited sectors of the Irish bourgeoisie, especially the ranchers and the manufacturers who drew their profits from the home market. Any policy of export led growth implied an end to their high prices and inflated profits which were guaranteed by protective barriers;¹³ it also signalled their ruin since many manufacturers were too unproductive to compete in the world market. Hence between the end of the war and 1955 a moderate welcome was given to multinational investment, tariffs stayed in place and the main emphasis was on getting Irish industry to be more competitive, export more and get more foreign exchange for further industrialisation. The various coalition governments of 1951-57 undoubtedly ensured a muddled and compromised economic programme. When Fianna Fáil returned to office in 1955 they presented this renewed drive to attract investment as a way of breaking the Irish bourgeoisie's dependence upon Britain.

An export profits tax relief scheme had been introduced by the Coalition Government in 1956 and this was enlarged and extended in the Finance Acts of 1957 and 1958 under Fianna Fáil. The effect of these measures was to give complete tax exemption for a period of 10 years – later to be extended to 20 years – on profits derived from new or increased manufacturing exports. These measures, though formally applicable to indigenous industry too, succeeded in beginning to attract foreign industry in a big way.

In addition a whole gamut of other incentives for foreign industry were applied. More favourable depreciation allowances for industrial buildings were introduced in 1956 and for plant and machinery in 1958. The Industrial Credit Amendment Act of 1958 extended the powers and resources available to the Industrial Credit Company in providing credit for industry. SFADCO, set up in 1959 was a success in creating a "large" industrial estate, made up mainly of attracted foreign capital, which was a trail-blazer for many more. As early as 1958, the jewel in the crown of de Valera's economic nationalist legislation – the Control of Manufacturers Acts – which outlawed majority foreign control of Irish manufacturing, were dismantled.

However, it was the publication of "Economic

¹² This situation was eloquently expressed by the fact that in 1955 a book called *The Vanishing Irish* seriously debated the possibility of the Southern Irish dying out altogether as a viable people. It was the most passionate topic of political debate at the time and a best seller.

¹³ Speaking of legislation which weakened protectionism the *Irish Times* noted: "No doubt there will be an outcry against this Bill by certain types of businessmen, but the general public will congratulate the Government . . . The Irish consumer has been taught a costly, but a salutary, lesson. He realises now that certain manufacturers in this country have been waxing fat on profits which have been the direct outcome of protective tariffs." Quoted in *Seán Lemass and the making of Modern Ireland, 1945-66* by P. Bew and H. Patterson, Dublin 1982, p45.

Development” by T. K. Whitaker, Secretary of the Department of Finance, in 1958 followed by a somewhat modified Fianna Fáil’s “First Programme of Economic Expansion” in 1959 that the “open door” policy was consciously and formally launched as a strategic re-direction for the Southern bourgeoisie as a whole. Already Whitaker’s “Economic Development” made bold enough to state that:

*Sooner or later protection will have to go and the challenge of free trade be accepted . . . There is really no other choice for a country wishing to keep pace materially with the rest of Europe.*¹⁴

This sentiment – even if with important modification concerning the role of the state in fostering economic development – reflected the fact that by the late 1950s dominant sections of the Irish bourgeoisie recognised that the newly created European Economic Community (EEC) was the place that they had to be. In turn this obliged them to embrace the cause of free trade and unrestricted movement of capital. However, Ireland’s first application to join was rejected by France along with Britain’s in 1963 and so protective barriers and tariffs in many sectors were kept in place far longer than would otherwise have been the case; this was compensated for in the meantime by an intensification of efforts to attract foreign investment.

The success of the 1959 programme was followed by the publication of a second programme in 1964. And a year later the Anglo Irish Free Trade Agreement was signed to come into effect in 1966. This effectively dismantled tariffs and quotas against the imports of the South’s overwhelmingly most important trading partner – Britain. The Republic’s farmers, in return, received the same subsidies as British farmers through an extension of Britain’s deficiency payments system.

The “open door” strategy had the following consequences for the Republic’s economy. Firstly, agriculture was locked into the EEC’s Common Agricultural Policy (CAP), supplemented by generous EEC subsidies for agricultural exports (effectively dumping) outside Europe. Secondly, Ireland was to switch the axis of its economy from agriculture to internationally traded industrial goods.

Thirdly, in order to achieve this latter aim it was necessary to swivel its whole economic policy round the aim of attracting foreign capital, especially manufacturing capital, predominantly from the USA and Britain.

Finally, in order to achieve this, the southern bourgeoisie established a battery of incentives for foreign capital to locate in Ireland. The most important of these incentives were the prospect of profits above the international average obtained elsewhere, combined with complete freedom to repatriate these. State grants, among the most generous in the world and very generous tax concessions were also offered to tempt potential investors.



■ *Three Fianna Fáil prime ministers en route for trade talks in London – Lemass, Lynch and Haughey.*

In time, these incentives were surpassed by the rewards to be gained from Ireland’s entry into the EEC in 1973. Thereafter, tax and profit incentives were added on to Ireland’s relatively lower unit labour costs and a place inside fortress Europe and now immune from its protective tariffs. In time this was supplemented by the further development of a sophisticated infrastructure for light engineering, electronic, computer, chemical and pharmaceutical production and a workforce technically trained to a high level to work in such jobs.

¹⁴ Kennedy, Giblin & McHugh, *The Economic Development of Ireland in the Twentieth Century*, p67.

Dominance of Foreign Investment

There are plants of multinational companies sprinkled over the Republic like confetti, conforming to no economic logic but the carrot of tax holidays and massive incentives – and the need of every member of the Irish parliament to boast his or her own piece of the action. Attempts to cluster the plants so that they might develop into industrial districts with all the economic overspill effects have been conspicuous by their absence; nor has Ireland ever been notably successful in developing an indigenous industrial base or in creating mechanisms for so doing.¹⁵

This description – modern and accurate – by a bourgeois economist portrays the result of 35 years of open door manufacturing investment. Before we look at the effect this has had on Ireland's overall economic development and, above all the Irish semi-colonial bourgeoisie, we must first chart the phases of this growth of foreign capital. From the late 1950s until the late 1960s new foreign investment was mainly in technologically mature and labour intensive industries such as clothing, footwear, textiles, plastics and light engineering. But from about the mid-1960s poorer, less-developed semi-colonies with much lower labour costs became more attractive as sites for such mobile multinational industries.

In response foreign investment in Ireland was increasingly directed at newer, more technologically advanced sectors, such as electrical and electronic products, machinery, pharmaceuticals, and medical instruments and equipment. In the late 1960's and early 1970's the first companies to come were chemicals giants like Pfizer which started the chemical companies coming. Digital followed, the first significant investment in electronics, in 1971. In the mid 1970's a number of healthcare and pharmaceutical companies arrived: Travenol, Merck, Sharpe & Dohme, and Abbot. In the late 1970s and early 1980s electronic companies began to arrive in force: Wang, Zenith, Amdahl etc. Accompanying them were the engineering companies like Hyster and Garrett.

Typically, the enterprises established in Ireland by the MNCs only concerned themselves with limited aspects of the overall production process. Although the key technological and business functions of the companies remained with the parent country, the industries in Ireland has included more highly skilled activities, particularly in electronics and pharmaceuticals. Indeed, foreign investment is not evenly spread across all sectors of manufacturing. It is relatively concentrated in leading high technology industry.

This phase of investment in Ireland matured and peaked in the early 1980s and by that time the level of foreign investment in domestic capital formation in Ireland was very high compared to similar countries that underwent the same post-war experience.¹⁶

The Level of Foreign Direct Investment in 24 LDCs in 1978

(FDI assets as a percentage of GNP)¹⁷

	% FDI	Country	% FDI	Country	% FDI
Ireland	37.03	Philippines	7.81	Guatemala	4.67
Jamaica	35.43	Taiwan	7.71	Spain	4.15
Singapore	22.22	Brazil	7.06	S. Korea	3.26
Malaysia	19.28	Uruguay	6.96	Greece	3.25
Hong Kong	15.05	Mexico	6.74	Portugal	2.97
Chile	9.84	Argentina	6.47	Morocco	2.65
Costa Rica	8.81	El Salvador	5.34	Thailand	2.05
Dom. Rep.	8.67	Tunisia	4.80	Turkey	0.89

United Nations figures for FDI as a percentage of gross domestic capital formation record that Ireland had the highest proportion of FDI (6.9%pa) in the years 1976-80 in the whole of the OECD with the exception of the UK.¹⁸ The scale of foreign investment declined up to 1986 and although it picked up again after 1987 as the US MNCs in particular sought to benefit from the post-1992 EC single market integration the rate of new investment has not reached such dominance as it did in the late 1970s.¹⁹

Three countries have dominated foreign investment in Ireland since the late 1960s US, Britain and Germany, and of these three the US has been by far the most dominant one economically, as the following tables show:

US companies accounted for 55% of total investment by foreign firms between 1971 and 1986. In 1986, of the 884 foreign companies engaged in manufacturing and services in the Republic 327 were US MNC branch

¹⁶ The annual amount of MNC investment in Ireland steadily increased during the open door period. Between 1970 and 1982 a total of £1.38 bn was invested.

¹⁷ O'Hearn counts Ireland as a Less Developed Country (LDC) contrary to the OECD, World Bank and IMF convention which includes Ireland in the Developed Countries category by dint of its OECD and EC membership.

¹⁸ In the UK the increase in FDI took place against a much higher existing stock of UK owned manufacturing capital (including UK MNC branches abroad) than was the case in Ireland and therefore the effect on native capital is very different.

¹⁹ So, for example, the UN estimates that FDI as a proportion of gross domestic capital formation in the years 1986-90 was only 1% suggesting that Irish capital increased strongly in this period.

¹⁵ Will Hutton, *The Guardian*, 31 January 1994.

The Geographical Distribution of Inward Foreign-direct Investment Stock, by Host Country, Various Years (%)

Host Country	Year	All Developed Areas (share of total stock)	DEVELOPED AREAS		DEVELOPING AREAS		All
			Western Europe	North America	Other Developing Countries	Japan	
Belgium	1988	92.7	71.9	17.2	-	-	7.2
	1980	90.4	66.1	22.0	-	-	9.5
	1975	86.9	56.6	28.1	-	-	12.9
Denmark	1989	99.0	92.7	4.6	-0.3	2.0	0.7
	1982	90.7	69.3	10.4	1.2	0.8	9.3
France	1989	92.6	74.1	14.7	0.1	3.7	7.1
	1982	90.1	75.0	13.4	0.1	1.7	9.4
	1975	92.8	73.0	18.4	0.3	1.0	6.6
Germany	1990	94.9	56.2	30.9	7.8	7.4	4.5
	1980	94.7	49.5	41.8	0.04	3.3	4.8
	1976	96.7	52.6	41.8	0.05	2.2	3.0
Greece	1978	85.0	39.1	45.9	-	-	15.0
	1976	84.8	40.5	44.3	-	-	15.2
Ireland	1986	100.0	33.2	66.8	-	-	-
	1981	100.0	37.3	62.6	-	-	-
Italy	1989	94.3	77.8	15.3	0.1	1.2	5.6
	1980	99.7	81.2	18.5	-	-	0.3
	1975	92.8	76.2	16.6	-	-	7.2
Portugal	1988	92.7	75.3	15.7	0.1	1.6	7.2
	1980	91.5	71.1	18.9	0.5	1.0	8.4
	1975	86.9	65.6	19.8	-	1.4	13.1
Spain	1989	93.7	80.4	10.8	0.02	2.5	6.2
	1983	93.3	66.7	26.0	0.01	0.5	6.7
	1975	97.5	54.8	42.4	0.1	0.2	2.5
U.K.	1989	95.4	39.1	44.1	8.0	4.2	4.6
	1981	95.1	26.7	61.6	4.9	1.9	4.9
	1974	95.2	28.7	62.0	4.9	-0.3	4.8

plants. The US companies were also the biggest employer accounting for nearly half of the 78,257 workers then employed in foreign industry.

Investment tailed off in the early 1980s. US investment peaked in the late 1970's and declined during the 1980s up to 1987. The reasons for this were stiff competition from other EC countries and a fall in international mobile investment due to recession. Also as the US no longer needed the relatively cheap, relatively skilled Irish workforce, going instead to countries of truly cheap labour with unskilled workforces (e.g. Singapore). In the early to mid 1980s projects tended to be smaller and at least half of US new investment was for expanding existing plants.

After 1986 US investment rallied to take advantage of the implications of the passing of the Single European Act that year with its promise of single market. Annual US investment 1989-93 increased to between \$745mn and \$975mn.²⁰ By 1993 US firms accounted for 370 out of the 1,000 foreign owned firms operating in Ireland employing 50,000 workers or one fifth of Ireland's industrial workforce.²¹

Naturally, British firms have a longer history of involvement even if their importance has diminished over time. Companies such as Dunlops, Cadburys, Clarks and Lemons and British car assembly plants, to name but a few, set up as a means of circumventing the protectionist barriers in de Valera's Ireland. These companies were set up to supply the Irish market, and like much of Irish indigenous industry, many of them became vulnerable with the full opening of the door and were swept away. Of the British manufacturing companies operating when Ireland joined the EEC in 1973, 43% were closed down by 1981. Of the British companies set up since 1973 most had as the primary reason for their presence the tax and grant incentives available here. In this group also, there is a high closure rate. Forty percent of new British companies set up outside Dublin between 1973 and 1981 had closed down by 1981.²²

²⁰ 1993 was best year since 1988 in attracting US investment.

²¹ Fruit of the Loom is the biggest employer with 2,600 on its payroll. *Sunday Business Post*, Jan. 30, 1994.

²² There were fewer closures of US companies in the 1970s than of British and German companies. Of plants opened outside Dublin in the years 1973 to 1981 only 10% of US had closed compared to 15% of German and 40% of British. See P. O'Farrells *Entrepreneurs and Industrial Change*, passim 1986.

The reason why the rate of closure of US firms was so low was due to the fact that the primary motive for US investment was the wish to be inside the EC wall of protectionism.

After 35 years of the operation of the "open door" strategy the productive manufacturing heart of the Southern economy has gone through a profound change. The nub of this change is that foreign manufacture has replaced native manufacture as the dominant force in the productive heart of the economy. Manufacturing industry, dominated by foreign combines, not agriculture is now the axis of the Southern economy. Notwithstanding the still great importance of agriculture the open door period has witnessed an ever growing and accelerating dominance of industrial manufactured exports – predominantly foreign – over agricultural exports:

Composition of exports (percent): Republic of Ireland, 1958 to 1984²³

	1958	1984
Live animals	37.3%	2.9%
Other Food	30.7%	20.3%
Manufactures	17.1%	63.2%
Others	14.8%	13.6%

Some seven years later (1991) industrial exports have about six times the weight of agriculture in the balance of trade statistics.²⁴ The dynamic axis of the economy has thus shifted from agriculture to manufacture and from domination of manufacture by indigenous companies to ever greater dominance of manufacture by the imperialist combines. By 1987 foreign MNCs accounted for 74.4 % of gross exports; they accounted for 61.2 % of net exports. And the net export earnings per person engaged in overseas firms was over twice that of indigenous firms by 1987. Output in Irish owned companies is one-third of the level achieved in US owned firms. The following table brings out this.²⁵

Percentage of Gross Output Exported, Contribution to Total Manufactured Exports, and Exports per Person Engaged, Overseas and Indigenous Firms, 1986 & 1987

	Percentage of manufactured gross output		Percentage of total manufactured exports		Exports per person engaged (£)
	1986	1987	1986	1987	1987
Indigenous	26.60	31.90	24.20	25.60	22,418
Overseas	83.20	84.70	75.80	74.40	86,709
Total	54.90	59.40	100.00	100.00	49,962

²³ J. Wickham, *Industrialisation, Work and Unemployment*, 1985.

²⁴ See Merchandise Trade Table, Autumn 1991 Central Bank Report.

²⁵ P. Foley (ed.), *Overseas Industry in Ireland*, 1991, p110.

Export Performance, EC firms & Non EC Firms, 1987.

Nationality	% of output exported	Share of total manufact. exported	Exports per person engaged (£)
EC Firms	58.8	13.5	41,623
Non-EC Firms	93.9	60.9	114,106
Total Overseas	84.7	74.4	86,709

Source: P. Foley (ed.) *Overseas Industry in Ireland*, 1991, p111.

Reflecting the above facts, foreign MNCs provide a growing share of total industrial employment. Using IDA data Ruane and Mc Gibney show that foreign MNCs provided 85,851 jobs in industry in 1988; this was 42% of total industrial employment. More important still the overseas share is increasing while the indigenous share is either stagnant or declining. Foreign MNC employment grew 25.3 % between 1973 and 1988; indigenous employment declined by 21.2 % in the same period. While in more recent years overseas manufacturing employment has declined its decline is less than the decline in indigenous manufacture.²⁶ Moreover, foreign manufacturing MNCs predominate in seven of the most important sectors of manufacturing as measured by sales and employment:

Percentage of Foreign Affiliates in Ireland (1987)

	Sales	Employment
Primary		
Agriculture	-	-
Mining and quarrying	-	-
Petroleum	-	-
Secondary	65.0	42.8
Food, beverages, tobacco	52.9	27.7
Textiles, leather and clothing	48.6	42.2
Paper	11.3	10.8
Chemicals	88.4	75.7
Coal and petroleum products	-	-
Rubber products	67.7	56.9
Non-metallurgical mineral products	37.8	26.9
Metals	30.9	24.0
Mechanical equipment	93.1	74.6
Electrical equipment	90.3	80.3
Motor vehicles	32.0	17.9
Other transport equipment	7.3	6.4
Other manufacturing	70.5	51.8

²⁶ If we look at manufacturing employment in the strict sense, as opposed to the broader category of industrial employment the overseas share comes to a huge 68.3%. See Foley p115, *ibid*.

The sectors in which MNCs dominate are also those that account for the greatest share of manufacturing value added, especially chemicals and electrical and non-electrical machinery. Naturally, therefore, they earn proportionally more foreign exchange from the sale of exports than even their volume share would indicate.²⁷ Only in the food sector does the native Irish capitalist class predominate. In summary then, the South's economy is now characterised by a rapid growth of exports, by an ever accelerating domination of these exports by manufactured exports, and by a diversification away from Britain as the traditionally overwhelming market to the EC.

Imperialist Superprofits

It is not hard to see what it is that attracts the US and other MNCs to Ireland. The country possesses a well educated workforce. Compared to many "Third World" countries the state superstructure is relatively transparent and free from unnecessary entangling forms of corruption with its need for bribes at every turn. The MNCs invariably praise the Irish state for its fast response for assistance. Moreover, Ireland has a developed communications system and – especially important for the US companies – it is inside the 350 million strong EC market.

But the bottom line for MNC involvement in Ireland is profit. Ireland is a very profitable place to do business in. The superprofits made by many foreign MNCs in the South are exemplified in chemicals, pharmaceuticals, electronics and computers which are the capital intensive pole of foreign industry.²⁸ Here the super profits are primarily due to a very high productivity that is rooted in advanced capital intensive technique which allows the amount of labour time per day needed to cover the value of the worker's daily wage to be reduced below average international standards. In the mid 1980s net output per person engaged in foreign owned industries was £42,500 whereas in domestic industry it was £17,000.²⁹ This differential reproduces structural inequality and prevents Ireland's domestic industry closing the gap.³⁰ The rates of

return on investment recorded by the subsidiaries of the US MNCs in the EC countries in 1983 for example were:³¹

Belgium	3.2%
Denmark	9.55%
France	1.6%
Germany	9.5%
Ireland	24.0%
Italy	9.75%
Holland	0.2%
Britain	3.1%

The following table gives a picture of average yearly profit rates for leading US MNCs and leading non-MNCs for most of the 1980s:

Year	US leading MNCs	Other MNCs
1983	27.85	10.53
1984	34.73	12.35
1985	32.43	11.58
1986	32.32	12.65
1987	31.81	16.31
1988	32.58	15.79
1989	31.14	16.15
1990	36.82	14.72

Central to this profitability³³ is the low tax regime exercised by the Irish government. All MNC profits are

²⁷ The net foreign exchange earnings of the foreign companies is roughly three times that of indigenous industries.

²⁸ The labour intensive and low wage pole of foreign industry e.g. McDonalds, state-of-the-art production methods are a subordinate factor in generating their super profits—the dominant factor being relatively low and in many cases sweat shop wages which are enforced by a combination of denial of union rights, mixing of big numbers student casuals with mostly very young full timers and the use of flexi-time as a divide and rule device.

²⁹ R Munck, *The Irish Economy*, London 1993, p155.

³⁰ However that here too relative wage rates contribute to super profits in Southern Ireland can be seen from the fact that on average such rates are half those paid in West Germany.

³¹ Source: Survey of Current Business, US Dept of Commerce, 1984 and Jim O Leary, *Sunday Tribune* 4/11/84

³² Source: Denis O'Hearn "Global competition, Europe and Irish peripherality", *Economic and Social Review*, Jan 1993, p183. The annual average rate of return on all US manufacturing investments in Ireland between 1982 and 1988 was 24.1%. This was the highest rate of return in the EC by far. Portugal ranked second with a 10.4%pa rate of return.

³³ It can be argued that the above figures exaggerate the haemorrhage of profits sucked out of the South. This is because the figures do not take account of the transfer pricing. The goal of each MNC is to maximise for accounting purposes the amount of profits generated within low tax countries, thereby enhancing the global total of retained profits after tax. However, the MNCs guard their swindling of the world with a whole panoply of legal and repressive measures making it almost impossible to get to the bottom of this phenomenon and assess its real scale. This is the reason that the very latest book on the Irish MNCs can say no more on transfer pricing than "The magnitude of its impact is unclear". Foley (ed.), *ibid*.

only taxed at 10% until the year 2010. Other incentives include capital investment grants, R&D and training grants, rent subsidies for locating in certain regions and assistance with in site location.

State Capitalism and Protectionism

The Irish bourgeoisie was not of one mind behind Fianna Fail in the late 1950s when it formulated its new economic programme that placed foreign investment at the centre of national development. As Bew and Patterson have pointed out concerning the debates around the First Economic Programme of 1958-59.

But in fact there was a major division between the type of economic programme envisaged by Whitaker and that implemented by Lemass. Lemass made it clear that he was prepared to stake Fianna Fail's political future on policies of a Keynesian type and to make a virtue out of annoying just those sections of the power bloc – the banks in particular – who would find little to fault in Whitaker's prescriptions . . . The First Programme was not the product of a modernising partnership between Lemass and Whitaker – if it had been implemented as planned it would have represented a victory for the line of financial orthodoxy and these sections of the power bloc which supported it – the banks, the export-oriented section of the domestic bourgeoisie – and the large farmers. At issue here was not modernity versus tradition but rather two different forms of capitalist development. One embodied in Whitaker's document was liberal, hostile to all impediments to the free working-out of market forces. The other, the 'Lemass line' was concerned, in Mao's words, to 'put politics in command', to pursue those economic policies suitable for the construction of a hegemonic relationship to the working class.³⁴

The abolition of protectionism and the opening up the economy to foreign investment were not synonymous. Although Foreign Direct Investment (FDI) was to be the most dynamic sector of manufacturing and dominate exports it was not the only commercial industrial sector. The semi-state sector today accounts for the same proportion of total employment (7%) in Ireland as do the MNCs. Nor was industry the only sector of the economy that mattered to the Irish bourgeoisie. Agriculture still employs over 10% of the workforce and enjoys considerable protection from the chill winds of the open market. Native private manufacturing and semi-state commercial activities were fostered and protected by tariffs, secured markets or price subsidies, something that

continues to this day. Moreover, the state oversaw the growth of significant non-productive sector activity that employs many thousands.

In short, the Irish bourgeoisie did not simply hand over the country to imperialism in the 1950s. It attempted to harness FDI to national economic development and retain control of important levers of capital accumulation via the state machine to foster economic growth and the development of themselves as a class. How far they have been successful is another matter. The precondition of the success of native capitalism that survives within the home market has been some form of protection or the enjoyment of some natural monopoly. Farming and the domestic food industry are classic examples of this.

Farming Capital

There have been significant improvements in farming since the open door and particularly since entry into the EC. The extending of British deficiency payments to Irish farmers and their co-ops in the mid 1960's gave them a boost. British deficiency payments were a method of state subsidisation for British capitalist farmers. If market prices for their goods fell below a certain threshold, the price was made up from state subsidies.

However, this concession was small fry in comparison to the "golden age" which EC entry opened up to them after 1973. The pivot of this new age for farmers was the Common Agricultural Policy (CAP). CAP gave virtually unlimited access to its intervention system to all the cattle milk and grain Irish farmers could produce. In addition, it gave monopoly prices for these three times the world market price, export subsidies and a vast set of grants and premia.

The effect of the CAP was to significantly lift European agriculture out of the business cycle so that the long post war boom which generally came to an end in the early 1970s lasted effectively till the mid 1980s in agriculture and is only now coming to a certain end. All over the EC a new layer of land came into production. This was a layer on which the average rate of profit couldn't be realised previously, on the basis of its natural endowments and/or its techniques of production. Now this could be done. It was now possible to make the average rate of profit on the worst land. The result was that a vast system of profits above the average was made on all land above this new worse layer.³⁵

³⁴ P. Bew and H. Patterson op cit, p194-95.

³⁵ These profits—superprofits—are called differential rent by Marxists.

The effectively unlimited "market" for cattle, sheep, beef, mutton, milk and grain benefitted all farmers but especially capitalist farmers with 80% of the benefits in Ireland going to the top richest 20% of capitalist farmers. However, even the bottom layer of non capitalist farmers benefitted from the unlimited markets, monopoly prices, export subsidies and the vast set of farmer grants and premia, supplemented by the small farmer's dole. In effect it meant an unprecedented improvement in the living standards of all farmers and their families in the Republic.

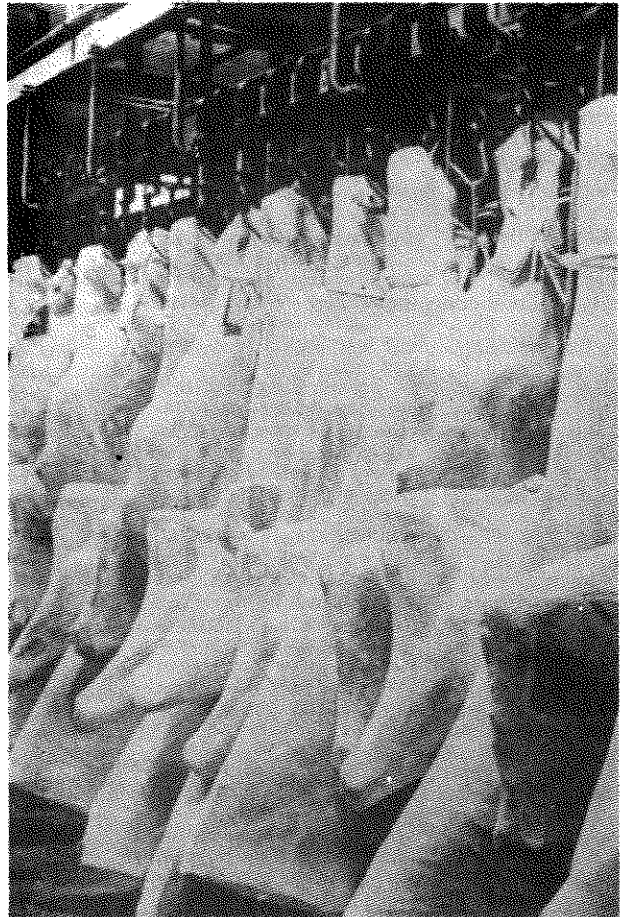
It boosted accumulation of capital on the land in terms of quantity and quality and drove up the the amount of capital invested in land, cattle and machinery in relation to that spent on paying agricultural labour. That is to say it brought in its wake an unprecedented rise in the organic composition of landed capital. This was expressed in the use of new and better farm machinery of all types.

It was also expressed in an unprecedented use of artificial fertilisers which greatly improved land productivity. There was a rapid and massive introduction of new herds of genetically refined cattle, pigs and to a lesser extent sheep. Better seeding of grassland and grainland and climate neutral methods of fodder production (e.g. silage) were introduced. Scientific and managerial advice became available, aimed at improving the productivity of the land complemented by a great expansion of farmer education – even if this could only be availed of primarily by capitalist farmers.

Notwithstanding all these improvements, Irish farming has in general not escaped its backwardness. While Ireland participates in and draws benefit from the subsidised prices and the intervention access of the biggest imperialist bloc in the world – the EC's CAP regime – nevertheless, these benefits have not succeeded in lifting the South's primary agriculture into the advanced capitalist league. Moreover, while protection has allowed capital accumulation for Irish farmers it is doubtful whether it has been used to effectively enhance the productivity sufficiently to compete in internally open markets. Irish primary agriculture is characterised by an extreme dependence on intervention, by an effective absence of market in land, by deep seasonality and an age structure for farmers among the oldest in the world.

The South relies on EC intervention as the "market" destination of the output of the land. As late as 1991 50% of both beef and milk output was put into intervention. Southern Irish farmers rely much more heavily on beef intervention than any other EC member. Since Ireland joined the EC in 1973 over 20% of the beef bought up under the intervention scheme has come from Ireland – one of the smallest EC countries and at the end of 1992

one third of all community intervention beef was Southern Irish.³⁶ This in effect means that in a very important sense the South is being kept on as an agricultural backyard of EC imperialism in the way it was a backyard of British imperialism prior to EC entry – with the one significant difference being that farmers are not exploited by the bad terms of trade as they were when they depended exclusively on the British market but receive prices for their produce on average one and a half times the prevailing world average price from the EC's CAP.



■ Part of the cold store at Anglo Irish in Cahir, one of Tipperary's biggest employers.

A further index of Irish agricultural vulnerability is the extreme cyclical character of the South's output of its two main products beef and milk. There is a ratio as high as 6

³⁶ Roughly the same picture holds for milk. The unprecedented scale of sale into intervention in the South and its ill effects on jobs here is accentuated by the scale of sale of live animals to Scotland and the Middle East—a right of sale which the Irish farmer lobby has always jealously defended as it is an alternative sales outlet to the cattle and sheep marts and the meat plants. Therefore, it prevents the mart merchants and meat plants from closing a monopoly set up, and keeps the prices up for the farmer.

to 1 between peaks and troughs in beef production and many multiples higher in milk production – factors which condemn the proletariat in milk processing and meat plants to seasonal lay offs every year.

In the imperialist countries a qualitative advance has been made in introducing factory methods of production for cattle and milk. For example, in the USA, factory methods of slat production intensively feed up to a thousand bullocks, with silage and grain, as if the bullocks were broiler chickens in an Irish broiler factory. Under such conditions, farm production is liberated from the cyclical patterns of nature. Slat production is exceptional in Ireland in the most important sections of farming (cattle, sheep and milk production) even if it is the norm in poultry, egg and pig production.

The Southern State is aware of both these features and has developed devices – e.g. the recent winter feed premium – to counter them. But the success of such measures is likely to be very limited as the majority of farmers will continue with the tradition of just exploiting the natural advantages Ireland has in grass production. Once again, the State not private capital, in the context of the effective end of intervention in the second half of the 1990s will be forced to intervene much more ruthlessly than previously in farming to ensure profitable accumulation in agriculture.

A further aspect of Irish agriculture's semi-colonial backwardness is that the market for land in Ireland is amongst the most static in Europe, if not in the world. This impediment holds back the concentration and centralisation of landed capital, a condition for improving productivity and profitability.

A high proportion of farmers hold onto land until very old for two reasons. In the first place, farming is a way of life and abandoning it is understandably experienced by the farmer as a radical loss of social status and purpose as well as an abandoning of land, which took centuries long to win from the foreigner. Secondly, this factor is further strengthened by the absence of attractive retirement structures and land taxes. In Irish farms, therefore, the norm is for the old to lord it over the young with ill effects on productivity³⁷ and the general social ethos of farm and rural life.

³⁷ While the South is far from being the bottom of the EC league table with respect to farm size (Ireland is in fifth place with an average farm size in 1992 of 26 hectares—about 62 acres) if one took intensity of land use as measured by output per hectare, then Ireland would be very close to if not at the bottom of the EC 12. This is because its land use is overwhelmingly for the production of cattle and sheep for meat and dairy cows for milk. It relies very much on natural advantages Ireland has for grass production. That is to say it is characterised by an extremely extensive and therefore cyclical as opposed to intensive and therefore counter cyclical land use.

Irish Native Manufacturing

The food sector is one of the best survivors in native industry under the open door. It is the one area where native manufacturers dominate ownership and exports. Between 1980 and 1990 the food sector accounted for 21% of manufacture valued added in the Irish economy.³⁸ Of the native food sector the dairy food division is the most successful in terms of profits, general growth, improvement in technique and productivity. It has even spawned native MNCs.

The dairy sector has, through processes of concentration and centralisation, crystallised out into five key dairy food companies. These are in descending order of size: Waterford, Kerry, Avonmore, Golden Vale and Dairygold. This sector has to a large degree developed beyond its old co-op structure and has grown into publicly quoted companies. These are supplementing what is still a minority shareholding of equity from non farmers with loan capital from the banks. As the cheapest credit can be got from foreign banks their foreign borrowing is rapidly outstripping domestic borrowing. This trend is destined to seriously undermine the nativeness of the most native – the co-ops. It is a trend likely to be strengthened by their subordination to European food giants as for example Waterford's franchise relations with Yoplait.

The non-dairy sector is dominated by cattle and sheep slaughter (and their primary processing) and sugar processing, in that order. Similar processes have been operating here as in the dairy sector if less intensively. The upshot in the beef and mutton sector has been a rapid process of concentration and centralisation ending up with a handful of large companies: Goodman, Avonmore (meat wing), Purcell (primarily live exports), and Kepac lamb slaughter. Whereas the dairy sector was collectively shared by farmers from the start the meat sector was not so. Almost all of the meat plants and companies are family fiefdoms, carved out by one of the most ruthless sections of the Irish bourgeoisie – the meat barons. This means they do not issue shares in the Stock Exchange. In this they are like most Irish companies, which remain tied to the past, with the family jealously guarding its inheritance from invasion

³⁸ This compares to 15% for chemical and 27% for electrical and non-electrical machinery—both mainly foreign owned.

from general shareholders with its ever present danger of takeover.³⁹

The native food industry is still backward when compared to the most advanced food companies in imperialist countries. The big majority of the processing of the two dominant raw materials – cattle, sheep – is crudely primary processing into carcasses to be hung up in gigantic EC intervention stores. Milk output shares a similar fate piled high into mountains of skimmed milk powder. The scale of this sector in Ireland is tiny by the standards of EC food giants such as Yoplait, Unilever, BSN, Nestle and Ferruzzi. They still are at the level of crude primary processing and have not experienced growth into the higher value added sectors such as food processing in the way countries such as Denmark have.

In Ireland, primary processing was the most immediately profitable and least risky for Irish farmers and the associated food companies. To expect them to definitively break out of this, would be to expect a sector – food – based on the most hidebound capitalists, namely farmers, to challenge the world monopoly that the food giants of the ‘big seven’ had over food markets, over advanced R&D in food. No one in this sector seriously envisaged taking up this challenge. They knew the lie of the land.

The food sector – like agriculture – is characterised by dependency on intervention, financed by the EC bloc as well as subsidies of exports to foreign markets.⁴⁰ The majority of native manufacturing that survived the full blast of the open door, are deeply dependent on the home market, where they sell two-thirds of their output.⁴¹ Half do not export at all. In 6 of the 10 industrial sectors analysed in the following table Irish market sales account for 50% or more of output.

Sectoral Analysis of the Structure of Irish Industrial Production

	Total Gross Output	Irish Market Sales as % Gross Output
Non-Metallic		
Mineral Products	661,031	48%
Chemicals		
(incl. man-made fibres)	1,647,936	20%
Basic Industrial		
Chemicals	382,898	51%
Pharmaceuticals	858,601	4%
Chemicals, remainder	406,436	26%
Metals & Engineering	4,678,449	17%
Production & Preliminary		
Processing of Metals	138,040	33%
Manuf. of Metal Articles	482,445	60%
Mechanical Engineering	403,906	25%
Office & DP Machinery	1,772,649	20%
Electrical Engineering	1,206,145	10%
Manufacture & Assembly		
of Motor Vehicles	102,556	69%
Manufacture of Other		
Means of Transport	159,448	68%
Instrument Engineering	423,220	28%
Food	5,343,037	55%
Slaughtering Preparing		
& Preserving of Meat	1,658,908	50%
Manuf. of Dairy Products	1,677,564	63%
Grain Milling & Animal		
Feeding Stuffs	517,249	92%
Bread, Biscuits and Flour		
Confectionery	214,768	95%
Sugar, Cocoa, Chocolate &		
Sugar Confectionery	358,393	49%
Other Food	916,158	23%
Drink & Tobacco	672,234	69%
Textile Industry	443,072	30%
Clothing, Footwear	351,110	50%
Timber & Wooden		
Furniture Industries	278,210	72%
Paper & Paper Products	213,855	82%
Miscellaneous Industries	715,269	52%
Total All Manufacturing Industries	15,391,420	41%

Source: *An Analysis of the Structure of Industrial Production in Ireland*, Irish Goods Council, 1990.

The “Bread, Biscuits and Flour Confectionery” sector have 95% of its sales in Ireland; Grain Milling & Animal Feeds with 92% of its sales are in the home market; Paper & Paper Products, Printing & Publishing have 72% home sales; while Drinks and Tobacco have 69%.⁴²

³⁹ Probably due to this as a primary factor, they are financed by bank loans much more than the dairy sector. Thus when Goodman was put into administration it had a debt of £670 mn and of this only £28mn was owed to native banks. He is therefore in hock to imperialist finance houses to the tune of £642 m. His gearing may be in 1000s. And this opens the main meat companies to the danger of a takeover perhaps using a debt equity swap similar to the General Electric takeover of GPA.

⁴⁰ While this has allowed a significant capitalist class to emerge in this sector behind protected walls it also means that its future prospects are in the hands of developments that originate primarily within the imperialist nations of the EC.

⁴¹ Of the small firms with less than 50 employees, 82% of their output is sold at home. Even for the “large” indigenous firms, employing 100+ people, 60% of their output is sold at home.

⁴² In contrast, metals and engineering—predominantly foreign—sell only 17% of its produce here. Chemicals (including man made fibres) also overwhelmingly foreign, sells only 30% of its product here.

Almost all of these latter are indigenous businesses enjoying strong natural protection of various kinds – a natural protection which gives them, despite their puny scale by world standards, significant resistance to foreign competition. This “natural protection” derives from the fact that the industry is concerned with low value added basic processing activities, which use locally supplied inputs and have an important natural competitive advantage. This is because transport or logistical costs would generally be large in relation to value added even if they represent only a small fraction of the value of final output.⁴³

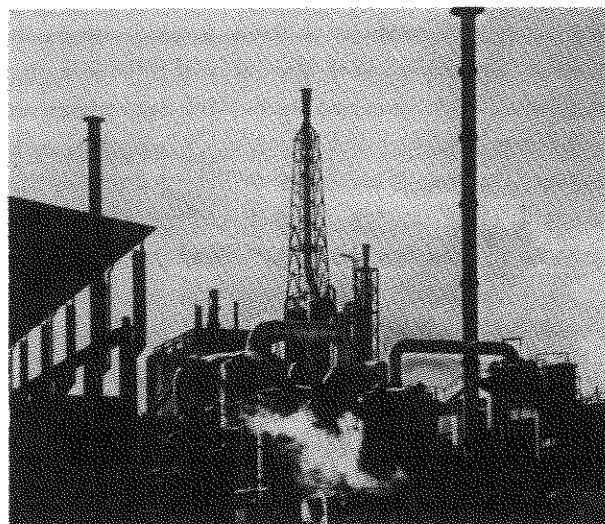
The State Sector

The state-sponsored commercial enterprises play a very significant role in the Irish economy. They have a major involvement in important sectors of the economy (telecommunications, energy, and transport). They have also a minor involvement in banking, insurance and financial services,⁴⁴ manufacturing industry and tourism.⁴⁵

Semi-states companies currently generate more than 10% of GNP⁴⁶ and employ about 73,000 people, almost 7% of total employment in the Republic. This is as much as those employed by foreign MNC plants in Ireland.⁴⁷ Four of these semi-state enterprises – Telecom Eireann, An Post, CIE and the ESB – are the largest employers in the republic.

The relative weight of the state capitalist sector in the Irish economy – and in the formation of an independent Irish ruling class – can be judged from the level of state expenditure that has been built up in order to finance the operations of this sector of the economy. As a proportion of GDP state expenditure is well above the OECD

average. This reflects the weakness of the bourgeoisie that emerged out of the war of independence and the civil war and who had to make great use of the state as a motor of capital accumulation.



■ State fertiliser plant of the 1970s (NET), failed in competition with the multinationals and is now a subordinate part of a consortium.

The Development of Irish MNCs

Several of the top indigenous manufacturing companies have in the open door period and especially since EC entry developed into Irish multi-nationals.⁴⁸ A number of native industrial firms grew rapidly in the wake of the accelerating wave of inward foreign investment and EC funds. However, a ceiling was soon placed on the growth of the most successful and dynamic native industries because of the tiny scale of the home market even if this ceiling, due to the increased dynamism of open door Ireland, was much higher than the one that de Valera's protected industries came up against.

Compared to other semi-colonies that have experienced significant FDI led industrialisation in the 1960s and 1970s (eg South Korea) Ireland has possessed a very restricted home market within which native industry could flex its muscles, develop alongside the foreign MNCs and build up economies of scale behind protective walls. Compared to a home market based on a population of 40 million in S Korea and 70 million in Mexico the Republic's home market, based on a population of 3.5 million is puny – even when the greater per capita effective demand in the South is taken into account.

⁴³ If, for example, logistical costs for imports amount to 5% of a products value, and the value-added to materials in processing the product is low at say 10%, then logistical costs for imports would represent 50% of value-added. This means that a local producer with a ready supply of inputs can run a processing operation for the domestic market competitively even if its processing costs are up to 50% higher than for foreign competitors.

⁴⁴ Minor now that Irish Life is privatised.

⁴⁵ A minor role, that is, save for marketing-promotion through Bord Failte.

⁴⁶ The aggregate accounts of 21 state sponsored commercial enterprises for 1990-91 show that net profit of this sector was £IR200mn on an aggregate turnover of £IR5.5bn. This level of profits is about one-sixth the current level of profits repatriated abroad by foreign MNCs from their operations in the Republic.

⁴⁷ Of course, if we add the numbers employed in the non-commercial state sector then the numbers employed rises to 200,000 plus.

⁴⁸ Even parts of the semi-state sector (e.g. ESB) have developed minor international operations.

This puny market of the South is in the first instance a product of the effects of British and world imperialism. Britain suppressed native industry with the Act of Union in 1801. When, as a result of the industrial revolution Britain became the workshop of the world during the nineteenth century, the logic of capital accumulation in Britain dictated the turning of Ireland into an agricultural back garden of Britain which was to perform the role of aiding British capital's profitability by supplying cheap wage goods.

Under this logic the whole of Ireland with the exception of the Lagan valley was turned into a backward agricultural region of Britain – i.e. a region engaged in extensive farming. The logic of this development produced the famine of the mid nineteenth century when the population was cut in half – from 8 million to 4 million. At partition this population was again cut leaving the South with 3.5 million today after continuous emigration. The home market the South was thus left with was miniscule, constituting a recurrent source of stagnation.

After partition, with only two short let ups – 1939/1940 and 1971/1977 this mass emigration continued further draining the home market mainly due to the collapse of much of domestic industry in the open door years which was not compensated by job opportunities that came with FDI. One further factor needs mentioning. Despite the high per capita income of Ireland it hides significant inequality of income distribution which distorts the nature of domestic demand. Over one third of the South's population today live below the poverty line. Small wonder then that any of the native companies who have succeeded have done so centrally by going international and breaking out of domestic strait-jacket by identifying niche markets abroad.

Niche strategies are aimed at areas where a competitive advantage can be staked out. They have the advantage that they do not necessarily require massive economies of scale. For example, Cement Roadstone Holdings (CRH) found a niche in its Klinkerwerke – specialised building bricks – production in Germany. Mc Inerney found a niche in middle price houses in the boom period of building in Britain in the 1980s. Smurfit operates in two special niche areas; paper and packaging. Food companies were able to have success in particular product lines that were differentiated in niche segments e.g. Avonmore – mozzarella cheese, Golden Vale – processed cheese, Kerry group – US specialised food ingredients, Waterford Foods – Bailey's Cream base (ingredients) and Leerdammer production of a new type of continental cheese.

Niche Strategies

It was a logical outcome of successfully finding such niche markets, to go on to re-locate production abroad to supply them – the first step towards becoming a native MNC. Only a minority of groupings of the South's native industries have thrown up an Irish multinational – three to be precise: paper & packaging (Smurfit); electrical installation (Kent); and building and building supply (CRH). Smurfit is the most developed of these three, quantity and quality wise and also the only one to develop strongly in the third world – Latin America. There it developed through a savage regime involving Indian land robbery and spoliation, (Colombia) environmental barbarism and raw material plunder and union bashing with the aim of driving down wages and guaranteeing super profits. Kent, the only “transnational” electrical contractor, is largely at the mercy of the sub-contract work allocated to it by the imperialist MNCs (e.g. Laing, MacAlpine).

Capital flows abroad from the South have grown rapidly of late. In 1989 capital investment abroad amounted to £1,870 million, that is, 8.8% of that year's GNP and only went down slightly in 1990 to £1,814 million i.e. 7.9% of GNP. Total private and residual capital for the six years up to 1989 added up to a hefty sum of £5,748 million. How to explain this surge? Some of it is accounted for by the fact that in recent years the small MNC sector of Irish industry have exported a growing quantity of capital. As long as six years ago Damien Kiberd estimated this as £50 million a month.⁴⁹

Yet alongside this, but difficult to disaggregate in the official figures, is a renewed tendency for financial institutions to place their funds abroad precisely because the opportunities for profitable industrial investment in Ireland by loaning money to MNCs in the open door period, may have exhausted itself and we are seeing a return to a desire on the part of the big financial institutions to invest in foreign equities and gilts again.⁵⁰ The easing of exchange controls and the consequent portfolio diversification strategies pursued by money managers is responsible for the rapid growth of the number of Irish publicly quoted companies investing outside Ireland to reap profits greater than they can get inside.⁵¹

49 *Sunday Tribune* 2/9/87

50 First noted by Meenan in 1966.

51 As one study has noted; “Most of the increased business of the last few years has gone into the acquisition of foreign assets rather than into domestic capital accumulation. The household sector too has been accumulating net foreign assets”, *ESRI Bulletin*, Summer 1993, p17.

The likelihood of any of the Irish multi-nationals developing into independent fully fledged international combines comparable to those of the big seven is negligible. Their destiny within the EC bloc – and it is in this bloc that the lion's share of them have any future – is one or another of two paths. Either they will function as subordinated niche producers, puny on a world scale; or they are destined to become very subordinate parts of a chain of EC giant combines, fashioned through take overs, acquisitions and mergers to take on and outcompete the MNCs of the US and Japan blocs. Already, foreign ownership of Smurfit shares has risen from 5% to 30% since 1989 while foreign ownership of CRH shares now accounts for 33% compared to 7% in 1989.

And any manufacturing sectors who survive into this future are destined to end up as part of the continentally stretched out production lines of the EC multi-national giants involved – with rare exceptions – either in primary processing or in relatively low value added operations. What we have here then is the half emergence of a small set of Southern multi-nationals, only a tiny fraction of which reap super profits from exploiting the workers of third world countries other than Ireland, e.g. Smurfit; and which are destined to either subordination to or take over by the MNCs of the big seven and especially of their EC sub division. None are on stream to displace foreign investment in the key technological sectors.

The Effect of Inward and Outward Foreign Investment

The domination of manufacturing in the Irish economy in the open door and the domination of foreign fixed capital within manufacturing has undoubtedly had crucial effects in reproducing Ireland's subordinate position in the last thirty years. Exploitation in a semi colony is an antagonistic process of wealth creation in which foreign capital combines with the semi-colonial bourgeois state to draw off surplus value from the workers. Large amounts of surplus value is sucked out of Irish workers by the foreign combines and is sent abroad in the form of repatriated profits.

But this profit drain – estimated recently as amounting to 8% of GDP in 1993⁵² – has to be set against the fact that for certain periods the total stock of capital (new investment minus depreciation) may increase

at a faster rate than the mass of profit repatriated abroad by MNCs.⁵³ This was certainly the case in Ireland at least in the early 1970s. If firms are investing more than they are repatriating then it is likely that there will be extensive as well as intensive capitalist development. The net effect of this extensive development of capital investment could well be a growth in the total size of the labour force actively employed. What then is the overall effect?

O'Hearn has argued that capital formation in Ireland was impressive as a result of FDI in the 1960s and 1970s. But then it tailed off as its positive effect gave way to negative effects that followed in the wake of the collapse in domestic capital formation so, for example, whereas in the years 1955-72 capital formation in manufacturing in Ireland was 11.3% pa it was only 1.6% pa in the years 1972-85.⁵⁴

It is a nationalist illusion to conclude from this, as O'Hearn does, that the overall effects of MNC investment in Ireland had negative consequences for overall Irish economic growth since growth would have been higher without FDI in the long run. He argues that this is because the early positive effects of foreign investment on growth in the 1960s gave way to a fall off in this investment which had by then destroyed domestic investment. Consequently, the latter could no longer substitute for the fall off in MNC investment rates.

This naive pro-bourgeois argument fails to recognise the utter stagnation that Ireland's industry had fallen into as a result of protected operation in the limited home market by the 1950s. While remaining true to the logic of the capitalist market place the Irish bourgeoisie simply would not have had access to the markets or capital reserves to have built up internationally competitive industries in internationally traded goods and services without opening its door to FDI. It would have stayed mired in low growth, high unemployment, high prices, poor quality output.

Let us look at the way capital movements have served to do this. O'Hearn states:

⁵³ It is natural in modern capitalism for the lead times of most investments to ensure that profits will be below the scale of new investments.

⁵⁴ OECD figures suggest that the percentage of FDI in Irish capital formation was the highest of any OECD country in 1976-80, was still twice the OECD average in 1981-86 but in the period 1986-90 was near the bottom of the table. This probably expresses both the fall off in MNC investment and the increase in state investment. O'Hearn's figures for capital formation understate the increase in Irish state capital formation because they only quote manufacturing, which excludes a lot of state commercial activity.

⁵² See *The Guardian*, 31 January 1994.

Foreign penetration may tend to cause an outward flow of capital from the LDCs to the core, reducing the availability of local funds for economic development . . . The specific ways that the TNCs absorb capital from the LDCs include the repatriation of profits and royalty incomes from subsidiaries and overpricing of intermediate goods. At the same time, the extent of capital inflows may be substantially overestimated to the extent that foreign investments are financed by local grants, subsidised loans and other inducements.

To take the last part first, it is unquestionable that the Irish state has offered a very generous set of allowances and inducements in order to attract MNC investment into the country.⁵⁵ These were concessions so generous that top MNC executives felt it hard to believe initially that they were genuine. O'Hearn estimates that the Irish state actually paid between 1954-82 some 28% of new MNC investment through its capital grants.⁵⁶

In the early phase of FDI the actual increased stock of capital outweighed the flow of repatriated profits as the lead times on big capital projects can be years. Yet in the period 1970-82 repatriated profits exceeded investment by £1R1bn; indeed, the volume of repatriated profits for 1985 alone exceeded the total (non granted) FDI for the whole period 1970-82.⁵⁷ Indeed, by 1982 the ratio of investment to profit repatriation fell sharply from 94% in 1970 to 23.9% in 1982.⁵⁸ The growth of the capital stock in Ireland was thus less than it would have been but for this high level of repatriation. Its use for investment in the MNC country or elsewhere helped to reproduce the relative disparity between the economic performance of Ireland and the imperialist countries.

The effects of foreign capital investment on native capital and the effects of profit repatriation clearly help

reproduce Ireland's semi-colonial subordination. But to what degree is this offset by other (non FDI) financial flows into Ireland? These are relatively recent in origin and are of two kinds: profit repatriation from Irish capital invested abroad; and various grants and subsidies from the EC. The first indicates the relatively *advanced* state of those sectors of Irish industry and banking that grew in the open door period on the backs of the rapid expansion of foreign MNC investments. By the 1980s these sectors (e.g. construction, packaging) themselves outgrew the limited and constricted character of the Irish market and expanded abroad.

The second phenomenon indicates the relatively *privileged* character of Ireland as a semi-colony. Ireland enjoys grants for agricultural price support and infrastructural development. Of course, as important as these grants are in mitigating and alleviating aspects of Ireland's social condition (put another way, prevent the semi-colonial servitude appearing on the surface of society in the form of growing absolute impoverishment) they are at the same time a symptom of Ireland's dependency upon imperialist capital for its development. They merely mask Ireland's semi-colonial condition to a certain extent.

The key decisions on the nature and scale of its handouts are decided by the cabinets and boardrooms of the EC members of the G7. These grants are conditional and also have to be seen as revenue enhancers for the Irish treasury. They change nothing of the fundamental nature of the relations of exploitation and capital accumulation and reproduction inside Ireland. We have shown above how some of this revenue from the EC may be simply recycled in the form of grants to MNC capital. But leaving this aside what is the net effect of all the financial flows in the current account?

In the CSO tables above⁵⁹ "net outflow of trading and investment income" is disaggregated into "profits, dividends, royalties etc; national debt interest; and "other". We then also include the figures for EC aid and compare the net position.⁶⁰

We see from these figures that although both profit repatriation and compensatory grant inflows from the EC have both been rising – as have domestic profits from

⁵⁵ In the last analysis these slavish concessions to imperialism were made at the expense of workers and the poor who had to bear increasingly punitive rates of direct and indirect taxation in order to sustain these grants.

⁵⁶ See Dennis O'Hearn, "The Irish Case of Dependency: an Exception to the Exceptions?" in *American Sociological Review*, 1989, Vol 54, p583. This probably underestimates the state's contribution to industrial investment of MNCs. Mc Aleese, in his analysis of the state's contribution to grant aided industry in Ireland in the period 1952-1972 gives a figure for the state's contribution of 47%. cf Study of Grant-aided Industry in Ireland.

⁵⁷ O'Hearn cites evidence that maximum of 20% of profits were reinvested in 1970s and in 1980s, more typically 6-10%. See page 330, *ibid*.

⁵⁸ O'Hearn, *op cit*, p583 O'Hearn calculates that between 1970-82 the total stock of accumulated MNC investment amounted to £1.38mn; in contrast the accumulated capital in the same time period that was reinvested by MNCs was only £0.17mn or 12% of the total stock. Meanwhile, £1.96mn of profits were repatriated by MNCs during 1970-82 which amounts to 140% of capital stock.

⁵⁹ The CSO have only begun to formally publish these figures from the mid eighties. But it is possible to get reliable figures for all basic variables in the above tables that go as far back as 1976.

⁶⁰ Source: CSO Balance of Int. Payments & Current Account & Official Journal of European Communities. In the tables and analysis we take the net outflow of trading and investment income from the CSO's Balance of International Payments—Current Account—cross checked against the figures in the Official Journal of European Communities.

Net Outflow of Trading & Investment Income

Year	1976	1977	1978	1979	1980
EC transfers	228.3	469.2	414.9	629.3	826.5
Souths conts to EC	49.8	87.7	87.7	337.4	139.3
Net EC transfer	178.5	381.5	327.2	291.9	687.2
Trad/Inv Income	-28.5	-114.0	-234.0	-290.0	-367.0
Flow net of EC transfers	+1500.0	+167.5	+93.2	+1.9	+32.2

	1981	1982	1983	1984	1985
EC transfers	717.0	880.0	1,026.2	1210.4	1548.7
Souths contb to EC	158.9	208.5	269.6	286.3	296.4
Net EC transfer	558.1	671.5	756.6	-924.1	1252.3
Trad/Inv Income	-516.0	-938.0	-1196.0	-1651.0	1979.0
Flow net of EC transfers	+42.1	-266.5	-439.4	-726.9	726.7

	1986	1987	1988	1989	1990	1991	1992
EC transfers	1573.9	1438.0	1487.5	1717.7	2260.7	2460	2244
Souths contb to EC	343.8	337.5	328.2	370.9	368.2	490	504
Net EC transfer	1230.1	1100.5	159.3	1346.8	1892.5	1970	1740
Trad/Inv. Income	-2033.0	-2128.0	-2678.0	-3249.0	-3147.0	2880	3173
Flow net of EC transfers	-802.9	-1022.5	-1518.7	-1902.2	-1254.5	-910	-1433

foreign investment – a point was reached in the mid-1980s when net profit repatriation began to significantly outstrip grant inflows. It was around the same time that private capital inflows began to taper off while domestic capital outflows have increased. EC transfers are now set to increase further to a rise in the structural fund support of about £7bn over the period 1993-98.

Continued net outflow would be a problem for the Irish bourgeoisie. It could lead to serious balance of payments problems, impede its ability to sustain grants to the MNCs and its commitment to provide a degree of social stability to the working class through welfare. Twenty years ago when foreign investment was high there was a net inflow. In the mid 1990s Ireland's economy is characterised in financial flow terms by a low level of foreign investment, high levels of foreign profit repatriation, substantial foreign grant aid into the Irish economy, substantial grant aid to foreign enterprise and rising domestic investment abroad. This combines at this time to produce a net outflow of capital. Over the rest of the decade profit remissions into Ireland by Irish MNCs may well rise as will the level of grant aid from the EC. Profit repatriation by MNCs to their home base could well fall away as investments mature and are not adequately replaced.

Foreign industry sits on top of the native economy like a layer of oil on water, booming but with little interaction with the economy resting beneath it. Of the approx 1,000 MNCs in the Republic, only about one

quarter buy materials from indigenous firms, preferring instead to rely on inputs imported from abroad.⁶¹ Various surveys of the Irish economy show that the ratio of locally purchased inputs to MNC output in electronics, pharmaceuticals and healthcare products ranged from 13.1% to 13.7%.⁶² Hence domestic firms are not encouraged to produce these supplies and the development of the national bourgeoisie is stunted. Forward linkages are few also, as foreign MNCs export the majority of their products without them being fed into further manufacturing production within the South.

Uneven Development

The tendency – not unique to Ireland – is for the imperialist MNCs to parachute in a “commodity”, have a fraction of its manufacture done in Ireland before re-exporting the commodity so that other fractions can be done elsewhere. Naturally, therefore, local firms are not set up to produce a finished commodity.

Where linkages do exist and cannot be avoided – the link between Irish semi-states and MNCs – the former are

⁶¹ Native industrial firms, on the other hand, source almost 70% of their materials here.

⁶² See D. O'Hearn, *The Irish Case of Dependency*, op cit, p585. Compared to other industrialised semi-colonies such as Brazil or Mexico this is an exceptionally low level of backward linkages.

subordinated in terms of the structure of their output and the prices of their inputs and outputs. More and more concessions are being forced from the semi states by MNCs in the South in terms of special energy/telecommunications etc. prices and supply structures. The energy price and supply relations between the ESB and Alcan/Aughinish Alumina, the relations of cheap supply of telecommunications by Telecom to the US imperialist hotel chain Carlson and the US insurance combines who are beginning to contract out secretarial work to Irish contract temporary home workers are all examples of these prices and supply structures effectively kept in the hands of the MNCs of the big seven.⁶³

With such low linkages within the booming foreign export sector the performance in the domestic economy remains poor and the low level of job creation reflects this. While foreign investment boosts exports and trade balance figures, with low backward and forward linkages, it contributes little to the growth of other sectors or employment growth. Stagnation in indigenous industry and growing unemployment testify to this.⁶⁴

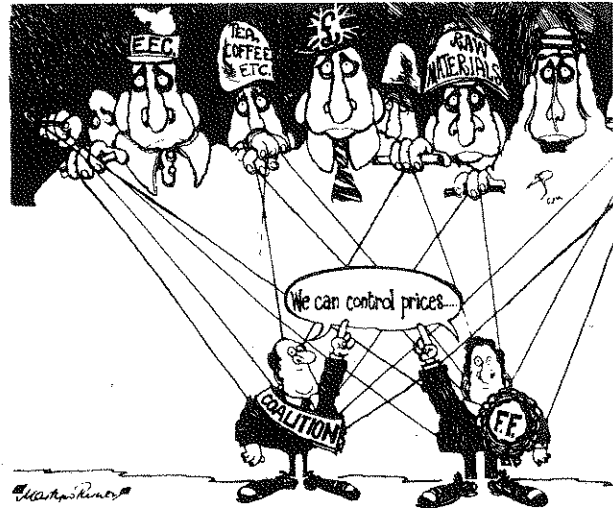
A further aspect of uneven development is the pattern of location of industry and the effect this has had on the rural areas and small towns. After the open door, older formerly, protected firms, which had been quite heavily concentrated in the main urban areas, began to decline. Many of the new foreign industries were induced by grants and other incentives to go to smaller towns and rural areas. Relatively lower labour costs and weaker labour organisation were factors also. Companies requiring ease of access to the concentration of specialist skills, suppliers and services found in major industrial areas did not choose Ireland as a site. The MNCs chose Ireland as a location for different reasons and were able to consider a location in a less developed area.

⁶³ South Korea has often arrived at this frontier, a little, breathless and a little late, only to find that the goalposts have shifted and that they are closed out, as the following quote shows:

"If the Japanese are reluctant to license dot matrix printer technology they are extremely possessive when it comes to top of the line printer technology ... 'Canon let us have their impact printer technology only after they had moved to laser technology' recounted one senior Hyundai manager .. I tried several times to get Canon's laser printer technology, but in all cases, they denied it". Waldon Bello and Stephanie Rosenfeld, *Dragons in Distress*, 1990.

⁶⁴ The price changes in September 1993, introduced by Telecom Eireann well illustrates the way these prices are increasingly determined by the needs of imperialism. The essence of the new price regime is to reduce charges to foreign MNC in the South and to the very biggest indigenous companies who are export intensive. Workers, the poor, the old and the big undertow of smaller businesses who do not trade internationally, are to be left carrying the can of hiked up phone and telecommunication charges.

However, a new pattern has developed in the 1980's where a few sectors of foreign industry that have grown rapidly in recent years, are more concentrated in the more industrialised and developed regions. The availability of professional and technical skills as well as the attraction of universities and technical colleges are important factors explaining this change of location pattern for foreign high-tech industries.



■ 1977 cartoon illustrates the limited nature of the break with isolationism

Cork for example has a thriving pharmaceutical processing industry and a profitable computer industry. Companies like Pfizers in Ringaskiddy and Schering Plough in Brinny employ 200 and 400 respectively and on average one third of the workforce in both companies is made up of graduates. The Swiss pharmaceutical company Sandoz will open shortly with an employment of 250 in Ringaskiddy. Apple computers, in operation in Cork since 1981 have a workforce of 1,200. In sum, this changing pattern of foreign MNC investment is contributing to small town and rural decay through the uneven and combined development of the South.

Reproducing the Productivity Gap

Once plugged in to the world market as a subordinated and oppressed link of the chain of capital accumulation it is very difficult to overcome this historical inheritance. Conjurcturally, the drain of capital can hinder native accumulation, and the structural relationship between foreign and native industry can be so disarticulated that FDI does little or nothing to sponsor the growth of the domestic bourgeoisie on the backs of the foreign. These problems are compounded by a further consequence of the hierarchical relationship between MNC and domestic

capital – access to advanced levels of technology which determine the present and future levels of productivity of industry. Without access to the front line technologies or processes it is impossible to close the gap that divides the imperialist from the imperialised nations.

Foreign MNCs jealously retain location and control of all frontier R&D, on which the new generations of innovation depend, in the imperialist heartlands. South Korea is a semi colony which is much more advanced than Southern Ireland, both in the proportion of its native manufacture and industry which is indigenously owned, and in the quality of the products of this manufacture. From Hyundai cars through South Korean ships to micro processors and VCRs – product technology and design innovation at the frontiers of innovative manufacturing and industrial production is effectively kept in the hands of the big seven. Whereas South Korean manufacturers tried and failed in a whole range of areas to conquer the frontier ground of innovative product technology Southern Irish manufacturers and industrialists didn't at all reach the level of even attempting such conquest.

Both EC and OECD rate the South in the bottom third of their tables when measuring countries' R&D spending as a proportion of GDP. Among OECD countries Ireland is ranked 18th for business expenditure on R&D as a % of GDP hovering below 1%. Ireland was ranked ninth in the EC 1988-89.

Foreign firms in Ireland are primarily production establishments with limited strategic functions such as marketing and research and development compared to advanced industrialised countries. This is the case, even though there is a notable growth of European HQ of MNCs in the South due to the specifics of Ireland's position in the EC. Standardised production and administrative HQs are in mature industries – in tried and trusted production. Frontier product design and innovation is negligible. Headquarters for MNCs in the South are not quality headquarters. To illustrate the point take the the electronics sector. Although it leads in R & D within the South, a 1985 survey finds that R&D expenditure as a percentage of sales in the electronics industry is under 1% in Ireland compared with 6.4% to 10.8% in Japan, Finland, Denmark, UK and USA.

There is some evidence of an increase in spending in R&D in foreign owned firms, but it is at a snail's pace. In 1988-90 the number of formal in-house R&D establishments rose from 95 to 127 in the foreign owned sector – out of a total 1,000 foreign owned firms. In general, the trend in expenditure on r& d is down not up as the following quote from chairman of the state science body Eolas, Prof Wrixson shows:

Ireland now spends the same proportion of its gross domestic product on R&D as Yugoslavia, and less than India and El Salvador. The spending estimates for next year provide for between £50m and £60m – or 0.8% of GDP – to be spent on R&D next year, which is far short of the 1.4% spent in other small countries like Denmark and Austria.⁶⁵

A small proportion of EC transfers finance programmes for R&D in the South. However, EC technology programmes are designed to perpetuate imperialist relations inside the EC bloc. First, technological investment for the South is puny relative to investment in the cores of the imperialist heartlands. Second, they are defined in such a way as to improve the technological infrastructures necessary to encourage new imperialist investment and to facilitate raw material extraction in the south, rather than enhancing its ability to compete in leading sectors. Third, EC MNCs have no intention of allowing any significant control over product technology and design innovation at the frontier in Department I – which determines future accumulation – to slip into the hands of the southern bourgeoisie or any other third world bourgeoisie.

Obviously, the diminished nature of forward and backward linkages between domestic and foreign industry further impede the spread of technological improvement. If the provision of inputs were greater then quality control requirements amongst other things would impact backwards on industry and contribute to a technological diffusion from the MNCs.

With regard to skills, the stages of production conducted in Ireland by many firms in the 'high tech' sectors such as electronics do require skilled technicians and engineers e.g. for testing and quality control associated with final assembly operations, even though R&D, product design and marketing is kept to the parent company. There are intrinsic qualitative limits to the type of skills that will be generated in Ireland, Mexico or Korea. Because frontier product technology – the objective side of the issue – and design innovation in all basic manufacturing sectors have to be jealously reserved by the imperialists at the cost of killing the goose that lays the golden egg, skills, related to such frontier work, if they arise randomly in any semi-colony will have to be fed into the brain drain to find an object to work on.

So foreign industry has contributed to an improvement in industrial skills, even if not in strategic business, technical and scientific skills. This skill level is higher in foreign industry in the South, than is typical of

⁶⁵ *Irish Times*, 16/12/1993

high tech firms in most far Eastern semi-colonies. In the electronics industry, for example, over 90% of employees were unskilled, non-craft production workers in Singapore and Hong Kong in the early 1980's, compared with only 60% in Ireland. At the same time the figure of 60% for Ireland was a good deal higher than the figures of 34% to 39% for the UK, USA and Denmark. However, having a relatively skilled workforce can be a mixed blessing since it can lead to the workers seeking better reward for their skills in the metropolitan centres themselves.

There is a "brain drain" from the South to imperialism so serious that articles in the bourgeois press talk about reversing it. The drain is of employees of all levels from doctorate down to technical certificate level and is primarily to the USA and Britain, in that order, with the beginnings of a drain to Germany developing.

As we have noted the Irish state undertook considerable commercial projects in the open door period using tax receipts, EC grants and above all else borrowing from international and domestic banks. The positive results of this in the 1960s in sponsoring the growth of the semi-states has been documented. But the bill had to be paid. In 1981 Ireland's foreign debt was still less than the value of its exports. But foreign debt rose from £2.48 billion in 1973 to £23.04 billion in 1986.

The expansionary fiscal policy in 1970s led to one of highest debt/GDP ratios in the EC: 1980 – 87%; 131% in 1987; 100% in 1992.⁶⁶ In 1990 37.4% of this debt was foreign owned and this adds up to another 4% of GDP drained out of the country for interest payments.

Trend in National Debt 1976 - 1991

Year	Foreign Debt Outstanding		Domestic Debt Outstanding		Total National Debt £m
	£m	% of Total	£m	% of Total	
1976	1,040	28.8	2,572	71.2	3,612
1977	1,039	24.6	3,190	75.4	4,229
1978	1,064	20.6	4,103	79.4	5,167
1979	1,542	23.6	4,998	76.4	6,540
1980	2,207	28.0	5,689	72.0	7,896
1981	3,794	37.2	6,401	62.8	10,195
1982	5,248	45.0	6,421	55.0	11,669
1983	6,899	47.9	7,493	52.1	14,392
1984	7,910	47.0	8,911	53.0	16,821
1985	8,114	43.8	10,388	56.2	18,502
1986	9,220	42.7	12,391	57.3	21,611
1987	9,693	40.9	14,001	59.1	23,694
1988	9,498	38.6	15,113	61.4	24,611
1989	9,123	36.7	15,705	63.3	24,828
1990	8,862	35.3	16,255	64.7	25,117
1991*	8,872	34.9	16,515	65.1	25,387

*Provisional Outturn.

Source: Budget Booklet, 1990, p109.

The increasing cost of attracting foreign capital, the scale of subsidies to the South's relatively backward native capital, not least farming capital, the growing cost of moving Southern pay, pensions and health and education expenditure towards EC standards and last, but not least, the need to borrow more to meet the debt servicing obligations of previous borrowing⁶⁷ – all these factors lie behind the large national debt.

The crucial issue from the viewpoint of expanding productive investment or accumulation in the South, is that the scale of the debt servicing incurred by the Southern ruling class severely boxes in its freedom of movement. That is to say, long before any crisis arising out of inability to pay back the interest and capital on this debt by the Southern state, the state is being restricted in its ability to go on bribing foreign capital into the South at the present rate as well as in its ability to finance the promotion of the hundred indigenous companies which the government's "national plan" claims it will develop to levels where they can 'take off' and compete openly and successfully in the world market.

In addition to the national debt the semi-state commercial companies are indebted more and more to banks and finance houses with an ever increasing amount of their debt, now reaching a half (i.e. £12,169 mn), being to the imperialist banks. This debt has important consequences. It is one of the most important motives for the new scale of attack on the jobs and conditions of semi state workers. The scale of its foreign component of the debt of the semi states represents an Achilles heel opening them up to imperialist penetration through the mechanism used widely by imperialist MNCs in other colonies and semi colonies – the debt equity swap or creeping privatisation.

The southern bourgeoisie have increased their relative strength and confidence as junior partner of the imperialist bourgeoisie in the EC bloc so there is no reason to expect them to abandon such an important part of their present strategy. Privatisation will be a contested struggle between imperialist MNCs and the Irish bourgeoisie. Greencore, the product of the privatisation of Comhlucht Suicre Eireann (Irish Sugar), recently had its 30% remaining government share floated on the stock market. ADM, the US food MNC, failed in buying this share and thereby acquiring an effective holding control over Greencore. No doubt Bank of Ireland, who finally bought the 30%, will be only too

⁶⁶ In contrast between 1945-73 the ratio of foreign debt to GNP was stable at around 50%.

⁶⁷ Debt servicing in 1993 cost over £12 billion.

glad to sell it to ADM or some such MNC when a more favourable conjuncture occurs. More recently the British MNC Cable & Wireless has been in negotiation with the top management of Telecom Eireann for joint ventures etc.

Conclusion

As can be seen, the Irish economy in the last 35 years has moved forward under the uneven and combined development of unhindered foreign direct manufacturing investment, on the one hand, and protected (or assisted) state directed capital investments, on the other. A set of complementary and conflicting interests have resulted between the imperialist bourgeoisie and the Irish ruling class. But we must now go further and ask whether this combined process of capital accumulation has lifted the Irish capitalist class out of its semi-colonial condition or merely reproduced it on a higher level?

Foreign direct investment has destroyed much of native Irish manufacturing in the last thirty years; but it has also produced a stock of capital that has provided employment for tens of thousands of Irish workers in relatively skilled jobs and contributed – through a dynamic export performance to a balance of payments surplus. Ireland has run up considerable debt as the price for its economic development but it has also delivered a more diverse export structure and a greater variety of trading partners. What then shall be the final judgement?

It is not enough to simply rest content with a recognition of the inter-relationship between the native and foreign sectors of the Irish economy, nor between state and private capital. We must know whether the increasing penetration of foreign capital into Ireland has assisted or hindered in the main the strength of the Irish capitalist class, has allowed this class to secure for itself greater levers of capital accumulation in its own hands that could close the productivity and technological gap

that separated it both at Partition and at the beginning of the "open door" period.

Has it strengthened the Irish semi-colonial bourgeoisie both in respect of its past position and in relation to its imperialist masters? The answer is probably yes. Membership of the EC has been the single advantageous step for the Irish bourgeoisie, without which subsidised markets for its agricultural goods and access to funds for state directed investments and regional grants would have not been forthcoming. But to get these it required removing barriers to the penetration of MNC capital, especially from the US. Naturally, the loser in this development has been the Irish working class, whose sacrifices in terms of lower wages, low intensity of job creation has meant greater levels of poverty and emigration.

This would have been true, possibly more so had the working class agreed to put up with the consequences of nationalisation after 1973. The Irish bourgeoisie made a rational, if narrow, class interested decision 35 years ago from which it has benefitted and for which the working class has had to pick up the bill. The Irish bourgeoisie set out on a road not to sell out the Irish nation to imperialism but to maximise its own wealth extracted from the working class in the given (subordinated) conditions it found itself in. The working class has rewarded its exploiters well. The rewards have been split between the MNCs and the Irish bourgeoisie but any other course after 1958 would have led to a far smaller pool of surplus value for a diminished Irish bourgeoisie.

The composition of the Irish bourgeoisie has changed over the open door period. There have been losers and winners. It is possible on the whole for this bourgeoisie to be *absolutely* better off than it would have been under any other possible regime of capital accumulation while being no better off *relatively* compared to its imperialist overlords; that is, it has not closed the gap on the imperialists. ■

Reviewing 1917: The Revolution Defended

IF ONE EVENT more than any other set the agenda for the twentieth century, it was the 1917 Russian Revolution. It radically reshaped the world economic and political map because for the first time capitalism was smashed in a major territory in 1917 and as a result also in a series of states in Eastern Europe, Asia and the Cuba. Despite oppression by their Stalinist rulers, these societies, modeled on the USSR, embodied significant economic gains for workers. The inability of the capitalists to access the potential markets of their vast populations or to freely exploit their resources, as they have done elsewhere throughout the globe, provided the incentive for forty years of Cold War.

At the beginning of 1917 the Bolsheviks led tiny numbers, with roughly 2,000 members in Moscow and 23,000 nationwide in a population of 160 million. By October they were the acknowledged leaders of the masses. They swept to power promising 'Land, Bread and Peace'. Immediately they prepared to fulfil that promise by nationalizing the land and handing its cultivation over to the peasants, opening negotiations to end the war, offering self-determination to every nation within the old empire and instituting measures of workers control.

Today the perspective of most individuals on the October Revolution and its aftermath is inevitably coloured by the sheer scale of the horrors associated with Stalinism in its all its differing national guises. The detractors of October claim that responsibility lies not merely with Stalin, but with the Bolshevik party led by Lenin and Trotsky and additionally, for some, with the whole revolutionary tradition going back to Marx and Engels.

The nub of this view is that Bolshevik rule was pre-programmed from the start on a path towards totalitarianism—no other outcome was possible. At its crudest this argument can be summarised: the crafty, scheming Bolsheviks beguiled the unsuspecting Russian masses with promises of a socialist utopia but all the time manoeuvred behind the scenes to eliminate all opposition and to institute a regime of generalised terror. A more charitable version of events would have it that the Bolsheviks may have

been well-intentioned but their project was doomed from the start by defects inherent in their ideology, or the innate selfishness of mankind and so on.

None of these issues can be seriously addressed without an examination of Soviet social reality. The Bolsheviks' failure to realise their own project for socialist democracy was determined both by the objective circumstances they faced and by the type of political responses they made.

In 1917 Russia was a deeply backward economy devastated by three years of World War and facing an horrendous array of problems posed by its underdevelopment. The dislocation caused by the Revolution and the ensuing period led to chaos in production and agriculture and a slump in output. Conditions were so desperate that many of those workers not at the war front or employed in the new state apparatus, returned to the countryside in search of food. This happened before the invasion of the country by the White foreign armies, before the outbreak of Civil War, and before the onset of famine in the countryside.

Not untypical of the complaints daily encountered by Bolshevik officials was one received from "patiently starving revolutionaries", who told them that "everything is taken from us, nothing is provided".



News of the revolution reaches the war front.

In such a scenario it is truly remarkable that the Bolsheviks built an apparatus capable of arming and supplying the Red Army, and of defeating its numerous and powerful enemies. That it did so was due to the determination and courage of the Russian masses but this remarkable achievement came at a price.

It was in this beleaguered economy and society savaged by internal and external enemies that the Bolsheviks took what they recognised to be a series of unpalatable and apparently contradictory steps. At various points in time they banned opposition groups, dismissed officials of the soviets, the councils which were formally independent of party control, and which formally constituted the new state power. They sometimes overturned soviet decisions and arrested oppositionists etc.

They did so because the crucial task facing the new government was how to defend the Revolution against encirclement by enemies, who had no intention of allowing this experiment in workers democracy to unfold. The Red Terror was launched not because of some blood-lust inherent in Bolshevism but because it was the minimum necessary measure to protect the young workers state from annihilation.

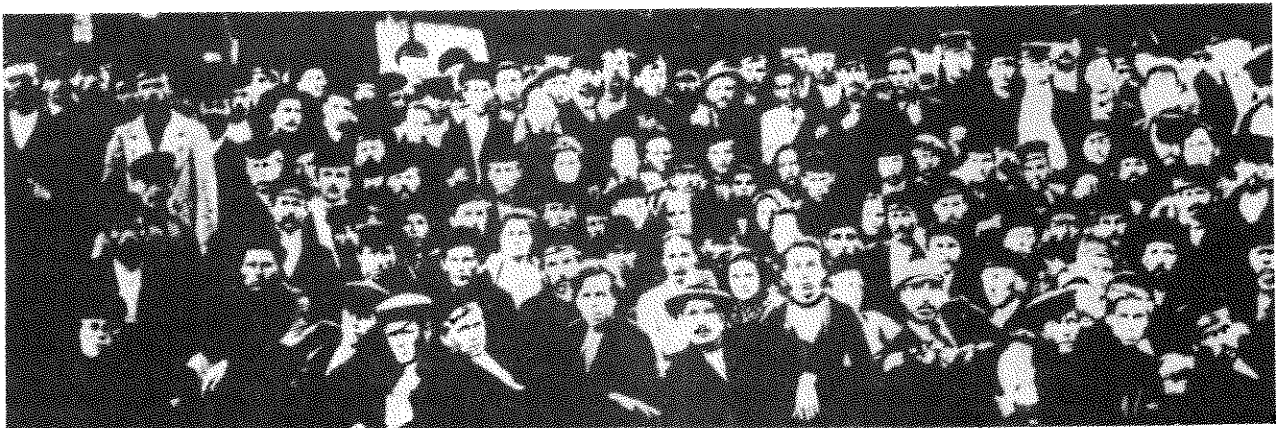
The contradictions were compounded by the eruption of Civil War in the Spring of 1918. It would have been astounding indeed if the frenzied circumstances of 1918-21 had not led to excesses; inevitably they did. It is impossible to have a social convulsion on the scale of 1917 without regrettable incidents. It is undoubtedly true that some innocents received rough treatment at the hands of the Cheka—the secret police. But this body was instituted as an exceptional response to crisis conditions in a regime under heavy attack. It was highly regulated and not a permanent measure, which is why its emergency powers were revoked at the end of the civil war. The savagery of the counter-revolution made the Red Terror inevitable. It was essential to the survival of the revolution. Had the Whites won they would have installed a viciously right-wing dictatorship.

The alternative perspective of a less ruthless response led, for example in the case of Finland, to the slaughter of 10-20,000 workers. Among those on the non-Leninist left, notably anarchists, it has become a matter of doctrine to characterise what were essentially episodic responses to the threat of catastrophe as an inevitable and linear process necessarily leading to Stalinism. Bolshevism stands accused of a myriad of crimes which basically boil down to a core set of accusations.

This outlook can be summarised as follows: that workers must create the new society themselves and that no “self-appointed” Bolshevik elite can to be trusted to make decisions on behalf of that class; that the Bolsheviks considered the working class incapable of organising society by themselves, too stupid, too untrustworthy to handle affairs; that the Bolshevik Party of its nature from the beginning engaged in political machinations and the centralization of power at all costs, destroying the creativity of the revolutionary masses and murdering socialism en route; that local organs of workers power were systematically smothered by the Bolsheviks and replaced by a centralised planning machinery dominated by a bureaucratic elite; that despite all their talk of socialism, the record of Bolsheviks once ensconced in power was that of one-man management, promotion of inequalities and so on.

Bolsheviks as a ‘Self—Appointed Elite’

Firstly, the Bolsheviks were a party rooted firmly in the working class, and a party of workers, proven to be the leading party of the working class by their majority in the soviets. That is how they managed to lead the October Revolution. That is also why, among other reasons, thousands flooded into the party in the months that followed this momentous event. The claim that the Bolsheviks lacked faith in the working class’s ability to manage power is absolutely without foundation.



Workers of the Ivano-Voznesensk Soviet.

In April 1917, at a time when other self-proclaimed revolutionaries were floundering in confusion or insisting on an interim stage in which the bourgeoisie would rule, Lenin stated that the workers and peasants could and would seize power in the famous 'April Theses'.

The Bolshevik conception of the vanguard party is not in any way at odds with the self-activity of the working class. On the contrary it posits the notion that a healthy revolution is impossible without their conscious intervention, not merely as foot soldiers for the revolutionary generals, but as the leading force and as leaders of this movement. This issue was explored by Trotsky in his writings on the Russian Revolution:

Without a guiding organisation the energy of the masses will dissipate like steam in a piston box. But nevertheless what moves things is not the piston or the box, but the steam.¹

Nor is it the case that the Bolsheviks sought systematically to remove obstacles to their one-party rule. Their opponents took themselves out of power by boycotting the new regime. When the Second Congress of Soviets met, oppositionists found themselves massively outnumbered and immediately walked out. The Mensheviks or moderate socialists objected to any government that was responsible directly to the Soviets.

Their demand for a parliamentary system sought to guarantee the place of the propertied classes in power. They delayed for a year before recognising the legitimacy of Soviet government, and only then according to Dan, their spokesperson, because their attempt to overthrow the government by force of arms had failed! Others placed outrageous demands in the negotiations for the formation of a coalition government. This included the call for the exclusion of Lenin and Trotsky from the government and the disbandment of the Red Guard.

Finally the Left Social Revolutionaries joined the government getting seven People's Commissars as against eleven for the Bolsheviks, as well as securing other influential posts in the administration. Not even the most ardent left critics of Bolshevism defend the jaded argument about its alleged grab for power. "As for Lenin, he was neither more nor less uncompromising than most of his colleagues—merely more clear-sighted. That he was not intransigent or intent on monopolizing power for his own Party is shown by his efforts to bring the Left SR's into the Government".²

Did the Bolsheviks Destroy Soviet Democracy?

It is true that Bolshevik restrictions on soviet democracy had begun before the Civil War broke out. For example, the railways were run on a dictatorial basis by appointed commissars acting on instructions from the Council of People's Commissars—the supreme governmental body—without reference to the executive Soviet body. It should be added, however, that this was a fairly exceptional measure dictated by the total breakdown of the transportation system.

The subordination of direct democratic control by the workers' soviets to the decrees of the revolutionary Bolshevik government does not in itself prove the existence of inherently degenerative defects in the new regime. A government charged with responsibility for leading the masses as a whole in conditions of severe economic collapse finds itself forced to make compromises for the very survival of the revolution. The revolution suffered major setbacks and openly acknowledged retreats, at times violating previous commitments.

Elimination of Rivals

It is not the case, as some critics allege, that the Bolsheviks were hell-bent on elimination of their opponents. The Bolsheviks moved against the Left Social Revolutionaries (SRs) belatedly and only after an attempted armed insurrection in June 1918—an insurrection directed against a government twice confirmed in office by Soviet congresses.

Having previously shared power with the Bolsheviks, the Left SRs broke ranks over the decision to end hostilities with Germany by the surrenders of territory in the Brest Litovsk Treaty. The disgruntled Left SRs responded by arranging the assassination of the German ambassador to Moscow. They hoped that this provocative killing would precipitate military reprisals by the Germans—thereby allowing the war to continue and in theory permitting a more honourable settlement to be reached.

In the event, the Bolsheviks decided to exonerate those Left SRs in the Petrograd Soviet who publicly disassociated themselves from these antics of their party and who pledged support for the resolutions of the Fifth All-Russian Congress of Soviets. The remaining SRs were expelled from the soviet Executive body. Since they were unable to win majority support for their positions in the soviets, these SRs resorted in desperation, after the failure of their rising, to a campaign of assassination against Bolshevik leaders, killing two of them and severely wounding Lenin.

1 L. Trotsky, *The History of the Russian Revolution*, Pluto, p.19.

2 Marcel Liebman, *Leninism Under Lenin*, Merlin Press, 1973, p.242.



Lenin delivers a speech in Red Square on the first anniversary of the Revolution.

There was also, at this time, suppression of other opposition groups who took up arms against the decisions of the workers' state. This included the anarchist-inspired Black Guards, Mensheviks and other opponents of the regime. Periodically there was temporary suppression of opponents' publications if they were considered to be conspiring with the enemy. In practice the Bolsheviks did not always draw a fine line between counter revolutionaries and those who, on a point of principle, refused to endorse the new regime. They had no option but to exercise a rough revolutionary discipline. However, multi-party democracy was never ruled out. But in the objective conditions of the developing civil war, with all efforts devoted to the fledgling state's survival, this proved effectively to be an illusory goal.

Subordination of the Factory Committees

In January 1918 the factory committee movement was fused with the trade unions. This single development is cited in hundreds of works, especially those of an anarchist persuasion, as incontrovertible proof of a Bolshevik conspiracy to monopolise power. Let us examine the context.

As historians such as E.H. Carr have agreed, trade unions tended to be more comprehensive in their perspectives as they generalised across industries and professions. Since they could legitimately claim to represent the gen-

eral as distinct from the sectional interests of workers, they were considered more suitable than factory committees for the task of regulating production.

The eclipse of the factory committees was the result of an unnecessary duplication of effort—a self-dissolution and not a conspiracy as shown by the fact that the Bolsheviks were in the leadership of the First All Russian Congress of Factory Committees anyway. Its purpose was to eliminate organizational chaos and make the best use of critically scarce resources in a time of national emergency.

Privileges for Specialists

Much has been made of the use of specialists or more significantly, of the better pay and conditions paid to ex-employees of the tsarist state. Two factors should be borne in mind here. Firstly, it was as if having taken control of a plane in flight the Bolsheviks found themselves lacking many of the technical skills to fly it. They had no alternative but to use those experts remaining from the former regime who would work for them, especially in a country with massive illiteracy. The specialists were subject to state supervision and held accountable to the workforce via mechanisms of workers' inspection.

1917 showed that immediate workers' management in year one of the revolution is a utopia. Nothing remotely existed yet of the necessary social organisation for a planned economy without which direct workers' management would lead in a thousand contradictory directions. Even in terms of immediate tasks at local level in production the organisational skills had to be acquired by experience. Those who seek the immediate realisation of a revolutionary new mode of production overnight will never see it.

What was needed was instead a transitional role for workers—defending workers' immediate conditions, inspecting management decisions and checking the accounts in order to develop towards self-management in step with the organisation of a new kind of economic order throughout society. This is what Lenin meant when he stated that accounting, control and the strictest labour discipline were "the sufficient condition for the final victory of socialism".³

³ V.I. Lenin, *Collected Works*, Progress, Vol. 27, p.244.

Building the New State Apparatus

The process of building state institutions in the midst of a civil war was always a haphazard one. The intricate and complex business of working out a hierarchy of control organs for the regulation of the economy has not been satisfactorily theorised to this day. The measures adopted then were essentially a response to crisis and could hardly even begin to initiate a democratically planned economy.

There was no pre-conceived schema for centralization at the expense of stifling local initiatives. If anything, the Bolsheviks sought to defer the statization of the means of production and the central planning tasks that this would impose on the state.

They anticipated instead a period in which privately owned enterprises would co-exist under the watchful eye of the armed workers. The civil war put a stop to all that, along with the revolutionary impatience of the masses, who bounded ahead of the Bolsheviks in their fervour for nationalising their workplaces and in kicking out the old bosses. Changes resulting from the forced pace of nationalisation were, therefore, frequently unplanned and barely under the control of the officials.

New problems were continually encountered for which there was no ready answers at hand. During 1919 structural distinctions between the party and soviets began to break down. By 1919 two thirds of delegates to the Bolshevik party congress had positions in state institutions. This was largely caused by a drastic shortage of qualified personnel. Leading figures in the Bolshevik district party committees and the district soviets were increasingly the same. This has led to the accusation that the soviets were absorbed with purely technical matters and were effectively becoming mere organs of municipal rule.

It is a point deserving of further consideration in terms of the role that soviets should have been playing. As expressed by Rabinowitch, "local soviets, standing closest to the masses, were best able to define revolutionary goals and to mobilize and organise the masses for their attainment". It could also be argued, however, that the proximity of the soviets to the masses rendered them more vulnerable to local yokelism. The Bolsheviks were not unmindful of these problems and resolutions were passed in favour of separation of state and party powers at a Bolshevik party congress in 1922 even if they proved ineffective in addressing the problem.

Full democratisation of the soviets in the formal sense was never really on the cards in the civil war period. It was impossible without the legalisation of soviet political parties—including those parties who were doing their utmost to destroy the new state. Gradually the prerogatives of the soviets were undermined in the period of War Communism which led to the militarisation of public life.

As the civil war was coming to an end with the victory of the workers' state the economic chaos was extreme. Trotsky in particular argued for emergency compromise measures allowing limited market forces to raise up the economic level and regenerate the strength of the working class in the towns, recreating the soviets as the organs of administration and freeing party cadres from the bureaucratic tasks of state office. The party was unprepared to risk such compromises in an ideological climate of 'war communism', leaving no alternative but an appeal to even greater voluntarism, sacrifice and military organisation in the factories.

The experience of this 'militarisation of labour' proved that socialism could not be built with the methods of the pharaohs. After a year the Bolsheviks drew the logical conclusion of accommodating controlled market mechanisms in the form of the New Economic Policy. The concessions made from 1921 onwards had the explicit aim of preserving links between workers and peasants—the social base of the new state—which had been torn apart by the regime of forced requisitioning under War Communism.

Desperate Measures

The ban imposed on party factions in 1921 was equally mistaken and was to be fatally used by the Stalin faction long after the arguable reasons for the ban had disappeared.

Factional struggle in the party had been fuelled by the emergence of divergent currents reflecting conflict with new social groups prospering under NEP. The ban was justified only by the fear that factional struggle would tear apart the defenders of the workers state in its gravest hour of danger. It was always viewed as a temporary measure necessitated by the immediate circumstances and capable of being repealed at a later date. A definite social stratum of bureaucrats began to crystallise, corrupted by many privileges derived from its role as official broker between the rival social groups, balancing especially between the workers and the prospering NEP-men. Almost unnoticed, a section of the party deeply identified with the bureaucratic functions of the state, took on immense new influence and found a brutal and decisive representative of their outlook in Stalin. In these circumstances the ban on party factions was quickly put to use by Stalin. It meant that the Left Opposition and Trotsky were directly hampered in their fight against Stalin, as he candidly admitted in 1936.

Equally, proposals for statization of the trade unions were wrong—ironically because they presumed a much

more mature kind of workers' state than actually existed, not because of any perspective of destroying the role of the working class in the revolutionary society. The proposal to make the unions instruments of the state and deny them the right to strike mistakenly envisaged the new state as already a fully adequate representative of working class interest. It was argued that the unions could not on any principled basis directly represent particular interests of sections of workers against the state. One of its most ardent advocates was Trotsky who overlooked the need—for a whole historic period ahead—for the workers to have independent organisations to defend their interests in the many conflicts which would arise in overcoming the legacy of capitalism. Lenin staunchly opposed him and won the majority around to his position—correctly as Trotsky later agreed.

Bolshevik Unpopularity

The Bolsheviks became unpopular as revolutionary enthusiasm waned. This much is true and it should surprise no one except those who live in a world of revolutionary fairy tales. Economic life destroyed on a vast scale in the Tsarist empire by the Great War had not been restored even near to pre-war levels after the first year of the Soviet state. Hardship corroded the earlier revolutionary enthusiasm. The June 1918 Soviet elections showed a decline in support for the Bolsheviks but they remained the largest single party in the state.

Beyond this point, with the onset of Civil War which imposed an extremely harsh regime on both town and country, the relationship of the Bolsheviks to many workers and peasants nose-dived.

As the Civil War ended there were repeated uprisings in the countryside against 'communist' rule and revolts among urban workers. The Kronstadt revolt was the most significant such event, and by reason of its strategic naval position and timing, left the Bolshevik state no option but to use whatever military means necessary to quell it before the ice melted and opened up the base to renewed attack by the hostile armies still mobilised near the borders.

Kronstadt was not, as was later argued by Anarchists, the decisive struggle of Leninism-Stalinism to destroy revolutionary proletarian democracy. The central political idea propagated among in the Kronstadt rebel garrison was often expressed as a call for 'soviets without Bolsheviks', but neither this nor any other section in revolt against the Bolshevik state offered any perspective or programme remotely capable of addressing the burning economic and political questions of the moment.

That Kronstadt should have been so tragic in its outcome was due to incidental circumstances in a period of the deepest and most general social and economic crisis yet experienced. In a matter of months the NEP was to be adopted as an effective first step to regenerate economic life.

The policies which adopted under War Communism and NEP were far from the norm for a proletarian state. Lenin said so repeatedly, but while warning of grave bureaucratic deformations, especially from 1921 onwards, he was right to insist that the new state remained in substance the revolutionary dictatorship of the proletariat.

Continuity Between Stalin and Lenin

For Lenin and Trotsky there was no question of denying, for a single moment, that a whole series of measures taken to win the Civil War, to quell armed revolt, to hold the party together in crisis and to revive the economy from near-barbarism, were all temporary steps backward from the revolutionary programme, retreats which clearly contradicted aspects of the Bolshevik programme for the sake of preserving the most fundamental achievement so far—proletarian state power and the smashing of capitalist rule. Every single one of them directly endangered the ultimate success of the Bolshevik project and was acknowledged as such.

Stalin did the polar opposite. Many of the retreats and compromises were trumpeted by Stalin and his faction as expressions of revolutionary discipline, as permanent and conscious goals. Far from excusing Bolshevik retreats as holding measures, he sanctified them in the name of 'socialism'.

Horrendous circumstances apart, the question is often put: if Bolshevism was fundamentally healthy in its approach how could Stalin have triumphed in the end? The answer lies precisely in the backward conditions of 1917, but more particularly in the isolation of the young workers state. It must be remembered that all hopes were placed on linking the fate of the Soviet Union with that of the hoped-for victorious revolutions in Europe. It was inconceivable that Russia could ever go it alone. The European revolution was viewed as essential to aiding the economic and cultural level of Russia and laying the basis for socialist development thereafter. Every move taken was made in expectation of this development.

Instead, the post world war revolutionary upheavals in Europe were crushed. Additionally, civil war decimated the industrial proletariat without whose active political rule the state could not for much longer survive as a dictatorship of the proletariat. Their numbers dropped from

four million in 1917 to one million in 1921. The communist workers who made up the Bolshevik party were forced to carry responsibility for state administration instead of acting as a vanguard within a mobilised mass working class movement.

Emergence of a Bureaucratic Clique

In the conditions of the New Economic Policy the bureaucrats developed as a more and more distinct bureaucratic clique antagonistic to both the international perspectives of Bolshevism and to any rebuilding of working class democracy. Their privileged existence as a caste depended on maintaining intact the post-capitalist state—against any takeover by the new capitalists created by the NEP or any outside threat—but most importantly in ensuring that there could be no revolutionary workers' democracy to call them to account.

As against the Trotskyist inspired Left Opposition which sought to reform these bureaucratic deformations before they became a terminal cancer, the bureaucracy had the advantage of saying:

The Opposition proposes international revolution and is ready to drag us into an international war. Enough of shake-ups and misery. We have earned the right to rest. We need no more of permanent revolution. We will build the socialist society at home.

With these words Trotsky sums up the dilemma the Opposition faced. It is true that the prolonged crisis of scarcity and territorial attack nourished the growth of bureaucratism. However, it is clear that by the early 1920s bureaucratic abuses had already appeared, in significant numbers. Lenin recognised this early on:

*We don't know how to conduct a public trial for rotten bureaucracy, for this all of us should be hung on stinking ropes. And I have not yet lost hope that one day we shall be hung for this and deservedly so.*⁴

Stalinism, however, did not develop simply because of the growing bureaucratism, only when it came to represent a distinct power in society, balancing on the tensions and divisions—between town and country, workers and peasants, NEPmen and peasants, international and domestic. Even after bureaucratic symptoms were everywhere visible the bureaucracy did not yet have a political leadership or a formulated ideology. This was worked out later by the political clique around Stalin who made a

virtue out of the national isolation of the Soviet regime and consolidated a programme around it.

They determined to jettison the revolutionary essence of the tradition they stood in, i.e. its internationalism, and to opt for the building of 'socialism in one country'. This set the regime on a compromise course to salvage a deformed soviet state at the expense of world revolution, at the terrible cost of dragooning and oppressing the toiling masses and with the virtual extinction of Leninist Bolshevism.

Bolshevism did not represent the bureaucracy, either ideologically or politically but rather it fought it. Indeed, if the Bolsheviks were the embryonic Stalinists frequently depicted, why was it so necessary for Stalin to undertake a life's mission in exterminating every trace of Bolshevism in the party, physically eliminating the leading figures of the old guard and tens of thousands who supported them?

Revolution against capitalism demands direction by a firm party with a revolutionary programme and a trustworthy and courageous leadership. The Bolsheviks were the only party offering that dynamic combination. They built the most effective political organisation in Russia, with the most determined will to power. They knew how to capture the loyalty of the masses and having done so, they knew how to mobilise them to seize the moment and capture state power. We make no apologies for the ferocity with which they defended their mandate and delivered up a state which, pock-marked and all, could have laid the groundwork for building socialism were it not for the defeat imposed on it by the encircling enemies.



Supporters of Stalin eagerly voting to expel the opposition from the party at the 15th Party Congress in 1927.

⁴ V.I. Lenin, Collected Works, Vol. 36, p.557.

The bourgeoisie has taken over 400 years to install capitalism. The Russian Revolution forced the Bolsheviks, for the first time in history, to discover and reckon with the real and deep-going contradictions lodged at the heart of the dictatorship of the proletariat. Not only did they carry through the first attempt in history to abolish bourgeois rule, with little or no historical precedent to guide them, they were squeezed between the appalling backwardness and economic collapse within the Russian empire and the new imperialist world order of capitalism. They struggled to match the burning needs of the Soviet masses with the broadest internationalist goals, but they were ultimately defeated by a political counter-revolution which fed upon their isolation by imperialism.

We celebrate the October revolution today and defend the gains that it represents. It was the most significant event this century opening up the only vista of hope for the multi-millioned masses of our planet. We mourn

its degeneration at the hands of the Stalinist clique. In return for criticising this betrayal, Trotsky and thousands more who remained loyal to Bolshevism were hunted down and killed. Today they stand vindicated in their belief that Stalinism was an illegitimate historical parasite on the revolutionary society, bound to be swept away by history.

Unfortunately it was not the working class which swept Stalinism away—precisely because the forces of Trotskyism remained tiny in a world dominated by the Cold War and US imperialism. Stalinism, however, is reviled by all and sundry, however it may cloak itself with new names. Moreover, the triumphalism of imperialist capital is turning to ashes as a new revolutionary period looms. October 1917 demonstrates the enormous leaps and consequent gains that can be made by a determined revolutionary communist organisation in such a period. ■

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POLEMIC:

The Politics of Anarchism

WHILE IT IS fashionable today to pour scorn on the October Revolution, few do so from the vantage point of a left perspective. Anarchism is one such tradition. Its criticisms deserve to be answered, not least of all because it poses an attractive alternative to those who are not fooled by the lure of capitalism but are nonetheless disgusted by what they conceive of as socialism, that is, the legacy of Stalin.

Anarchism and Bolshevism share one core goal: both aim to destroy the capitalist state. But there the similarity ends because whereas anarchists aim to abolish the state overnight, Bolsheviks argue that workers should seize state power themselves—in a new type of regime—transitional to the creation of the stateless, classless society of communism. The one side aims to abolish the state, the other seeks to replace it. Bolshevism takes from Marxism the notion that it is necessary to go through a transitional period in the aftermath of the revolution. The new state, known as the dictatorship of the proletariat, is distinguished from all previous states in that it is based on majority working class rule which dictates terms to a minority privileged element.

Historically the state emerged with the development of private property, the appearance of different classes and the need to regulate relations between unequal groups. It provides a mechanism for domination by the minority over the majority of citizens. At the heart of that mechanism lies the coercive apparatus of the state, the bodies of armed men who act in defence of the ruling property holders. That is why Marx and Engels defined the state as “a machine for the oppression of one class by another”. There will always be a state as long as the economic dominance of one group remains. Its gradual withering away can only take place realistically with the creation of a society in which the mode of production is capable of creating abundance, and in which state forces for the regulation of scarcity become redundant.

The elimination of the state is impossible without the simultaneous elimination of classes as well. Bolshevism recognises that it is impossible to destroy the state without destroying the class society which gives rise to it. Anar-

chism chooses to ignore this crucial political problem. Bolshevism does not. The objective requirements of the class struggle render a period of transitional rule necessary. The dictatorship of the proletariat is built for the explicit purpose of wiping out the enemies of the new regime and with a view to laying the basis for the building of a stateless society. This cannot happen with the wave of a wand, it can take place only as part of the complex evolving realities of the transitional period, or not at all. The proletarian state suppresses its enemies by force. In the transitional period, in the struggle to establish abundance, it is impossible to cater for all individual needs. While scarcity remains the state must enforce norms of consumption and social legality among the masses as well as attacking those who transgress those norms. Lenin put it thus:

To prevent the true meaning of his struggle against anarchists from being distorted, Marx expressly emphasised ‘the revolutionary and transient form’ of the state which the proletariat needs. The proletariat need the state only temporarily. We do not at all differ with the anarchists on the question of the abolition of the state as the aim. We maintain that to achieve this aim we must temporarily make use of the instruments, resources and methods of state power against the exploiters, just as the temporary dictatorship of the oppressed class is necessary for the abolition of classes. Marx chooses the sharpest and clearest way of stating his case against the anarchists: after overthrowing the yoke of capitalism should the workers lay down their arms or use them against the capitalists in order to crush their resistance? But what is the systematic use of arms by one class against another if not a transient form of the state? ¹

Such a viewpoint is totally alien to anarchists. Engels summed up their politics thus:

They demand that the first act of a social revolution be the abolition of authority. Have these gentlemen ever seen a revolution? A revolution is certainly the most authoritarian

¹ V.I. Lenin, “The State and Revolution”, *Coll. Works*, Vol. 25, p179.

thing there is. It is an act whereby one part of the population imposes its will on another part by means of a rifle ... if the victorious party does not want to have to fight in vain, it must maintain its rule by means of the terror which its arms inspire in reactionaries.²

Anarchism demands unlimited freedom, except (for some anarchists) for those guilty of conspiring against the workers state. Otherwise, it will not tolerate any centralised political authority. Taken to its logical conclusion, all representative government is accordingly deemed to be authoritarian in essence, because it deprives the individual of free will. Viewed from this perspective socialism means no government, no rulers, but rather unfettered freedom and workers control. And all this on day one of the revolution but hardly a word about what mechanisms will be used to enforce such noble goals!



At the heart of this conception lies a capitulation to the philosophy of bourgeois individualism—giving an absolute value to individuals and their free will. There is much truth in Trotsky's gibe that an anarchist is a liberal with a gun!

² Marx, Engels, Lenin, *Anarchism & Anarcho-Syndicalism*, Progress, 1972, p105.

No Concrete Solutions

Unfortunately anarchism provides no concrete solutions as to how its vision might be realised: how and in what way is the state power to be broken? what is to supersede it? Anarchism submits that all problems will be resolved by the direct and spontaneous actions of the workers in their individual factories or agricultural communes. But the socialism which they claim to be fighting for is characterised by the contrary Marxist conception of planned economy, co-ordinated by a central council authority, expressing and acting in the interests of all. Socialist society, as conceived by Marx and other, is most certainly not characterised by giving everyone similar access to democratic rights, least of all the old oppressors, but by seeking to establish the conditions which lay the basis for the true emancipation of all.

Anarchists want a better world – with complete freedom for the individual and guaranteed rights for all – a contradiction they feel no compulsion to resolve. Democracy is a principle so close to their hearts that if its retention meant handing back the workers state to its enemies, no matter what havoc that would have reaped, then anarchists reply with philosophical abandon: so be it, a position that is all the easier to adopt the further one is from the event. This approach to revolutionary politics is hollow in substance and short on effects. It demands revolution a la carte: a revolution which even in its emergence from the womb must give birth to a mature adult.

Proletarian Democracy

Anarchism forgets that in a post-revolutionary scenario there can be no such thing as pure democracy. As long as classes exist, there is only class democracy. Proletarian democracy implies harsh choices: Bolshevism did not shirk that duty, anarchism habitually does. The point at issue between both traditions boils down fundamentally to this.

Furthermore, anarchists must explain how society is to be organised, how sectoral interests are to be mediated, how socially or geographically disadvantaged communes are to be helped, how planning is to be organised and so on. If an effort of supreme will were all that was required then revolution would be mere child's play.

To believe that the organisation of production in a country in turmoil, and as underdeveloped as Russia in 1917, could be progressed by voluntaristic methods is naive. It refuses to countenance that economic power can validly be mediated through a centralized political authority for the reason that anarchists, like many right wing social theorists, believe that any such arrangement is bound to degenerate into tyranny.

Yet it is not possible to increase productivity, and move towards the elimination of want, without the centralization of production in the hands of the state. That is the cornerstone of Marxism and that is what anarchism has yet to disprove. The concentration of political and economic power in the hands of a leadership is not the crux of the problem, but rather the issue is the use to which that power is put. The real challenge is to develop non-oppressive social relations capable of delegating power and handling transgressions. As long as the organs of economic management are democratically constituted and organically linked to the workers movement there is no reason why they should not function in the interests of the whole class.

At least two key questions must be asked of anarchists: what would they have done in similar circumstances to October 1917, and would their solutions have led to socialism? By way of reply to the former the exploits of Nestor Makhno (the anarchist leader of the Ukraine region) are often cited. He too appointed his key officers, he too subjected his troops to harsh discipline, he created not one, but two secret police forces which, according to Victor Serge, suppressed all political authority except his own, and despite appearances in his model society, the real reins of power rested with Makhno himself. These points are not generally disputed today. They are made here not to discredit Makhno, since the Bolsheviks resorted to similar measures themselves, but to illustrate the disingenuous approach of many anarchist accounts which invariably omit to mention these facts.

In the final analysis, anarchists were a tiny minority in the Russia of 1917. According to Volin, the editor of an anarcho-syndicalist newspaper *Golos Truda* "the anarchists were only a handful of individuals without significance". Because of this their ideas were never really put to the test. It is not unreasonable, however, to look to Spain as an example of anarchism in practice. In the period between 1936-39 it won the allegiance of thousands of workers. But in the revolutionary scenario that followed the fascist grab for power, in a situation where dual power had developed, instead of taking a bold initiative the anarchists everywhere counselled 'restraint' against the militancy of the workers. Instead of building workers councils as a prelude to smashing capitalism, anarchist representatives not only supported the bourgeoisie in a coalition government, but they trampled on their core beliefs by entering it as well. If anarchism has never succeeded anywhere in putting the working class in power, it is for the simple reason that it does not have a strategy to do so.

The Bolsheviks did and that is why they built the first successful workers state in the history of mankind. The legacy of 1917 is one that is rich in lessons – positively and negatively. We need to reformulate these lessons for today and to develop a programme which if taken up and fought for, will truly open up the road to socialism. As comrades who have more often than not stood on the same side as us, we welcome the contribution of anarchists to that debate. ■

The North: What Price Peace?

SINCE THE mass anti-unionist revolt of 1969-72 succeeded in bringing down the paramount political institution of Orange rule (Stormont) the mass character of the anti-imperialist struggle of the nationalist population against British occupation has gradually been demobilised and nearly exhausted by three processes;

The British war machine, possibly the most sophisticated at low intensity counterinsurgency operations in the world, has been able to contain the struggle by a mixture of daily harassment, arbitrary arrests, emergency legislation, frame-ups, assassinations and infiltration into the ranks of the republican movement. This war machine has included close collaboration with the paramilitary terror gangs of loyalism at one extreme and manipulation of the world and British mass media that presents the war as one of criminal sectarian strife. In this latter task it has the invaluable assistance of the British Labour and trade Union leadership and the Southern Irish bourgeoisie and its parties. To that extent the ideological struggle has been as successful as the military one in hiding the real nature of the struggle from the working class in the Irish Republic and in Britain. As a result of these factors the republican movement has recognised for some time that it cannot by force of arms succeed in removing British troops from the 6 counties.

Secondly, after 25 years of military occupation and 22 years of direct rule from Westminster the British have taken certain political and economic measures that have to some extent undercut the explosive potential of the nationalist community's grievances that led to the civil rights movement and the revolutionary democratic mass revolt 30 years ago. Housing, one of the key grievances has been removed as a significant issue of struggle. Community projects funded by British and EC money and channelled by the SDLP has also sought to blunt the edge of resistance to partition. Moreover, over the last 25 years this process has accentuated the class divisions within the nationalist community, widening the gap between the daily conditions of the working class and the unemployed on the one side, and the middle class on the other. This in turn has blunted the edge of the cross class revolutionary

democratic threat of two and a half decades ago.

The most important factor, however, which has led to the physical force republican movement suing for "peace", is the bankrupt political strategy by the leadership of this movement. Since partition this movement has oscillated between giving priority to the guerrilla struggle or to petit-bourgeois reformist politics at a local/community level. The former consisted of a military campaign waged by 600 or so volunteers operating in clandestine cells in Ireland and Britain and on occasion in continental Europe.

Republicanism's failed strategy

This campaign has proved inadequate to the defence of nationalist communities in the Six Counties against the British and Loyalist death squads—which for the last 22 years should have been the absolute priority for military struggle. In terms of offensive actions aimed at undermining the army's will to stay the guerrilla campaign has had a decreasing effect. The crown forces have succeeded in minimising its effect upon them.

Over the last three years the numbers of British soldiers killed has slowed to a trickle, the lowest since the troops went in. At least for the last five years the military campaign has drifted to "soft targets" which have little military value and have wrought maximum political and ideological damage to the cause of republicanism outside of the beleaguered ghettos themselves. Targeting workers (Catholic as well as Protestant) who performed construction work for the authorities, bombings in crowded town and city centres, have handed propaganda weapons to the British and Irish media's campaign to present the IRA as criminals. The state's deliberate policy of ignoring IRA warnings and the IRA's continued use of bombings in civilian areas despite this, has meant that the consequences of these actions have a negative impact upon the consciousness of the working class.

Side by side with this guerrilla struggle Sinn Féin has developed an extensive network of community and local

government political representation in the 6 counties. Its councillors have braved the attacks of the loyalist and British terror gangs, have battled against the censorship imposed on them by the British and Irish media and the conspiracy of silence imposed by British labour bureaucracy. But both the methods and object of this municipal struggle have been reformist. At best this has brought short term relief from the worst abuses of the nationalist working class. At worst it has led to collaboration in the town halls with the SDLP and even unionists over the implementation of cuts. Most importantly, it has utterly failed to build a movement of the working class that could overthrow the Orange state itself and smash partition—the very source of their oppression.

From the mid 1980s Sinn Féin implicitly recognised the limitations of its struggle within the 6 counties. It turned to the south. It hoped to overcome its isolation by deepening its roots in the southern working class, gain electoral strength at local and then national level. Thus it hoped to get the "democratic" credentials to be recognised as the legitimate representative of the Irish People as a whole, like the PLO and the ANC. It aimed to use this to put pressure upon the Southern bourgeoisie and its parties. It has failed miserably as a strategy. Election results have brought derisive votes outside of a few border constituencies. The internalisation of this failure was another reason for suing for "peace".

Finally, Sinn Féin has seen its economic programme made irrelevant. Its petit bourgeois programme aspires to a nationally protected economy in a 32 county republic. This was projected as a path of economic development which could protect Ireland from imperialist super-exploitation. In the last eight or ten years this utopia this programme has been turned into a historical curio by the nature of world economic developments in the 1980s. It has been left exposed to ridicule by the rapid economic growth of the Irish republic in the 1980s and 1990s under the impact of inward imperialist investment. Sinn Féin has no explanation or answer to this phenomenon, nor has been able to reformulate its theory of imperialist domination in way that can fit this reality.

The combined results of this failure of perspective have pushed the petit bourgeois nationalist Sinn Féin closer towards the bourgeois constitutional nationalists of the SDLP. The emphasis of Sinn Féin on the "pan-nationalist alliance" indicates that the drift towards a reconciliation with the bourgeois nationalists of the SDLP and even of the bourgeoisie in the Republic, is far advanced. Any long lasting reconciliation within the framework of such a "pan-nationalist" alliance would mark the end of Sinn Féin's credentials as a revolutionary

nationalist petit bourgeois led movement and the beginning of its evolution into a bourgeois nationalist party.

Faced with the prospect of a fourth Tory government after 1992 and having internalised the military, political and economic dead end it had led its supporters into, Sinn Féin either initiated or was highly receptive to "peace negotiations" with the British.

Historic betrayal being prepared

The SDLP volunteered its services as a broker between imperialism and Sinn Féin/IRA to bring about the capitulation of the latter. The Hume-Adams talks—the exact outcome of which have still not been made public—revealed at least that Sinn Féin were and are prepared to disarm and accept the existence of a partitioned Ireland and an Orange state for as long as the Unionists remain un-persuaded of the advantages of a united Ireland. In essence, this means that Sinn Féin has accepted in principle the unionist veto and their obligation to give up the armed struggle if the British and the Unionists will only start a process of "national reconciliation". What Sinn Féin wants is some sort of cover for this in the form of all-Ireland talks, with the British putting some sort of verbal pressure on the Unionists to make concessions. This offer alone constitutes a historic betrayal of the anti-unionist population of Northern Ireland and a surrender to British imperialism on the question of self-determination for the whole Irish people. In any conceivable system of devolved government for the province the Protestants will be handed back majority control of greatly enhanced powers of patronage including greater control over the police and military forces. However undercut by measures of positive discrimination and grants for catholic areas this would represent a grand reversal of the victory of 1972 when Stormont was brought down. It will re-enforce and validate the six county statelet. It means that the republican movement will become not an instrument of struggle against injustice and oppression but a force for surrender, and rotten compromise. It thus marks not simply the abandonment of an ineffective military strategy, but of the whole struggle for national freedom. For these very reasons there is alarm within the IRA and Sinn Féin.

The political background to the Hume-Adams initiative was clearly the US sponsored "New World Order" with its pro-imperialist deals in South Africa and the Middle East. The election of the first US Democrat in twelve years encouraged the illusions that Britain could be nudged into a peace process in which it would finesse the Unionist veto. The Republicans have come to the view that not only is Britain the main problem but that the

Protestants no longer have the clout which they had in the 1970s when they wrecked one power-sharing initiative after another. The Adams leadership, convinced that the traditional methods of republicanism would never unite Ireland, having learned that the half-way house strategy of the armalite and the ballot box led to no breakthrough, were wide open to John Hume's reformist strategy.



On the other side the Major government also saw some advantages to the "new world order" scenario; i.e. a capitulatory cessation of the war, pressure on the Unionists to stop obstructing an Anglo-Irish settlement that would reflect the two states new relationship within the European Union. Doubtless it was with these ends in mind that it undertook secret negotiations with the republican movement throughout 1993. The fundamental problem was that the Republicans could not unconditionally lay down arms with nothing to show for it and the British could not even admit to holding talks without such an unconditional surrender. Major's inner party cri-

sis over Maastricht suddenly put him at the mercy of the Unionists MPs at Westminster. Hence Hume and Adams took the peace initiative. This was met in the British and Irish media with enormous enthusiasm and growing public support in the North.

Faced with this the Tory government hurriedly sought to regain the initiative with its Downing Street Declaration of mid-December 1993. This succeeded in stymieing Hume and Adams' hopes for a pan-nationalist bloc involving the Dublin government around their own declaration. It succeeded in gaining the assent of the southern bourgeoisie for a pro-Unionist interpretation of self-determination. It explicitly underwrites the Unionist veto on steps towards a united Ireland through the process of separate referendums to determine the wishes of the "two communities" in Ireland.

In return Dublin were given official acknowledgement of what has been implicit for some time—that the British state has "no strategic or selfish interest" in a retaining a part of the United Kingdom. But, crucially, the British government refused point blank to advocate that the Unionists should move towards a united Ireland. This allowed the Irish government to stress the possibility of a consensual road to unity and the British to re-affirm the sacredness of the unionist veto. The declaration threw the republican movement back onto the political defensive with its calls for clarification. Now a veritable propaganda war has opened up to apportion the blame for the stalling or breakdown of the peace process. Adams sought, via his trip to the US, to pin the blame on the British with the reasonable enough claim that in peace negotiations it is not usual for one side to surrender their arms before the terms are announced. If this occurs it is called unconditional surrender. The British government on the other hand cannot admit that it is fighting a war-at all. It is merely suppressing criminal terrorism. Nor can it admit to holding negotiations with "terrorists". Effectively, Major is calling for unconditional surrender but he has to make this look sweet and reasonable. Their only problem is to avoid either an unwelcome US intervention, a breach with the Irish government; or a Protestant backlash. Hence their language is more evasive and double dealing than is usual.

Preferential and Discriminatory Practices

The Protestant population of the six counties gain considerable advantage from inclusion in the United Kingdom relative to the Catholic population. The bourgeoisie remains part of the integrated section of the British capitalist class, even though its economic ties have diminished

and become more variegated over the last 25 years and its political influence of the Tory part weakened. The middle class and labour aristocracy benefits greatly by preferential and discriminatory employment practices and a generous system of grants; many thousands are directly employed by the war machine and security and ancillary services. Without this machine or the pretext for its presence many would be "levelled down" unless it was replaced. Clearly, all shades of loyalism, whatever the shifting structure of the Irish, British and European economy, have a material interest in retaining political power over the machinery of government and patronage.

Nevertheless, there are differences within the unionist community. Official unionism (UUP), which was itself on the political defensive after the 1985 Anglo-Irish agreement, has been shored up by the events of the last six months. First of all, it has seen its parliamentary position strengthened in Westminster (e.g. a new parliamentary select committee) as the price it has extracted from the Tories for parliamentary support. By being prepared to critically endorse the Downing Street Declaration the UUP has brought nearer the time when it can hope to prosper by a return of some form of devolved government in the province. So long as partition and the Unionist veto is endorsed the UUP can live with some institutional consultative role for the Dublin government in the affairs of the North. In short, the ideal situation for the UUP bourgeois backers would be to be part of an imperialist state, regain powers of patronage in one part of that state and yet enjoy the fruits of closer economic ties with the South in the context of a deepened EC.

Unionist Bourgeoisie

The lower middle and working class supporters of Paisley's DUP fear the slightest concessions to the anti-Unionists or the Dublin government. Whereas the Unionist bourgeoisie can defend its economic wealth and capital under slightly modified political arrangements the working class Protestant backers of the DUP know that their position in this very backward economic region of the UK and the EC has depended exclusively upon the maintenance of privilege not wealth. The bourgeoisie can enjoy its wealth under a variety of economic and political arrangements in principle but the working class must at all costs hold onto the machinery of privilege to keep itself above the condition of the rest of the working class. The DUP see proportional representation and any voice for Dublin as inevitably weakening their ability to maintain those privileges.

The growing campaign of unionist terror gangs against the Catholic community shows that the most reactionary sections of the unionists are prepared to take systematic action to prevent their loss of privileges. Although the loyalists movement has increasingly used terror rather than mass action the prospect of a UWC style strike cannot be ruled out faced with any serious attack on unionist privileges.

Dublin Proves its Pro-imperialist Credentials

Dublin has proved its pro-imperialist credentials well over the last ten years. The Anglo-Irish Agreement (1985), its cross border patrols, its willingness to extradite republicans to Britain, have all reassured the British bourgeoisie that the Irish bourgeoisie of the south can be trusted with some role in a counter-revolutionary peace deal. Conjunctionally, the election of the coalition government has enabled the Labour Party (and especially Dick Spring as Foreign Minister) to be advanced to reassure the Unionists and the British that further down the road the Irish republic will renounce its constitutional claim over the North. The long history of anti-republicanism inside the ILP no doubt is the reason that Spring can be sent out to glad-hand the unionist parts of Belfast with such confidence. The Irish bourgeoisie stands to benefit from any deal with Britain; it will accelerate, if not the removal of the border, then the growing irrelevance of the border as an impediment to the development of trade and investment links with the North (Belfast-Dublin corridor etc) which are at present very marginal to the economic life of both parts of the country.

What are the prospects for a counter-revolutionary settlement in Ireland in the next period? by its Ard Fheis Sinn Féin will have to end its internal consultations and its prevarication about the Downing Street declaration. It is likely that they will be forced to reject the declaration since the nationalist community see nothing in them that gives them hope for a non-sectarian partitioned statelet. Under present conditions for the Adams-McGuinness leadership to proceed with disarming the IRA and being incorporated into devolved government would risk a split within the republican community at least along the lines of country (Armagh) versus Sinn Féin will simply be a fifth wheel on the cart of constitutional nationalism. why then should the British organise a de facto amnesty for republican prisoners. Adam's and Co would be mad to accept any deal which even a substantial section of the IRA rejects. What then would be the alternative?

Sinn Féin would then have little choice left except to sit out the Major government, resume the military campaign in some form (especially in Britain) and wait on the return of a Labour Government. Sinn Féin evidently believes that it can deliver the bottom line reform that the leadership of Sinn Féin need; namely, that the British government must actively seek to persuade the Unionists to "self determine" in the direction of a United Ireland. They would then tell their supporters that this, together with the changing nature of the Irish economy and the "demographic time bomb" ticking away in the North (leading to a turn of the century catholic majority) could deliver up a united Ireland via the ballot box some time in the new century. In this way history will absolve Sinn Fein of its present crime.

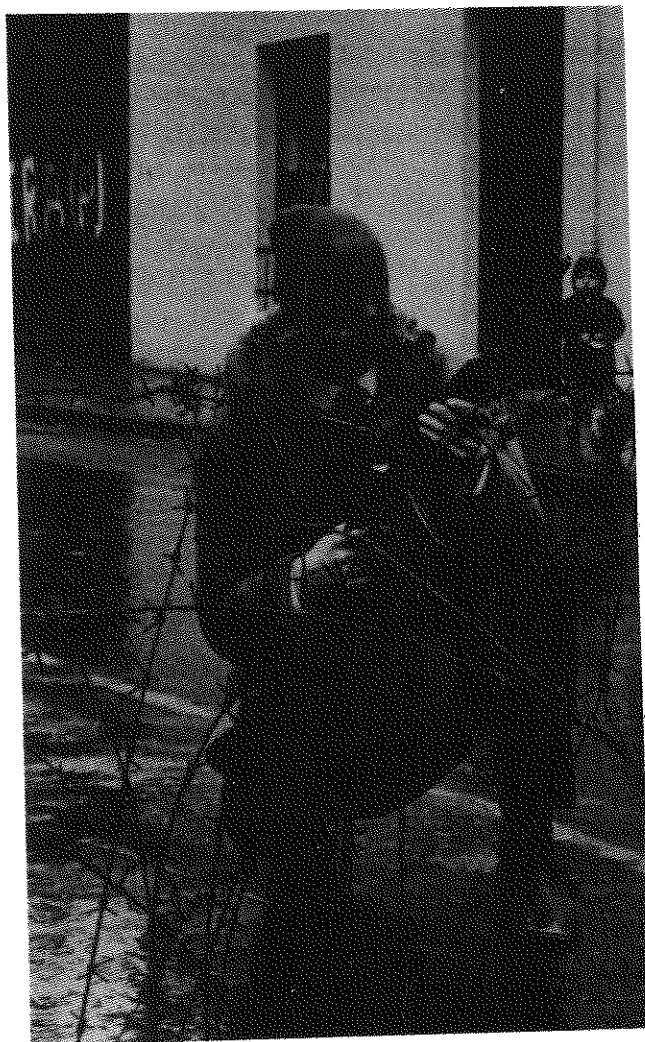
For its part the British would respond to a rejection of the declaration by measures to isolate and intimidate Sinn Féin and the IRA and bolster the SDLP. They would make good their promises to the Unionists that their co-operation in this process of talks will be rewarded with concrete proposals for a return to a form of devolved government in the Six Counties.

In the longer term can partition be ended by counter-revolutionary settlement from above? In principle this cannot be excluded. Partition occurred historically as a result of the acquiescence of the British state to Unionism's determination to remain part of the United Kingdom. At that time it suited the class interests of the Unionist bourgeoisie who had cultivated a cross class bloc within the loyalist community for this project. Partition could be ended in stages; by confederation, by unity with considerable regional powers devolved to the old six counties. But by whatever route it occurred it would have to mean an end to special privileges for the Protestants and would thus involve the break up of the Orange bloc; not shattered from below by revolutionary democratic struggle that split the Protestant working class and brought over the most class conscious to the side of the anti-unionists. Rather, it would be fragmented from above by the action of the Unionist bourgeoisie which considered membership of the UK and non membership of the Irish republic to be detrimental to its class interests.

The Peace Process?

What should be the attitude of workers in Ireland and Britain to the peace process? Firstly, we must be clear what "peace" means for British imperialism. It means first and foremost an end to all opposition to its continued and intensified exploitation of Ireland, North and South. It means discrediting and demobilising all forces which challenge its hold and its investments and those of its fellow

imperialisms—Germany, US, Japan in Ireland. It means saving on the security costs of propping up the northern statelet and subsidising the privileges of the Protestants economically. It means strengthening its relations with the Republic as the prime site for exploitation by the multinationals. In short, any peace acceptable to British imperialism will maintain the low wages, massive levels of unemployment and social inequality which are the real social basis of the national question in Ireland. Irish unity, if it ever comes about on this road, would not mean the sovereignty of the people of Ireland (i.e. of the workers and small farmers but the guaranteeing of the rule of big capital. So what is the alternative to an imperialist peace?



The war weariness of the nationalist community in Northern Ireland is understandable. Twenty five years of heroic but militarily inconclusive conflict have produced the deaths of hundreds of republican fighters and thousands non-combatant members of the nationalist community killed, maimed, imprisoned or terrorised by British. This has undoubtedly taken its toll. Moreover, with no end in sight, with the repeated failures of republican strategy, with the crippling of democratic rights (regarded as normal and used everyday by workers in Britain and

southern Ireland), it is scarcely surprising that the population of the six counties yearns for peace. Certainly, revolutionary socialists do not advocate carrying on with the same bankrupt strategy that the republicans pursued before the Hume-Adams talks. Whilst we have always recognised the legitimacy of the armed guerrilla struggle we never advocated it as the correct strategy. Of course, the nationalist population, faced with 20,000 British troops and the armed RUC and RIR not to speak of the Orange death squads, need armed self-defence. That is why it will be suicidal for the republican movement to disarm, to renounce "violence". The problem with the guerrilla strategy is not its illegitimacy in democratic or moral terms. It is absolutely justified in these terms by the forcible and undemocratic division of Ireland by British imperialism and the Orange minority.

The problem is that, the belief in the permanent necessity of guerrilla warfare with the state forces relegates the centrality of mass mobilisations, mass actions and political struggle against partition with all its economic and social consequences. Indeed, such a perspective of mass action is subordinated to the guerrilla strategy to such an extent that the masses today play virtually no role in the direct conflict with the British state. Yet a mass struggle is the only way forward. Armed self-defence could and should be an essential auxiliary to this struggle helping it to deploy the forces which can really win. Republicanism always has started the other way round seeing mass campaigns like the H-Block demonstrations as auxiliary to the armed struggle. Marxists have always recognised that the culmination of revolutionary struggle will be an armed insurrection, possibly even a prolonged war, but precisely in conditions where the masses are organised and mobilised to participate actively in this. So why are we opposed to the Adam's offer to end the guerrilla campaign? Quite simply because it is not a proposal to shift the armed units into a defensive role in relation to a new offensive mass campaign but a disarming of the northern masses and the abandonment of the struggle against partition altogether. It means that the republican movement will become a force for imperialist law and order in Ireland against the inevitable continued eruptions of resistance. The answer to this is not an even smaller scale guerrilla war by die-hard elements of the IRA or Republican Sinn Féin. The answer is a sharp turn to a working class, revolutionary socialist strategy, implemented on an all-Ireland scale. Such a strategy can ultimately relate to the real fears that the Protestant workers have of an imperialist peace deal; that is, the scaling down of the subsidies and economic underpinnings of their privileges. For these privileges are privileges only in relation to the discrimination that exists against the nationalist community. Jobs for all, decent housing and social services, education and recreation are the right of all

whose labour sustains society. Is this inconsistent with the superprofits of the multinationals? Yes, and so imperialist ownership and control of the latter that must go.

What basis for unity?

The unity of Ireland can only be achieved and founded on the unity of the working class, north and south, Protestant and Catholic. This cannot be achieved by reconciliation between "traditions" or churches. The Protestant workers can only really fight for a secure and decent life for themselves and their families when they break the baneful ties that bind them to their own bosses, the first and foremost of which is their defence of the Northern Ireland statelet and their declining, but very real, privileges over the Catholic working class. The declining strength of Orangeism is a testimony to this possibility. But Protestant workers do not have to pass through the stage of "reconciliation" to Irish nationalism. They can and must be won to a programme of immediate and transitional demands based on building up the organs of workers' democracy in struggle, workers' control of the economy and the fight for a workers' government. An Irish Workers' Republic would be a secular one in which neither priests nor pastors would have any say in what happened in the classroom or the bedroom. It would grant to any part of Ireland whatever autonomy the democratic majority living there wished, providing this did not entail privileges for the majority or oppression for the minority. A workers' Ireland would seek federation with a workers' Britain and a workers' Europe. Its outlook would not be that of narrow nationalism but of the international unity of the working class fighting for a classless, nationless, stateless future for humanity.

- Reject the Major-Reynolds and the Hume-Adams peace deals!
- British Troops Out Now ! Disband the RUC and the Royal Irish Regiment!
- Release all republican militants held in British and Irish jails!
- Scrap the PTA and all bans and censorship on the media!
- Launch a campaign of mass action against repression and exploitation in the six counties!
- Create action councils based on workplace and community delegates with an armed workers militia subordinate to them!
- Forward to a United Irish Workers' Republic and a socialist United States of Europe
- Build a revolutionary communist party in Ireland!

BOOK REVIEW

The Irish Economy: Results and Prospects

Ronaldo Munck, Pluto Press, 1993

THIS BOOK from the stable of a one time USFI member and sometimes political adviser to Sinn Fein sets itself the object of examining the state of the Irish economy and where, from a radical perspective, it ought to go. Such an analysis and perspective is to be welcomed since the glut of recent texts on the political economy of Ireland have been of an orthodox or even right-wing nature. Unfortunately, this text does not offer us any serious analysis and even less, a perspective out of the semi-colonial cul-de-sac of Irish capitalism.

In both his analyses of the Northern and Southern economies Munck combines an unrevealing run through of generally available statistics with over drawn conclusions. Much of the chapter on the Southern economy appears to operate almost as a paraphrase of the current bourgeois standard work on the subject, Kennedy, Giblin & McHugh, 'The Economic Development of Ireland'. Like such academics he can list the symptoms of Ireland's condition quite effectively: the high level of unemployment, the historical pattern of emigration, the dependence on foreign investment after the failed policy of import substitution. But he goes no further, beyond a few phrases about the failure to create a 'coherent dynamic capitalist class' and the potential drawbacks of depending on foreign credit and foreign investment.

On Northern Ireland he confines himself to passively reviewing some of the academic literature. His conclusions that the North's economy is in terminal crisis and that the South's lacks a dynamic bourgeoisie are not sustained by the statistics which precede them. The conclusions, like the book in general, serve to give the appearance of radicalism while the analysis avoids all the central issues.

Munck is at his best when he looks at the role of workers in both economies, or to be more accurate, when he deals with the issues of unemployment, emigration and relative income levels. His presentation of the simple harsh facts is effective. He points to an economy still half the size of the U.K. economy in the early nineteenth century in labour force terms, subsequently decimated. He points to the millions who have emigrated since the foundation of the Free State. He points to the Catholic population of Northern Ireland with unemployment rates of 30% compared to 12% for the non-Catholic population and to the top 10% of the Republic's population disposing of almost 26% of disposable income while the bottom 10% dispose of less than 2%. He also highlights the badly paid part-time jobs into which women have been ghettoised as the price of bringing them into the workforce.

This chapter of Munck's book works as a compendium of statistics on the key

forms of impoverishment of the Irish working class. He fails to analyse the role of the working class in the operative economy. Nor does he analyse the living conditions of the working class in a rounded way. So it contributes little to an understanding of the mechanics of the actual economy and therefore does little to substantiate his nominal dependency theory perspective.

The politics of this book are grounded in his view of history. In the first chapter he has outlined the development of Ireland's dependence on the British economy from the 11th to the 20th century. But once again the analysis is superficial. He seems to believe that dependence as such is a bad thing, that it always leads to distortions which block development. But as Munck is no doubt aware as a specialist in development theory, concepts of dependency are inherently vague and offer no means of identifying the mechanism of domination and subordination in a globally inter-penetrated economy.

His one refinement of the argument is to suggest that the mutually uneven relationship of the different parts of the Irish economy to the British economy is what prevented the development of an integrated national economy within Ireland. This is a more substantial point and quite true. But Munck does not go on to develop it and its significance as it stands is ignored.

Munck is often unclear as to whether the economic developments in the 18th-19th centuries or the political divide at the beginning of the 20th century were decisive in causing the stunted development of Ireland. This is an important point to be clear on. If the political divisions were fundamental then reversing those might open a door to further development on an integrated basis and Munck does indeed advocate reunification. But if the economic developments of the nineteenth century which created the international economy within which we all exist are recognised as decisive then it is clear that more political change as such will not fundamentally alter the structure of the Irish economy, North and South. Economic reality remains unchanged by nationalist aspirations. Unfortunately Munck's perspectives panders to the illusions promoted by Republicans—to the effect that reunification of the 'national' economy at this stage can significantly contribute to the further economic development of Ireland.

It remains true that ending the oppression of the anti-imperialist minority in the North requires British withdrawal and the smashing of the Unionist cross class alliance. But recognising all that is not the same thing as blind faith in the economic benefits of reunification on a capitalist basis. The development of international capital markets and international trade are now so fundamental to the level of wealth sustained by capitalism in Ireland that there is no practical route of protected development open to Ireland. The nationalist programme is utopian, yet Munck is studiously vague on these essential issues.

It may seem strange to accuse Munck of nationalism when he says himself that he adheres to dependency the-

ory, but the two are far from incompatible. In its simplest form dependency theory, sometimes inaccurately called the 'neo-Marxist' theory of third world development, is just such a nationalist theory, since it argues that all imperialised countries suffer oppression exactly because the existence of the imperialist countries prevents the development of a 'balanced' national economy. In response dependency theorists have advocated the use of the state to recreate the conditions necessary for the development of such a 'balanced' national economy. In its more developed forms it adds to nationalism a strong dose of reformism of a Keynesian or neo-Keynesian type.

Munck hasn't learnt the lessons of the failure of Mugabe's Zimbabwe, of Nicaragua's Sandinistas, of Cuba under Castro, of Chile under Allende, who all started out believing they could renegotiate the terms of the relationship of their countries with imperialism while defending capitalism. All, except Castro, ended up facilitating the imposition of conditions dictated by imperialism, because they would not abandon the defence of capitalism. Castro's alternative route is now leading back to the same familiar destination. Munck claims not to want to repeat the errors of such countries, but his proposals are distinguished from them only by his advocacy of what is often called moderation, code for not pursuing such policies at all. He is naive in the extreme if he believes such countries failed to escape the vice grip of imperialism because they were insufficiently moderate!

On the other hand, the Irish bourgeoisie themselves recognise that dependence on Britain has held Ireland back and they have made it a top priority to broaden Ireland's trading base and to

break free of sterling. They have consistently pursued exactly the goals of diversity of trade and flexibility of social structure which Munck advocates. The last fifteen pages of Munck's book, when he finally lays his cards on the table, read like little more than a restatement of the government's Culliton Report using vocabulary designed for consumption by nationalist trade unionists. He puts forward arguments concerned only with the fine tuning of the capitalist system in a united Ireland. His solution to the problems of a united capitalist Ireland is the adoption of a more focused investment policy by the state which he fudges with the call for a 'democratic economy'. Such a euphemism only serves ineffectively to hide the fact that his position is no more than a fine tuning of the capitalist economy of Ireland.

Having rejected the pursuit of self-sufficiency, he also rejects the establishment of planned economies on the Stalinist model. Rather he advocates the continuation of open market capitalism with democratic structures imposed on top of it which ensure that the state will so regulate capitalism as to reduce poverty, unemployment and emigration. He says nothing about what these "democratic structures" would be. We are not told how they would work to overturn the subordination of the state to the economy, which is a general feature of human history in class society. All these proposals are no more than pious platitudes unsupported by examples or evidence.

As one reads Munck it is astounding to see the same old Keynesianism being re-cycled as if it was the latest model from the factories of the academy. He completely ignores the reality of the failure of Social Democratic and Stalinist

governments throughout the recessions of the 1970s and 1980s who have pursued these kinds of economic policies of 'growth through redistribution'. They have all been forced time and again to abandon them by harsh economic reality combined with their own inability to adopt a revolutionary approach.

Such policies could not work because the logic of accumulation under capitalism is not consistent with this type of redistribution. There is no middle road between the interests of the bourgeoisie and those of the working class. Only by a revolutionary process aimed at overturning the capitalist economic system which

Munck wishes to maintain can these problems be decisively overcome.

It is worth keeping in mind what would happen if these political views were applied at face value. The day Munck's revolutionary nationalist government took office and nationalised the high technology sectors, as he proposes, foreign capital would disappear and with it 100,000 jobs.

. By the time his first week in office was over he would either have given in and denationalised, have been ousted or would be leading the way forward to a revolutionary government.

It is clear from his inability to distin-

guish the ambitious from the impractical, that the latter course is unlikely. But then Munck never expects his 'democratic economy' to be realised. His politics are those of the impotent oppositionist, luxuriating in vague concepts and impractical postures.

The first whiff of real political responsibility would blow these cobwebs from his mind, to be replaced by lectures on the immediate practical need for moderation. We've seen it all many times before. This book offers us more insight into an academic on-the-make rather than a serious attempt to offer the Irish working class a way forward. ■

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