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Globalisation and Models of State: Debates and Evidence from Ireland

PEADAR KIRBY & MARY MURPHY

This article reviews the role of the state in Ireland’s adaptation to globalisation and reflects on the changing nature of the Irish state in the context of global and EU pressures. It examines two competing literatures about conceptions of the Irish state, one which argues Ireland is a model of successful development or flexible developmental state, and the other arguing Ireland, as a competition state, prioritises economic competitiveness over social cohesion and welfare. The article empirically examines the structural direction of policy change and shifts in power and policy processes. Both developmental and competition logics are found, these are sometimes complementary and other times opposing logics. The developmental role of the Irish state has been uneven across policy areas, being most evident in policies that enable foreign capital thrive and profit and least evident in supporting indigenous industry and social inclusion. While there have been temporal shifts in developmental and competition logics, examination of recent policy responses to recession and economic crisis suggests the primary logic informing Irish development is the competition logic.

Keywords: Competition State, Ireland, Flexible Development State, Celtic Tiger, globalisation, Irish State, Neoliberal State

Introduction

Ireland’s economic boom from 1994 to 2000 (widely labelled the ‘Celtic Tiger’) has been interpreted by analysts as indicating the country’s success in benefiting from the opportunities offered by globalisation (Sweeney 2003; Barry 2005). While an initial reading emphasised that economic transformation had been achieved through market liberalisation (Barry 1999; Sweeney 1999; Clinch, Convery and Walsh 2002), this was soon contested by literature that focused more on the crucial role played by the state. Scholars at the influential Economic and Social Research Institute (ESRI) argued that ‘there was a great deal more to...
Ireland’s success than liberalization of markets. The state has been deeply implicated in the entire process, managing both economic development and the welfare state’ (Nolan, O’Connell and Whelan 2000: 3). Examining in more detail the role played by the Irish state, Sean Ó Riain characterised it as a ‘flexible developmental state’, arguing that this constitutes a new model of state-led development more responsive to the demands and pressures of globalisation (Ó Riain 2000, 2004). Peadar Kirby introduced the concept of competition state to the Irish literature, arguing that it describes more accurately the nature and operation of the Irish state in the era of the Celtic Tiger since it prioritises goals of economic competitiveness over those of social cohesion and welfare (Kirby 2002; 2005). Following Kirby, Fiona Dukelow, Nigel Boyle and others have also adopted the concept of the competition state to categorise the Irish state as it has been reshaped in the period of the economic boom (Dukelow 2004; Boyle 2005; Murphy 2006).

These debates on the role of the state in Ireland’s adaptation to globalisation echo and draw upon wider debates on how the state is changing under the impact of global market pressures (Bisley 2000; Cerny 2000; Jessop 2002; Hay, Lester and Marsh 2006; Weiss 1998). Yet, these debates have also been faulted for being conducted at too generalised and abstract a level, lacking a base in empirical study. Colin Hay has written that ‘the ethereal realms of abstraction at which the analysis is for the most part conducted are not densely populated with clearly identifiable actors, strategic or otherwise’ (Hay 2004: 47).

Nicola Phillips echoes and advances this critique, identifying economism (namely a concentration on state economic policy and strategies) and a functionalist bias (namely understanding the form of state as an outcome of its adaptation to the challenges of economic globalisation) as characterising these approaches. This bias, according to Phillips, results in a ‘generalized failure to consider or advance clear understandings of the processes by which outcomes are produced’ so that politics, in the sense of ‘variation, contingency and specificity in the institutional structures of states, the nature of state strategies and the types of state-society linkages that prevail in particular political economies’ is largely missing (Phillips 2005: 82–115).1

This article seeks to address these weaknesses through surveying the recent political economy debates on the nature and functioning of the Irish state, in particular on characterising it as either a form of developmental state (DS) or as a competition state (CS).2 This article begins by defining the two terms as they are used in the literature on the Irish case, discussing the differences between them and relating them to the wider context of globalisation. The following section surveys this literature in order to clarify what claims are being made about how the Irish state has changed and through what agency, focusing particularly on the concepts of DS or CS. The literature review will demonstrate how both the DS and the CS capture different elements of the state’s economic and social role in recent years so that both concepts help explain aspects of the Irish state. That both aspects co-exist in a state is a plausible and likely conclusion. What is of interest, however, is how developmentalist and competition state logics interact with each other or even compete with each other. This is addressed in the subsequent section. The recent global crisis offers an opportunity to reflect on two questions: how the different developmental and competition elements of
the state contributed to the current crisis in Ireland; and whether the response to
the crisis makes it more likely that the more developmental or more competition-
like elements will be reinforced or retrenched in response to the current economic
difficulties. These questions are addressed in the final section. The article
concludes that, while the DS and the CS capture different elements of the
state’s economic and social role, ultimately the developmentalist logic appears
to be subservient to the logic of competition and that the current crisis, far from
being a critical juncture, seems to be reinforcing and embedding Ireland as a
competition state.

Developmental state or competition state?

Understanding the institutional underpinnings of the Celtic Tiger has given rise to
two competing conceptions of the state. Is the contemporary Irish state a new type
of developmental state, thereby holding lessons of successful development for
many other states, or is it a competition state, an exemplar of how globalisation
resitutions the state so that it prioritises the needs of global capital over those of
its own citizens? And what is the relationship between these types of state and
the wider processes of globalisation and/or Europeanisation that are invoked in
the literature on Ireland as at least contextual and perhaps even causal variables
for state change? This section intends to clarify what is meant by the concepts
of DS and CS and to discuss how globalisation/Europeanisation is invoked in
the literature.

Developmental state (DS)

Characterising of the Irish state as developmental takes as its starting point the
literature that developed in the 1980s out of analyses of the role of the East Asian
state in that region’s developmental success and which elaborated the concept of
the ‘developmental state’ (Johnson 1982; Woo-Cumings 1999; Wade 1990;
Amsden 1989). In applying the concept of ‘embedded autonomy’ taken from
Peter Evans (1995) to the Irish state, Ó Riaín characterised the Irish state as a
‘flexible developmental state’ in contrast to the bureaucratic developmental
states of East Asia (Ó Riaín 2004). His later work slightly amended the concept
to that of a Developmental Network State (DNS) as ‘network centrality is critical
to this new state – isolation from the local or the global renders it ineffective’
(ibid: 4).

Ó Riaín’s starting point is that ‘states and other institutions of governance do not
simply “regulate” a system with its own logic but rather constantly structure and
restructure capitalist social relations, even as they are constrained by them’. Fur-
thermore, ‘forms of state developmentalism vary enormously across time and
space in their developmental strategies and tactics, institutional and geopolitical
foundations, social consequences, and the ensuing political possibilities’ (ibid:
15). Since, as he writes, ‘the developmental state is likely to emerge in different
guises under varying sociopolitical conditions at different times and places’,
he identifies such examples as the Northern European social democracies, the
temporary success of dependent development in Brazil, the East Asian miracle
and ‘the emergence of fast-growing economies such as Israel, Ireland and even Taiwan in the 1990s’ as examples of ‘different types of developmental states’ (ibid: 19). In essence, he defines the developmental state as a state that fulfills the following: ‘forging a collective strategy for development despite inequalities and hierarchy in the international economy, building institutions to pursue that strategy, and fostering self-reproducing autocratic development through shaping the relationship between the developmentalist coalition and the national and world-system structures within which it is embedded’ (ibid: 20). For Ó Riain, this can take the form of bureaucratic or network-state developmentalism. If, in the past, developmental states relied heavily on state intervention in their attempts to industrialise, in the contemporary era they can achieve their goals ‘not by taking on the tasks of development but rather by shaping the capabilities of society and the market to do so’ (ibid: 23).

Ó Riain’s definition of the developmental state is therefore multifaceted and complex. It goes beyond Theda Skocpol’s definition of state capacity as the ability of the state to pursue and/or implement official goals (Skocpol 1985: 9). Such an understanding of capacity, namely the creation of institutions to make social transformation possible, forms only one part of Ó Riain’s definition. Prior to the creation of institutions, the state must reshape the private self-interests of actors with resources so that they become part of a wider collective interest in national development. Furthermore, the institutions fashioned to promote this wider collective interest must be safeguarded against becoming beholden to private interests in society – this is where Ó Riain adopts Evans’s notion of embedded autonomy. Once achieved, these institutions serving a national developmental project are just the first step to ensuring a dynamic of autocratic development; the latter requires the reproduction of a sociopolitical coalition supporting development, a self-reinforcing dynamic or ‘feedback loop’ between the development of productive forces and such factors as the broad development of skills and learning capacity, and wider processes of autonomous political, social and cultural development. The agility of the state in the face of constant change in the international system so that it can maintain its successful insertion is a final dimension of the developmental state. This conceptualisation of the state therefore embodies three different dimensions – the state’s institutional capacity, the state’s relationship to society and the various organised interest groups within it, and the state’s relationship to the wider international context outside its national arena. All of these need to be dynamically managed and developed if developmental transformation is to result.

The concept of the developmental state has been taken up more in policy discourse than in the academic literature on the Irish state. This is most marked in the concept of the developmental welfare state adopted by the National Economic and Social Council (NESC) in its 2003 tri-annual statement of the state’s economic and social strategy and used as the basis for elaborating a Developmental Welfare State (DWS) for Ireland (NESC 2003, 2005). This uses the concept of the developmental state as a label for a new kind of welfare system – ‘tax and welfare transfers, the provision of services and activist initiatives’ (NESC 2005: iv). Though not elaborated in the documents proposing it, this contains echoes of Ó Riain’s concept in that it refers to the state’s institutional capacity, its
relationship to civil society, and the ways in which the welfare system is seen to reinforce the wider economy’s competitive success.

**Competition state (CS)**

The competition state concept emerged from analysing the ways in which developed industrial states were restructuring themselves in response to the constraints and opportunities opened up by neoliberal globalisation in the 1990s. While initially under pressure from internal causes such as recession and the fiscal pressures on welfare spending, by the 1980s and 1990s, welfare states were also under pressure from outside factors such as international competitiveness, the mobility of capital worldwide and intensified international trade (Pierson 2004:100–2). A central cause of these pressures has been the impact of new information and communications technologies (ICTs). These have made possible both the more intense and immediate global interconnectedness that drives finance, production and trade and also new forms of corporate organisation that have come to dominate more and more key production chains worldwide, thereby strengthening the power of global market forces as against that of national state authorities. As John Gerard Ruggie has recognised, the globalisation of financial markets and production chains challenged the premises on which the grand bargain between capital and labour rested since that bargain presupposed a world in which the state could effectively mediate external impacts through such tools as tariffs and exchange rates (Ruggie 2003: 94). In this situation, welfare states have not collapsed but they are under pressure to reduce costs and erode the level and extent of protection they previously provided (Mishra 1999; Scharpf 2000). This global context, therefore, has created new pressures to which all states have to respond. It is out of analysing the ways in which states are responding that the concept of the competition state emerged.

Various attempts have been made to characterise the new regime that is emerging as a successor to the Keynesian welfare state. Bob Jessop sees this ‘new state form’ as a Schumpeterian workfare state (SWS) which seeks ‘to strengthen as far as possible the structural competitiveness of the national economy by intervening on the supply-side; and to subordinate social policy to the needs of labour market flexibility and/or to the constraints of international competition’, while Galbraith coined the term the predator state (Jessop 1994; Galbraith 2008). In his work, Philip G. Cerny et al. describe the emergence of a ‘competition state’ out of the tensions between the demands of economic globalisation and the embedded state/society practices that characterised the national welfare state as the priorities of policy move away from the general maximisation of public welfare (full employment, redistributive transfer payments and social service provision) to the promotion of enterprise, innovation and profitability in both private and public sectors (Cerny, Menz and Soederberg 2005: 19). These reactions, however, follow no set pattern or master plan: ‘The emerging embedded neoliberal consensus is therefore not simply a developing “from outside” or “from above”; it is also a political construction promoted by political entrepreneurs who must design projects, convince others, build coalitions and ultimately win some sort of political legitimacy “from inside” and “from below”.’ (ibid: 19).
Tracing this process as they see it happening in western European states and the European Union (EU) itself, North America and New Zealand, Latin America and eastern European countries, Cerny et al. identify a process that is ‘almost without exception elite-driven . . . based on sustained support from converted academics, policy advisers and consultants both within and outside the public sector, government officials, and firms and other economic actors, especially representatives of employers and business organisations, and, especially consumers and many taxpayers’ (ibid: 22–3).

What can be observed, therefore, ‘is not so much the continuity or maintenance of older “varieties of capitalism”, but rather the emergence of varieties of neoliberalism – of diversity within convergence, of the forging of different “roads to globalisation” . . . States are increasingly becoming “competition states”’ (ibid: 21–2). This belies any easy claim that the state is retreating or that its role is marginalised in the political economy of today’s globalised world order. Rather, what is happening is the redefinition of its core activities as it adapts to the new global environment in which it operates. This helps make sense of what otherwise may seem a contradiction between the state’s ever weakening ability to secure the welfare of its citizens while, on the other hand, it becomes ever more intrusive in the life of the national economy such as, for example, through a myriad of new regulatory agencies. As Cerny et al. point out: ‘Deregulation was never really deregulation; it increasingly became the replacement of outcome-orientated and discretionary interventionism with new market friendly regulations – a form of pro-market re-regulation. Indeed, in many cases the new regulations were more complex and onerous than the old type’ (ibid: 11–8).

In other work, Cerny and Mark Evans have argued that the policy agenda of the New Labour governments in the UK ‘in its most crucial aspects reflects the continuing transformation of the British industrial welfare state into a competition state’ (Cerny and Evans 2004: 51).

These two conceptions of the state therefore have some common features but differ in a number of crucial ways. Perhaps most significantly, both agree that the state can make a difference though, perhaps echoing their different origins, the competition state concept recognises more fully the constraints placed on state actions by the competitive pressures of today’s globalisation. Both acknowledge the uneven nature of state actions, though both also claim that a central overarching logic can be identified behind this unevenness. It is the nature of this overarching logic that constitutes the key difference as developmental state theorists claim that such states possess the capacity to achieve outcomes that fundamentally transform the economy and society towards higher levels of development. Competition state theorists, on the other hand, identify a logic that moves state actions away from the maximisation of welfare towards the promotion of enterprise and profitability as national elites respond to the pressures of globalisation. Theorists of both concepts recognise that both developmental and competition states do not conform to uniform models but reflect the internal political configurations and culture through which the overarching logic of developmentalism or competition is mediated, though it must be said that both literatures have paid insufficient attention to the politics through which these logics emerge and come to dominance.
Where there is less clarity about the differences between both concepts concerns the possibilities for more progressive forms of both types of state. Cerny et al. recognise that neoliberal public policies ‘do not merely constrain but also bring opportunities. Contemporary politics entails both a process of choosing between different versions of neoliberalism and the attempt to innovate creatively within the new neoliberal playing field’ (Cerny, Menz and Soederberg 2005: 20). One expression of these possibilities is the emergence of a social neoliberalism (ibid: 20–1). Ó Riaín criticises the competition state concept as it ignores ‘the many political possibilities that the institutions of economic development present for future transformation’ (Ó Riaín 2004). What here distinguishes proponents of each of the concepts is the potential for transformation that exists. For, as made clear above, competition state theorists also recognise that politics matters and that it results in different outcomes in different states – ‘different versions of neoliberalism’. Ó Riaín goes further in claiming that spaces exist for going beyond neoliberalism to social democracy and his book ends by outlining what this might entail (ibid: 237–42). Here again what is at issue is more empirical than theoretical. Cerny et al. outline at some length the erosion of the basis for a social democratic alternative as it is happening in practice in many parts of the world, whereas Ó Riaín’s account is limited to a purely theoretical outline of what such an alternative might look like while neglecting the political or social bases for its emergence. On the contrary, he acknowledges that the Irish developmental state ‘will face an increasingly contentious politics of national inequality because unequal integration into the globalisation project undermines solidaristic national social contracts’; however, he fails to address how it might overcome these to build a more social democratic alternative (ibid: 38). Therefore, a lack of clarity lingers as to whether, through progressive political actions, both the competition and the developmental states could come increasingly to resemble one another. Indeed, Cerny has equated the East Asian developmental states with competition states (Cerny 2006: 381). Yet, it does appear that a fundamental difference still distinguishes Cerny’s social neoliberalism from Ó Riaín’s social democratic developmentalism, with the latter entailing a much stronger version of governing or restraining the market, whereas the former is posited on a benign market to which the state plays a supporting role.

In these accounts of the DS and CS, globalisation plays a crucial role as the wider context which necessitates that the state take actions to adapt and constrains the nature of those actions. As Cerny and Evans state baldly: ‘The main challenge facing governments all over the world is their capacity to adapt to the exogenous constraints and opportunities brought about by different processes of globalisation while maintaining a relatively effective domestic policy programme’ (Cerny and Evans 2004: 58). While the DS literature emerged before the widespread use of the concept of globalisation, it too was identifying the types of state actions required to avail successfully of the developmental opportunities opened by a liberal trading order. Indeed, in Ó Riaín’s work, globalisation plays a more proximate role as he situates the developmental network state ‘in a role mediating between the global and the local, connecting them and shaping the nature of their relationship’ (Ó Riaín 2004: 28). Yet, if globalisation provides the context and the challenge, it is not the cause of state restructuring; this happens through domestic
social and political forces and it is these which help determine the outcomes in each particular case. Europeanisation, whether as a mediator of globalising pressures or as a filter or even a protector against their harsher impacts, plays no direct role in the conceptual frameworks of either DS or CS theorists, although, as will be seen in the next section, the role of the EU has been widely credited with playing a notable role in aspects of the Irish state’s transformation.

Restructuring the Irish state: debates and evidence

A number of scholars have utilised the concepts of the DS and of the CS to analyse the nature of specific states and the dominant logics that inform them (on the DS, see Johnson 1982; Evans 1995; Woo-Cumings 1999; Wade 1990; Amsden 1989; on the CS, see Cerny, Menz and Soederberg 2005; Cerny and Evans 2004). However, these studies do not so much interrogate the concepts as apply them to interpret the actions of the states they study, deriving from these analyses evidence that they use to characterise the states. Furthermore, they are discrete studies and none seeks to discriminate between these two concepts. This article therefore breaks new ground in discussing the applicability of these two concepts through surveying how they have been used in the Irish case and drawing conclusions about their applicability and utility. Furthermore, in order to facilitate addressing the critiques of Hay and Phillips referred to in the introductory section above, the survey examines the literature under two optics – that is, what can loosely be called structure and agency. The first refers to the structural direction of policy change while the second seeks to identify how and by what actors the state’s policy agenda is changed. This latter therefore brings in politics and seeks to understand the processes by which outcomes are produced.

Structural direction of policy change

Kirby, who first introduced the CS concept into the literature on the Irish state, argues that the competition state accurately described the nature and operation of the Irish state in the era of the Celtic Tiger since it prioritises goals of economic competitiveness over those of social cohesion and welfare (Kirby 2002, 2005). He writes that the concept of the CS analytically captures in a fuller way than does that of the DS the logic of the Irish state’s actions. It does this since it links the economic developmental dimension of state actions with the social distributional, unlike the DS concept, which treats them separately. He concludes that the DS concept therefore fails to understand why the state has been so unsuccessful in translating economic success into social development (Kirby 2002: 142–4). Dukelow also adopts the concept of competition state for the Irish case as ‘the state has taken a selective interventionist role in the manner of a competition state to re-orient social security policy to enhance economic competitiveness by tackling unemployment, yet leaving levels of income inequality and poverty remain relatively high’ (Dukelow 2004: 47). Dukelow rests most of her argument that Ireland is a competition state on a forensic examination of Irish welfare and labour market policy arguing that the combination of policies promoted over the
1990s amounts to a strongly productivist state policy consistent with a competition state (ibid: 22).

Ó Riain is the only contributor to the literature on Ireland’s political economy to have argued that Ireland is a DS. While Ó Riain’s concept of the developmental network state (DNS) has been outlined in the previous section, its application to the Irish case requires further elaboration. What is it about the actions of the Irish state that makes it a DNS? Essentially Ó Riain bases his claim on the state’s role in the transformation of the Irish economy in the 1990s. As he writes: ‘A system of innovation emerged that supported relatively broad industrial upgrading and a particularly dynamic high-technology sector – among both foreign and indigenous firms.’ (Ó Riain 2004: 45). This upgrading was supported by three types of state action, according to Ó Riain. The first was a national system of innovation underpinned by state-society alliances based upon the activities of state agencies that defined policy priorities, provided finance and institutional supports, and legitimated this development agenda. The second was the broader set of socioeconomic changes that generated local demand for technology goods and a variety of services, particularly centred on the growth of an Irish software industry which Ó Riain calls ‘the leading edge of indigenous industrial upgrading in the Celtic Tiger’ (ibid: 56).

The final type of state action relates to the wider socioeconomic conditions that helped keep inflation low to improve industrial competitiveness. This was achieved through neo-corporatist arrangements known in Ireland as social partnership which managed a trade off between moderate wage increases agreed at national-level negotiations and tax reductions. However, in a reference that links to a topic that looms large in other works surveyed here, Ó Riain recognises the eroding of the revenue base of the state’s finances that was hidden during the boom but which has become ever more evident as the boom years recede. As he writes: ‘The social-partnership agreements ensured that integration into the global economy has not decimated social rights. However, the agreements have also presided over a period of rising inequality and weakening welfare effort’ (ibid: 65).

Ó Riain is critical of the CS as it extends important observations about the specific features of many contemporary capitalist states into too general an argument regarding a new mode of capitalist regulation’ which thereby serves to ‘obscure the existence of a political space for struggles within and through existing institutions over how development could and should be structured’ (ibid: 18). Instead, he asks: ‘if the institutions of the Celtic Tiger could generate the results they did in the face of domestic neoliberal populism and an international order hostile to state and social shaping of economic life, what might they achieve given a more supportive political order?’ (ibid: 11).

However, it is the CS that has come to dominate characterisations of the Irish state as it evolved over the Celtic Tiger period. Boyle baldly states: ‘Contemporary Ireland is an exemplar of the competition state, where social policy is subordinated to the needs of the economy’ (Boyle 2005: 16). He notes the paradoxical situation that Ireland, ‘with an anorexic level of spending on social policy’, still managed throughout the 1990s to spend two per cent of gross national product (GNP) on active labour market measures. This is consistent with the competition state hypothesis that public investment shifts over time to focus on projects that
enhance capital or create flexible labour markets that promote enterprise, innovation, learning and training. Boyle’s study of the state’s labour market agency, FÁS (An Foras Áiseanna Saothair) gives insight into the political and institutional reasons for the Irish state’s responses to social needs over the course of the Celtic Tiger boom. Of crucial explanatory importance are the significant EU Delors funding regimes available from 1989 onwards: FÁS successfully manoeuvred to put itself in a key strategic role to capture up to one third of the EU funding. Boyle argues that the Irish state used FÁS, not because it could deliver developmental policy objectives, but because it ‘could deliver a national system cheaply’. He compares FÁS to the Swiss army-knife – performing myriad functions but none of them well – and he comments on how FÁS worked with the inherent clientelism of Irish politics, being comfortable with the ‘pragmatic-populist streak in Irish politics’ (ibid: 113–4). This pragmatic, low-cost approach to social provision indicates the limits of the state’s action and is far from the transformative dynamic one would expect from a developmental state.

Mary Murphy makes the strongest empirical argument that Irish social policy is consistent with a competition state (Murphy 2006). She argues that showing Ireland is a competition state does not mean proving that welfare spending has been curtailed, but rather it requires demonstrating how social security policy has been structurally reshaped to serve economic over welfare objectives. This reshaping means that traditional social policy objectives of poverty reduction and equality now take second place to a commitment to the promotion of competitiveness. She finds that low taxation and wage moderation has put pressure on public-sector spending and limited the state’s capacity to fund social security more generously. Public goods, related to social justice and redistribution, are increasingly privatised, while their distribution has become more consumer-driven and less based on rights derived from citizenship. This has happened across a range of social policy areas, including health, housing, education, pensions and child and elder care. Increased women’s labour-market participation has impacted on the capacity of families to provide welfare and resulted in greater reliance on market-based provision of both child and elder care. In the Irish case, new forms of inequality have emerged and those with weak capacity to participate in the labour market have suffered most, resulting in what Cerny et al. called the ‘pauperisation of segments of society’ (Cerny, Menz and Soederberg 2005: 29).

Gerry Boucher and Nigel Boyle (2007) are curious about the inconsistent nature of Irish development. Separating accumulation and legitimation functions, they show through case studies and examination of sector-specific policies that the Irish state is more ambitious about and invests more heavily in policy initiatives that might lead to greater competitiveness than in policy initiatives that have a more legitimation function. For example, they compare the energy, drive and financial investment in the Industrial Developmental Authority with the clear lack of investment in an institutional infrastructure that might effectively mainstream anti-poverty initiatives. They conclude that the competition goals of the Irish state are far more important than are other more developmental goals. Carmen Kuhling and Kieran Keohane (2007: 8) see the low level of state spending on basic social programmes as being ‘indicative of a more general neo-liberal
global trend towards the “competition” rather than the welfare state’ and they see Ireland as leading a ‘race to the bottom’ among European states. While not employing the term CS, Neil Robinson and Maura Adshead (2007) offer an analysis that is consistent with aspects of the concept. They argue that Ireland exhibits no significant developmental logic or investment in institutions with capacity to shift spending from consumption to more developmental activities. They conclude that Ireland began but did not complete the process of building an institutional architecture for development. Similarly Eileen Connolly (2007), while not referring to the CS, examines the social partnership policy process and institutional setting in which the National Anti-Poverty Strategy is developed with a view to isolating the policy logic within which anti-poverty strategies are developed. She highlights how the dominant policy paradigm out of which social partnership operates limits its anti-poverty potential. Examining as a means for reducing poverty how the four policy areas of social welfare, housing, health and education have fared in the social partnership process, she finds that ‘actual policy initiatives have been limited’ and concludes that ‘the over-arching policy ideas that informed social partnership also appeared to some to constitute a straightjacket on policy reform with any increased social welfare effort effectively defined as anti-competitive in this paradigm’ (ibid: 36).

Finally, a number of contributors have argued against the binary division of CS and DS. While acknowledging that ‘strong tendencies towards prioritising economic competitiveness are indeed apparent’, Nicola J.-Anhe Smith rejects that Ireland can be characterised as a competition state since some distributive and developmental tendencies are also apparent and change over time. She therefore argues that Ireland cannot be neatly categorised as either a developmental or a competition state and that state policy ‘has instead entailed elements of both’ (Smith 2005: 120–35). Rory O’Donnell (2008) is also sceptical of efforts to characterise states, seeing in it echoes of Marxist theory and politics in the inter-war period when much hung on whether a particular state was characterised as socialist, imperialist or fascist. Instead, he agrees with Smith that what are being examined are dimensions of the Irish state in which one can identify tendencies and counter-tendencies.

Shifts in power and policy processes

Turning to agency, in the wider international literature both the CS and the DS have been criticised for the general level at which they are advanced and their failure to examine politics to account for outcomes achieved. Murphy’s work has perhaps gone furthest in seeking to account for the ways social policy has changed over the course of the Celtic Tiger period, focusing attention on how and where policy is mediated. Her detailed examination throws new light on this previously hidden aspect of the state’s operations. Questioning the centrality of social partnership to decision making, she concludes that partnership plays more of an ideational and legitimation role than a policy-making role. For decision making and budgetary policy, she identifies an inner policy network, which she calls the ‘iron triangle’, made up of Ministers, their key political and personal advisers and key civil servants (Murphy 2006, 2008).
Smith focuses on the role that globalisation plays in the discourse of policymakers. Providing the rationale for an emphasis on competitiveness, she finds that senior politicians and policy makers use globalisation in a very positive way as the wider context which has allowed Ireland to flourish but also as an external pressure on economic policy making. As she writes in characterising the dominant discourse: ‘Ireland may have flourished under conditions of globalisation but is ultimately constrained by it. In this sense, globalisation is presented as a non-negotiable external economic constraint’ (Smith 2005: 174.) She finds European integration and Ireland’s place in the EU presented in a similar fashion, though to international audiences what is presented is Ireland’s commitment to the European project as a means to steer globalisation in a more humane direction.

Ó Riain has analysed what he calls ‘the ebb and flow of different projects within the Celtic Tiger political economy’ (Ó Riain 2008: 170), as a way of identifying the actors that spurred the ‘emergent spaces of developmentalism and democratisation that were particularly promising in the 1990s (ibid: 169). He divides the period since 1987 into three sub-periods (see Table 1). The first, from 1987 to 1994, he labels neo-corporatist stabilisation; the second, from 1994 to 2000, is the most interesting period as it marked the emergence of new developmental projects within the state. The final period, beginning in 2000, Ó Riain calls ‘disciplining development and democracy’ as it is marked by a reassertion by the central state and the market across a range of areas as the state makes itself more and more subservient to the market, complicit in the growth of inequality and less willing to protect the most vulnerable.

The closest we get to a developmental politics of welfare is the NESC proposal for a DWS (NESC 2005). Yet, Murphy and Millar warn against confusing the DWS rhetoric of government agencies with real evidence of welfare developmentalism (Murphy and Millar 2007). The origins of this strategic social policy framework lay in a social partnership commitment and there is little doubt that in normative terms those promoting and writing the strategy had genuinely developmental ambitions for the Irish state. However, within the structures of social partnership they also had to negotiate with a powerful competition advocacy coalition (led by the Department of Finance and backed by employer and business interests). This coalition left a strong imprint on the document. From the very start the strategy makes clear that ‘the social dividend of strong economic performance must however take forms that are supportive of the country’s ongoing ability to trade advantageously in the world economy’ (ibid: 1) This language not only reflects but is part of the process of making social policy subordinate to economic policy. Thus, ambiguous language can be used to obfuscate the true intention of the policy maker but it can also be used to keep various policy coalitions on board when mediating structural policy reform.

Lessons from the Irish case

In drawing conclusions from the literature survey, it can be asked whether evidence of the logics of developmentalism and competition could be complementary. On the one hand, state developmentalism seems largely restricted to areas
|--------|------------------|---------------|---------------|-------------------|----------------|------------------|
| 1987–1992 | Centre-Fianna Fail | International recession | Growth Coalition | Early foundation phase | Macroeconomic stabilisation | • Breaking the vicious socioeconomic cycle and building a shared alternative future analysis  
• Foreign direct investment with tax incentives  
• Welfare characterised by cutbacks and stabilisation  
• Increased focus on social equality and sharing of benefits  
• Extension of the partnership model, a deepening of the innovation system and managing growth and inflation |
| 1997–2007 | Centre-right-Fianna Fail/Progressive Democrat | EU Lisbon Strategy Growth, Competition Employment | Competition coalition | Transition phase | Growth machine |
| 2007–? | Centre-Fianna Fail/Greens | Global crisis IMF | ? | ? | ? |

Source: Adapted by authors from Murphy 2008, Breathnach 2005, Ó Riain 2008.
where state intervention was required to enable competition so that business – particularly foreign-owned companies – could thrive and profit. This took various forms and crossed many policy areas including national infrastructure, education policy, taxation policy and industrial policy. In this context, state developmentalism and the competition state can be seen as being largely complementary to each other. However the more curious question to ask is where and why did the state fail to be developmental in the sense of supporting the infrastructure of the competition state, for example the lack of broadband infrastructure. In this regard, the literature on the IT industry highlights the contradictory as opposed to complementary nature of the state’s so-called developmental approach to the software industry in the 1990s (Breathnach 1998; Guiomard 1995; MacSharry and White 2001; O’Sullivan 2000; Sterne, 2004).

The point has been well made that amid the apparent success of the state in enabling Ireland to become a world leader in IT there was a parallel failure to develop the capacity of the emerging local indigenous industry. The same point can be made for industrial policy as a whole where, despite the policy recommendations in a succession of high-level reports (Ireland 1992, 2004; NESC 1982), the state’s policy agenda has by and large favoured multinational corporations over indigenous industry. This indicates clear limitations to the nature of the Irish state’s developmental character.

It would seem also that the Irish state is uneven in the degree to which it is developmental. Examining whether both logics are always evident within particular policy areas, Boucher and Boyle (2007) showed that strong state developmental capacity and outcomes in some policy areas (industrial policy) coexist with limited state developmental capacity in others (anti-poverty policy). Kirby (2008) showed likewise. If the state’s developmental capacity is restricted or ring fenced to only those areas, which enable domestic and international capital to profit, then it can be argued that the developmentalist logic is secondary to the overall logic of competition.

A different way of thinking about the developmental and competition aspects of the state is to test whether they act as opposing logics. As such, they would sometimes have the effect of pulling policy in opposite directions and so neutralise policy decisions, resulting in a state of ‘policy paralysis’. Childcare policy can be seen as an example where the state had to mediate between the two opposing logics of developmental policy campaigns for an inclusive universal approach to childcare with child development at its core, and a more economic-oriented lobby for an exclusive approach to childcare focused on enabling mothers to enter the workforce to fill pressing labour shortages in specific industries and services. In the event, in the 2002 Budget, the state failed to meet the objectives of either lobby so that, rather than complementing one another, competition and developmental logics cancelled each other out.

It is also useful to ask how consistently developmentalist or competition logics have informed state policy over the last two decades. Various authors have, in different ways, demonstrated different temporal phases of strong developmentalism and strong competition. For example, Murphy (2008) points to three different political cycles over the last two decades (Table 1). A 1987–92 Growth Coalition, with a right-of-centre political dynamic, managed an international economic crisis
where the international policy community was dominated by monetarist policy
and European Monetary Union (EMU) convergence criteria. Subservience to
international capital marked this period. This is followed by a 1992–97 Equity
Coalition where two different left-of-centre political coalitions brought a new
equality focus and dynamic into an emerging cycle of economic growth. This
coalition had a more developmental perspective, sought greater alignment
between social and economic objectives and enabled a more effective state
policy to emerge. Over this period the international community is dominated by
key social policy debates, including the 1994 UN Summit on Social Development,
the Delors White Paper as well as the Organisation for Economic Cooperation and
Development (OECD) Jobs Crisis document. From 1997–2006 there was a pro-
nounced Competition Coalition where a right-of-centre political dynamic
focused on reducing taxes to stimulate the economy and maintain a cycle of
high growth in a more competitive international political economy. National
policy debate and international discourse was dominated by the increasingly eco-

demic and employment focus of the EU Lisbon Strategy and the OECD. Both
Catherine Breathnach (2005) and Ó Riain (2008) identify three broadly similar
stages where key Irish policy objectives are reflected in Irish social partnership
life cycles.

Table 1 demonstrates not only temporal shifts in developmentalist and compe-
tition logics but, as Murphy outlined, it also illustrates how different phases of
strong developmentalism and strong competition orientation can be shown to cor-
relate with a) different political administrations, and b) different aspects of global
and regional political economies. In other words, national politics still matters
hugely in determining national policy priorities but domestic politicking is also
framed, and to some degree limited, by the influences of economic and political
globalisation (Murphy 2008).

Shifts in power across interest groups are also evident in this period. The
competition state logic gains prominence as political power moves in a more
centre-right direction in a political alliance between Fianna Fáil and the
pro-business Progressive Democrats. Furthermore, as recent financial crisis in
the banking system have exposed, an elite circle of power between political
elites, the financial sector and the construction industry became cemented over
the decade 1987–2007. As Cerny et al. (2005: 19) anticipate, elite power
becomes stronger in now well mapped golden circles of crony capitalism.

Finally, it is in the absence of strong social developmental outcomes that we
find the true test of whether the state developmentalism and competition state


The new conjuncture: *Quo vadis?*

This final section reflects on how the different developmental and competition elements of the Irish state contributed to the current Irish domestic crisis. The question of whether more developmental or more competition-like elements will be reinforced in these circumstances is also addressed. The Irish economic model has proved particularly vulnerable to, not only global, but also localised economic recession. For example, the ESRI estimated Ireland’s economy would contract by around 14 per cent between 2008 and 2010, which they described as being ‘by historic and international standards . . . a truly dramatic development’ (Barrett, Kearney and Goggin 2009: 32). European Commission figures showed a decline of 2.3 per cent in Ireland’s gross domestic product (GDP) in 2008, a forecast decline of nine per cent for 2009 and a further decline of 2.6 per cent in 2010. This put Ireland just behind the three Baltic states for the depth of its economic depression over these three years but Ireland found itself in the worst position in the EU in terms of its budget deficit, with the European Commission forecasting in Spring 2009 that this would reach 15.6 per cent of GDP by 2010, well above those even of the Baltic states. The International Monetary Fund (IMF) in mid 2009 predicted a GDP decline of about 13.5 per cent for Ireland between 2008 and 2010 and said the Irish crisis ‘matches episodes of the most severe economic distress in post-world war II history’ (IMF 2009: 28).

Aspects of a competition logic exposed the economy to high levels of risk – an overreliance on mobile foreign capital, a speculative property market, a local economy ever more dependent for economic growth on a property bubble fuelled by government incentives and low euro interest rates, and a lightly regulated financial sector. A strong developmental state might have been less vulnerable to external shocks, regulating the banking sector to ensure it served the productive economy, avoiding the overreliance of the state on taxes from consumption and profits which collapsed once growth slowed, and with greater capacity in the state and private sector to weather the storm. Instead, the Irish state had allowed high levels of personal debt accumulate and faced major social and infrastructural gaps even at the end of the Celtic Tiger boom. These greatly contributed to the swift and deep decline experienced by the Irish economy once the global crisis hit.

The value of a theoretical focus on models of development is that it can serve as a tool to make an empirical judgment on whether the Irish development model is in fact changing and what kind of model is emerging. Some of the key paradigmatic shifts we might expect include a realignment of the role of state in relation to the market, a change in the nature of market regulation, particularly of the banking sector, and a reassessment of the low-tax model that helped undermine capacity in the Irish political economy. We would expect for example a developmental state to more readily absorb lessons about the model’s vulnerability and to make adjustments to address these. We would expect a competition state to continue to lay the conditions for elites to benefit and/or to make adjustments that do not fundamentally interfere with their interests (in maintaining a low-tax model, for example).

The scale and direction of any adjustment depends to some degree on the state’s location in the global economy. Ireland’s two Lisbon Treaty referenda, in 2008
and 2009, leave little doubt about the degree to which Ireland’s political economy is rooted in a EU regional political economy. As a euro state, Irish macroeconomic choices are dependant to the degree to which a revised EU Stability and Growth pact offers room for fiscal manoeuvre. The EU model of development, the so-called Lisbon triangle, emphasises growth, competitiveness and jobs with increasingly less emphasis on social inclusion or wider human development (EAPN 2008). While EU political debate has acknowledged that this very policy agenda to drive growth may have contributed to the crisis and to increased European and global polarisation, the EU remains doggedly focused on an aggressive growth, competitiveness and deregulation agenda albeit with suggestions to move towards a more sustainable model from the perspective of ecological sustainability. However varieties of capitalism remain very much national varieties, within the context of the EU Lisbon model. Different EU states have developed very different models of political economy. In the Irish case, Connolly (2007) has mapped two critical junctures in Irish models of development (1958 and 1987). It can now be asked whether the recession will trigger a significant political debate about the Irish model of development and perhaps mark a new critical juncture? While some left-of-centre non-governmental organisations and trade unions have argued that the crisis is an opportunity for change in the model of development the main actors in a position to influence national debate focus on a short-term survival strategy in an attempt to return to normal as soon as possible (Begg 2009; Is Féidir Linn 2009). There is little evidence to date of any change in national focus. As well as the Lisbon Treaty debate referred to above, three other policy debates have dominated Ireland 2009. It is worth reviewing each in turn to see what they tell.

In the establishment of a National Asset Management Agency (NAMA) to manage property related bad debts or toxic assets, the Irish government chose to pay banks €7 billion over the market value of that property in late 2009 on the grounds that this was calculated to take into account its longer-term value. However, fears were raised that this would help bail out property developers who were effectively bankrupt and would transfer public resources directly to private banks and bank shareholders. This choice to effectively socialise risk and privatise profit reflects a model of development committed to maximising private profit and to maintaining wealth and income disparities. By adding greatly to the state’s debt burden, it effectively constrains it from funding generous social development over the next generation. The Terms of Reference for the Commission on Taxation which reported in September 2009 specifically instructed that all tax reform proposals should result in a revenue neutral outcome, that Ireland remain a low-tax economy and that the state’s 12.5 per cent corporation tax be maintained (Ireland 2009a). Restoring competition is still the national priority and the maintenance of the present low corporate tax regime suggests Foreign Direct Investment is still at the centre of the Irish model. Furthermore government has responded to the Report by signalling that most progressive tax reform options (such as property tax) will only be considered in the longer term, if at all. A government-initiated Review of Public Expenditure and Public Sector Staffing Levels reported in July 2009 (Ireland 2009b). Its long list of proposals for draconian public expenditure cuts reflected an underlying
Department of Finance neoliberal objective of a smaller welfare state and lacked any hint of a developmental agenda. To many, this approach to managing a major public expenditure crisis appears the only option; however, in the context of parallel choices to pay €7 billion over market prices for toxic property assets and to rule out tax increases in the 2010 Budget, it can be seem more correctly as a choice with clear redistributive implications. By significantly reducing welfare and public services, government is choosing to let those on the lowest incomes bear the brunt of the crisis and to undermine capacity in public services like education and local development agencies.

These policy choices will embed and deepen Ireland’s status as a low taxation/low social expenditure model of development. As it is, the Irish percentage of GDP spent on social protection (18.2 per cent) continues to compare badly with not only high spenders France (31.1 per cent) and Sweden (30.7 per cent) but also the EU-15 average of 27.5 per cent, the UK (26.4 per cent) and countries like Greece 24.2 per cent and Portugal 25.4 per cent (Eurostat 2009). Clearly there is little evidence of developmentalism in the state’s response to the crisis. Its only developmental role appears to be the restoration and maintenance of competitiveness. As Matthew Watson (2009) found in an analysis of the British government bank bailouts, Irish policy responses outlined above are a testament to a political choice to continue a state-led neoliberalism. Ireland is prepared to meet this objective at the expense of what could be quite extreme social inequality and disruption – this has all the hallmarks of a Competition rather than a Developmental State. The failure to make the connection between the fiscal crisis and social outcomes means the recession is likely to further deepen poverty, inequality and social exclusion, result in greater precariousness in income poverty, deepen the structural inequality that already characterises Irish society, increase an already high level of homelessness and ensure gender equality will be marginalised on the national political agenda. The biggest impact of the recession is likely to be a return to structural long-term unemployment, a problem that was deeply embedded in the Irish economy up until the late 1990s. A developmental state would surely seek to share such social pain more equally (ICTU 2009).

The crisis of global capitalism appears, at least not yet, to mark a critical juncture. No significant paradigm shift in the Irish, EU or global models of market capitalism is evident. While there are some moves towards greater market regulation, and towards a greener economy, the central focus is still on how to relaunch growth, how to provide a fiscal stimulus to recreate consumer demand and how thereby to return to a consumer-driven economy. There is still the assumption that growth is equal to development. Turning the crisis into an opportunity for a more progressive economic and social model, and for greater human development, requires a greater focus on the central role that politics plays in determining models of development. The relationship between political systems and social and economic models requires more research. Building a different model requires the mobilisation of interest groups with the institutional capacity to articulate and promote alternative policy paradigms. There is a clear absence of this capacity in contemporary Irish politics. Reform of political institutions is a necessary first step in reforming the model of development. This is where changing the Irish model of development needs to start.
Globalisation and Models of State

Notes

1. Emphasis in original.

2. It is acknowledged that the concepts of developmental or competition state do not exhaust the possible characterisations that can be made of the state, and that there exist other approaches to characterising the state (such as the varieties of capitalism literature or regulation theory). However, since the purpose of this article is to make a contribution to wider debates through an analysis of the Irish state, and since a debate on the developmental versus competition state concepts has dominated the recent literature on the Irish state, this article limits itself to this debate within international political economy.

3. Emphasis in original.

4. Emphasis in original.

5. Emphasis in original.


7. It is helpful to identify the current sub-debates within the EU policy and political system and in other international institutions that will frame choices within the Irish model of development. One key policy area that illustrates well the policy choices between a developmental agenda and a competition agenda is the issue of active social policy. Here various policy frameworks are emerging from different coalitions of actors in global policy institutions. These options stretch on a continuum of developmental to competition state. Within the EU there is a coalition for an inclusive and developmental agenda of Active Inclusion for All which focuses on adequate income, active labour markets and good public services as the way forward for an inclusive society. An alternative EU policy coalition argues for flexicurity, a more employment-focused social inclusion strategy with a flexible but secure workforce based on three pillars – strong welfare, jobs and an active labour market. The OECD, on the other hand, argues for activation based on a more conditional and more minimal welfare system with strong labour market participation, a model that fits more closely with that of a competition state. Various policy coalitions are arguing at a national level for these different models of active social policy.

8. The stark evidence about the vulnerable and unsustainable nature of the Irish variety of capitalism suggests that we could enter a new critical juncture in which a new Irish model of development emerges. Shifts in models of development tend to happen at critical junctures such as the present moment in the global economy.

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