The Structure of Neo-Colonialism: The Case of the Irish Republic*

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Introduction

A common characteristic of studies of development emanating from advanced capitalist countries is the use of descriptive rather than structural categorisations. A celebrated example from the discipline of economics is Rostow’s schema whereby individual countries are placed in one of five supposedly sequential “stages of economic growth” depending on the presence or absence of certain characteristics. According to this formulation, there is no basic distinction between “developed” and “underdeveloped” countries. Instead, there exists a “continuum” of development ranging from “least” to “most” developed.

This notion of a continuum is carried still further by another celebrated treatment of the subject by the geographer Brian Berry. Using two composite indices, one “technological”, the other “demographic”, derived from an initial forty three variables which, it is postulated, are measures of levels of economic development, Berry places each of ninety five countries under examination on a graph ranging, again, from least to most developed. There are few obvious dividing lines between groups of countries on this graph, so that there appears to be a true continuum of development: there are not even the distinctive categories of Rostow’s model.

It is argued that this approach, relying on the examination of descriptive rather than structural characteristics, is not only superficial and therefore of limited scientific value, but more important, is ideological in its effects. In other words, while suggesting plausibility through employing a veneer of truth, this approach in fact acts to preserve the political-economic status quo, thereby serving the interests of the capitalist ascendancy centred in the advanced western countries. It does this by suggesting that all countries are in the process of movement from an initial common state of “underdevelopment”; however, some countries, having started earlier or by moving faster, have progressed more than others. Nevertheless, all are inevitably moving in the same direction. The normal prescriptive inference from such analyses is that those countries which have lagged behind should be helped along the way by the infusion of certain attributes which are thought to have been crucial to the faster progress of other countries, such as capital, technology, and capitalist values. Nowhere is it suggested that there may exist structural obstacles arising from the rapid development of some countries which place severe restrictions on the ability of others to progress. Indeed, the approach being considered here invariably looks upon each country as if it were a self-contained economic unit, thereby ignoring the evidence of history. In sum, then, this approach could be considered as being inherently optimistic, in that all countries are assured progressive development, the only variable being the rate of such progress.

In direct contrast are the analyses of development associated with neo-Marxian theory deriving principally from Lenin’s seminal treatise on the nature of imperialism, and subsequently adapted to take account of the changing structure of capitalism. According to this view, colonialism is seen not as an incidental, but as a necessary, part of the development of industrial capitalism. Thus, the economic structures of the colonies acquired by the emerging European capitalist powers, mostly in the eighteenth and nineteenth centuries, were transformed to serve the needs of these powers. They therefore became integrated parts of the economies of their rulers, acting principally as suppliers of food and raw materials to the industrial centres located in the ruling countries, and as markets for the industrial products emanating from these centres. This transformation of economic structure in the colonies brings forth corresponding changes in other structures, such as transportation, government, education, and culture. Hence, the widespread acquisition of political independence by colonies, particularly in the postwar period, has not led, for the most part, to the acquisition of economic independence. With a few notable exceptions, the governments of the new independent states have been drawn for the most part from the business and bureaucratic elites which developed under the colonial system, and which see their interests as lying in the maintenance of the economic structure of colonialism. Their primary objective is limited to securing a greater share of the fruits of this structure. This conservatism is augmented by various mechanisms devised by the advanced capitalist countries to maintain the economic structures of colonialism intact, such as control of international trade, foreign aid, multinational investment, military and political inter-

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ventions, etc. The ongoing ability of these countries to control the direction and rate of development in the ex-colonies has led to the use of the term "neo-colonialism" to describe this more recent situation.

Two particularly significant innovations peculiar to the neo-colonial phase may be noted. Firstly, whereas in the colonial phase trade and other links were predominantly between the individual colonial powers and their corresponding colonies with few inter-imperial contacts, with neo-colonialism there has emerged an increasingly coherent single world "core" of advanced capitalist countries, and a single "periphery" of neo-colonies. This is apparent, for example, in the heavy flow of foreign direct investment between the former countries, and the not unlinked trade preferences given by advanced capitalist countries to the manufactured products of other such countries compared with similar products from the neo-colonies.

The second innovation referred to is profoundly interlinked with the first, and refers to the emergence of the U.S.A. as the major neo-colonial power, despite the fact that this country possessed very few overseas colonies of its own in the colonial phase. It is hardly surprising that the U.S.A. was the leading proponent of independence for colonies and international free trade in the postwar period, since such developments allowed far greater access to "Third World" economies than would otherwise have been possible.

The doctrine of neo-colonialism, then, posits a basic dichotomy within an overall capitalist system between a set of "underdeveloped" countries comprising the ex-colonies, whose economic structures continue to be oriented towards the requirements of a capitalist class whose locus of power is the set of "developed" countries, but whose local interests within the neo-colonies are served by a local "comprador" capitalist group. This view does not deny that economic growth can — and does — diffuse to the periphery under neo-colonialism, but asserts that this growth is unevenly balanced compared with that occurring within the core, thereby leading to a continuous widening of the gap between rich and poor, and is also insignificant in comparison with the rates of economic growth achieved by peripheral countries which have managed to pursue economic policies independent of the capitalist system, such as China and Cuba.3

The Irish Republic

The Irish Republic furnishes an excellent instance of the fundamental conflicts which can arise between descriptive and structural analyses of economic development. This country consistently appears near the top of tables of world per capita food consumption; per capita income is in the top quintile of the world's sovereign states; it is a member of the O.E.C.D. and the E.E.C. and is classified by the United Nations as a "developed country". Internally, income and wealth distribution are quite similar to those of developed capitalist countries: although there is a heavy skew in favour of a minority, there is nevertheless little evidence of the wretched poverty normally associated with "Third World" countries. The Irish public certainly places itself in a category apart from the Kwashiyorkar-ridden children frequently presented to it via the media by missionary and overseas-aid organisations.

It is obvious, therefore, that in any descriptive classification, the Irish Republic would appear in the "developed", or "most developed" category. Yet a structural-historical analysis would identify it as a neo-colony, structurally akin to the poor countries of Africa, Asia, and Latin America. However, due to certain circumstances, mostly of a geographical nature, the Irish Republic comprises an unusually — but not uniquely — prosperous neo-colony, thereby providing the veneer of truth crucial to the success of ideological analyses. The remainder of this paper will be devoted to an exposition of this point of view.

The Early Independence Period: 1922-1959

What now constitutes the Irish Republic gained constitutional independence from the United Kingdom in 1922 — one of the first colonies, apart from those in Latin America, to do so. During its colonial phase, this part of Ireland was economically structured to serve the needs of British capitalism in two principal ways: to supply both food and workers for Britain's industrial economy. The colony was spatially arranged to accord with these requirements: the best agricultural land of the east and south was relatively lightly populated in the interests of commercial agriculture; in the west, the land was poorer and had not come under the same pressure for peasant clearances. This region as a result was relatively densely populated, thus producing a constant flow of migrants to the nearly industrial centres of the British Isles.

The colony was administered from Dublin — a primate city in the classical colonial mould. This city acted as the principal seaport and the focus of the colony's transport system. The bulk of what little manufacturing industry the colony possessed — based mostly on the processing of agricultural produce — was centred on Dublin, which also acted as the diffusion source of English culture, embracing such elements as language, education, law, politics, and recreational activities.

It would, in the circumstances, have been ingenuous to expect that the acquisition of indepen-
dence, in itself, would produce any profound alteration in this basic structure. The division of estates among tenants — most of which had been achieved prior to independence — had little effect on the level of emigration, given the pre-existing spatial distribution of population: the new owner-occupied farms of the west were too small to keep young people at home. Some small attempts at interregional redistribution of farms were made, but these were too meagre to be of any significance. The major long-term effect of the division of land among tenants was to create an aging and conservative class of petty property-owners, sufficiently numerous to wield considerable political influence, and quite opposed to potentially radical solutions to the country’s economic problems. The offspring of these farmers, who migrated to Irish rather than foreign cities to an increasing degree as the century progressed, carried these conservative values with them into the urban context.

The first decade of independence was devoted to the consolidation of the administrative machinery of government. The pattern of agricultural exports and industrial imports continued unchanged from the colonial period, the principal beneficiaries being the commercial farmers of the east and south, and the Dublin-based merchants. Following the ascent to power of the deValera regime in 1932, however, attempts at a rearrangement of the economy were introduced. These were based on the objective of economic autarky, a policy which, of course, reflected international tendencies at the time. Such a policy would favour village farming and hence the small farmer at the expense of the commercial rancher. It would also benefit native industry at the expense of the importing firms. This latter dimension was crucial to the entire policy. It was envisaged that native enterprise would be encouraged by the provision of protection from outside competition via the erection of various trade barriers and a prohibition on foreign investment.

However, from the start, this policy was beset by fundamental problems arising from the country’s colonial heritage. In the first place, much of the existing industrial base, which might have been expected to act as a springboard for further industrial expansion, was foreign (mostly British) — owned and hence had no particular reason for re-investing profits locally. The small and declining (due to emigration) Irish market offered few attractions to capital which could readily be invested more profitably elsewhere — an observation which applied equally to Irish as to British owners of capital. Some British companies which lost export markets in Ireland due to protection did establish production plants inside the tariff barriers (despite the apparent ban on such investment) but once established, had no further desire for local reinvestment of profits.

A second major defect of the autarky policy was that those native Irish who possessed capital in any quantity were characterised by a distinct lack of enterprise: “Irish people have saved money... they have been slow to invest it.” Those concerned included the wealthier rancher-type farmers, professional men, and shopkeepers and merchants. Most of these simply deposited their savings in their local banks which, in the absence of any great local demand for loans, simply re-deposited them in London where interest rates were better. The more substantial Irish capitalists were more discerning about how their funds were disposed and channelled them principally into overseas railway and colonial stocks. The foreign investments held by Irish natives at the time of independence were quite phenomenal relative to the size of the Irish economy. Estimates of their total value in the early 1920s range as high as £250m, at a time when the national income was approximately £165m. A further estimate in 1940 put the figure at £300m, at which time “bank assets held in Ireland were less than three-fifths of the assets held outside Ireland and... Irish-held investments in foreign government stocks were eleven and a half times the value of investments in Irish government stocks”. Indigenous capital, therefore, was available for investment in Irish economic development but was not being put to this use. No Irish government has ever attempted to change this state of affairs.

On the other hand, perhaps the major potential source of Irish enterprise was being carried away by emigration. As elsewhere, Irish emigrants constituted for the most part people of energy and initiative. This, indeed, was demonstrated by the very act of emigration. Thus, between 1891-1921 two thirds of all Irish emigrants were aged between 20 and 24. Perhaps more noteworthy, of each 100 males aged between 15 and 19 in 1936, 21 emigrated in the following decade. “Thus there had been, in Ireland, a perpetual survival of the unfittest, a steady debasement of the human currency...”. The spectacular business success of so many Irish emigrants may reflect to some extent the loss to the Irish economy resulting from emigration.

Native Irish enterprise was not, however, entirely lacking. There was an immediate response to the opportunities afforded by protection, so that industrial production jumped by 40 per cent between 1931 and 1936, although the rate of growth subsequently slumped, as the more immediate markets created by protection became exhausted. Although scores of new factories came into production, it cannot be said that they represented enterprise in any real sense. They simply responded to the artificial creation of small but guaranteed markets in sectors such as clothing and confectionery. Once these markets were satisfied there appeared to be little tendency to develop export outlets or to diversify locally. “The new private entrepreneur...
was an addition to the numbers of small businessmen and was as uncompetitive as they were.\textsuperscript{16}

The hopes that Irish economic development could be founded on the creation of a native entrepreneurial class were therefore doomed to failure. Following the temporary dislocation caused by the Second World War and the brief boom experienced immediately thereafter the Irish economy stagnated while Western Europe expanded rapidly. Emigration resumed at a rate unknown since the acquisition of independence. In the period 1951-61, 400,000 more people — two thirds of them aged under 25 — left the country than entered it, and the national population plummeted to 2.8 million. Clearly a new departure in economic philosophy was necessary in order to revive the declining economy. Yet, when such a departure was eventually initiated, the influence of neo-colonial structures was once again apparent.

The Open Door Policy

When it came to formulating an alternative to an economic policy which had been a patent failure, the country’s political and intellectual establishment, being derived from systems inherited from the colonial era, was unable to conceive of radical action. The labour movement was weak and had been rent by internal dissensions since before 1922, and remained impotent in the face of the essentially conservative nature of Irish society. The new policy decided upon thus ensured the continuation of neo-colonialism, with the important adjunct that, in operation, this policy reflected the decline of Great Britain as a capitalist power, and its replacement by West Germany, Japan, and particularly the United States.

This new policy opened up the Irish economy to foreign investment, which had discouraged, though with declining enthusiasm, under the de Valera (who retired in 1959) regime. Measures to attract such investment were first introduced in the mining sector in 1956, but were extended to manufacturing in 1959. The principal incentives used to attract foreign firms have been large capital grants and a “tax holiday” in respect of profits derived from exports. As it was realised that outside firms would only come to Ireland if they could sell abroad, it was necessary to undertake to greatly reduce barriers to imports as a reciprocal measure. While it was acknowledged that this could have a devastating impact on the indigenous industrial sector which had been painfully nurtured under the previous policy, it was projected that this would be more than outweighed by the inflow of foreign firms.

The development of free trade conditions had indeed had a deleterious effect on indigenous Irish industry. This has been accentuated by the Irish Republic’s entry to the E.E.C. in 1973 and the increased competition resulting therefrom; and also by the simultaneous world recession which led to widespread dumping on international markets. The recession also led to a temporary reduction in the inflow of foreign firms, reduced the level of activity of established foreign firms, and stemmed the flow of emigrants to the ailing British economy. As a result, official unemployment figures rose to over ten per cent of the work force, although there have been suggestions that the real figure is substantially higher. Since the indigenous industrial sector was largely concentrated in Dublin, much of the additional unemployment has been confined to the capital city which, for political and regional planning reasons, has been in disfavour as a location for incoming foreign firms. However, the government has become increasingly aware of the potential political repercussions of the existence of large pockets of unemployment within the country’s leading city.

Nevertheless, since 1959 there has been a substantial flow of foreign investment into Ireland, particularly in the manufacturing sector. By 1977, 680 overseas plants had been established in Ireland with a total employment potential at full production of 80,000.\textsuperscript{17} This compares with an actual total employment of about 200,000 in manufacturing industry. A 1972 study indicated that over one half of the fixed assets of all Irish-registered industrial and service companies were externally owned.\textsuperscript{18} This includes foreign investment in Ireland prior to the new policy departure of 1959. Following the temporary setback of the world recession, incoming investment has recovered remarkably, and in 1977 reached its highest ever level.

The United States has been the major source of investment, accounting for 42 per cent of all projected jobs by overseas firms in the period 1960-76. Since Ireland joined the E.E.C. in 1973, there has been an acceleration in the rate of U.S. investment, as American firms have sought to combine the attractive incentives offered by the Irish government with free access to the E.E.C. market. Thus, U.S. investment is now running at over 50 per cent of total foreign investment. There has also been a noticeable spurt in Japanese investment in Ireland since E.E.C. entry. However, the other main investors in Ireland besides the U.S. have been the United Kingdom (21 percent of all projected jobs in the period 1960-76) and West Germany (14 per cent in the same period). In all, foreign investment has for many years accounted for over one half of total investment in Irish manufacturing industry, and given that domestic investment has been devoted to a large extent to replacing dying industries, it can be appreciated that the proportion of total manufacturing industry which is externally owned, already high, has been rising rapidly.\textsuperscript{19}
The Consequences of Foreign Investment

This rapidly-growing dependence on foreign investment in the manufacturing sector is, of course, typical of modern neo-colonies. Although this investment does generate economic growth, it is neo-colonial in that it tends to confirm, and indeed aggravate, the inferior status of the recipients vis-à-vis the donors. This effect is conveyed in a number of ways.

Firstly, the plants established in neo-colonies by multinational corporations normally involve standardised processes whose development has been located in the countries of origin. Neo-colonies therefore tend to specialise in routine, lower-status industrial employment while the capitalist power centres monopolise the high-status (and better-paid) jobs including research and decision-making, thus augmenting the growth therein of what Lenin termed the “labour aristocracy”. Into this “aristocracy” is recruited the best brains of the neo-colonies, a process facilitated by the fact that neo-colonial educational systems have originally been derived from the colonial centres. The resultant so-called “brain drain”, of course, simultaneously retards the ability of neo-colonies to pursue independent lines of action, as it strips them of their most able people.

Secondly, multinational branch plants tend to have low local multiplier effects in comparison with indigenous industry. They import the bulk of their inputs and export the bulk of their output, while relying heavily on financial and technical services originating in the home countries. Hence backward, forward, and lateral linkages are much smaller than they might otherwise be, thus emphasising the “enclave” nature of these establishments. Since the Irish government tends to have a heavy financial involvement in these plants in terms of grants, subsidies, and taxes foregone, it might be argued that the economy generally might benefit more from alternative investment in indigenous projects. However, the development of industries based on native resources would require medium to long term planning, and in this respect, neo-colonial structures once again exert a fundamental inhibiting influence. The Irish political system, derived from its colonial predecessor, and involving frequent elections to decide between what are essentially indistinguishable parties, requires short-term policies to maintain governmental popularity and thereby obviates against long-term development programmes which may take many years to produce results. Multinational investment, on the other hand, which in the Irish case see to be available both in quantity and in the short term, is eminently suited to such a political process.

One recurrent accusation against multinational investment in neo-colonies cannot yet be made in the Irish context. This refers to profit repatriation whereby profits, once generated in neo-colonies are not re-invested therein. In fact, the rate of reinvestment by multinationals in Ireland is extremely high: in 1976, 75 per cent of the profits generated in Ireland by U.S. companies were re-invested there. This phenomenon is rendered all the more impressive by the high profitability of these companies: in the two-year period 1975-76, their average earnings rate, at 29.5 per cent, was nearly three times the world average for U.S. firms. The source of this high profitability is undoubtedly the concentration in Ireland of corporate profits via the manipulation of intra-company transfer prices, behaviour which is well documented. These profits are then re-invested in Ireland since, remaining untaxed, they are fully available for this purpose whereas, if repatriated, only the residue after taxation would be so available. Nevertheless, one can expect that eventually high levels of profit repatriation will also become characteristic of foreign firms operating in Ireland since this, after all, is the ultimate purpose of the exercise. Since the tax holiday is only temporary, much of this eventual profit flow will be recouped by government taxation, but nevertheless the overall benefit to the economy will be substantially below that which could derive from indigenous-based industry.

A fourth major criticism of multinational investment in neo-colonies is that it tends to divert scarce local resources into activities of little use to the economies in question. Intense competition has developed between neo-colonies as regards the attraction of such investment, and in the aggregate, the multinationals themselves are the main beneficiaries of the incentives offered, since these tend to influence the location rather than the level of foreign investment. As a result, neo-colonial governments find themselves heavily committed to the production of commodities designed for the consumer markets of the rich countries. Alternatively, even where multinational branch plants are designed to serve the needs of the local economies, frequently the technology used or the product produced are by no means representative of an optimal use of resources. One refers, for example to the production of luxuries in poverty-stricken countries, or the production of tractors when the most basic agricultural implements are in short supply. In the Irish case, where most foreign investment is export orientated, the first part of this criticism clearly applies, while, with a growing tendency to allow foreign firms to supply the home market, the second part is becoming increasingly relevant.

Foreign investment in Irish mining, meanwhile, has produced a classical form of neo-colonialism. During the 1960s and early 1970s, a number of internationally-significant mines — particularly zinc-lead mines — have been opened up by North American companies and have had their output exported to West European industrialised countries for smelting and
The export of primary products and import of finished goods is, of course, a prime characteristic of both colonialism and neo-colonialism. The exploitation of neo-colonial mineral deposits is frequently undertaken to supply raw material for existing processing plant in the home country. Where this is not the prime motivation, the raw material will still be shipped abroad to existing plant, as this is the quickest and cheapest way to realise profit. This would appear to apply to the Irish case, where North American firms are supplying West European smelters.

Even where new plant has to be constructed to process neo-colonial minerals, there appears to be a tendency to locate the plant outside the neo-colonies where the minerals are produced. In some cases, integrated mining-processing firms may distribute different segments of a sequential process among various countries as a hedge against government intervention, since possession of one stage of a multi-stage process is of little use without control of a supply of inputs or a market for outputs. The pending construction of a giant alumina smelter (total capital cost about $550 m.) on the Shannon estuary in Ireland may be partially explained in this context. It is indeed ironic that a smelter which will process raw material from other neo-colonies will be built in Ireland, while smelters to process indigenous resources are nonexistent.

Conclusion

We may conclude, therefore, that despite superficial indications to the contrary, the Irish economy is basically neo-colonial in nature. Both the direction and level of development are controlled by external factors originating in the centres of capitalist power and in such a way as to ensure the continuation of unequal development, with the centre always deriving the greatest benefit from the centre-periphery relationship. In this light, the Irish economy is essentially no different from those whose neo-colonial structures are associated with grinding poverty and misery.

The Irish Republic, at the same time, currently presents a picture of affluence which is quite discordant with this normal neo-colonial image. Explanations for this can essentially be reduced to the geographical factor of Ireland's proximity to the capitalist centres of Western Europe, and particularly to Great Britain, the original centre of industrial capitalism. In the first place, this has facilitated the large scale movement of people from Ireland to Britain over the last two centuries to maintain the reserve army of unemployed so vital to the successful operation of industrial capitalism. Thus, in the period 1841-1961, Ireland was probably unique among the countries of the world in experiencing a constant absolute decline in population. Ireland's proximity to England allowed for cultural colonisation of an intensity impossible in England's other colonies (with the exception of Wales and Scotland) and the consequent diffusion of English language and ways of thinking and behaving made the movement of Irish workers to England all the easier.

At the same time, the fact that England and Ireland share a common climate has meant that the products of Irish agriculture have found a ready mass market among England's industrial workforce. This steady demand meant a growing average income for a dwindling population. This phenomenon of a relatively high average income due to a small population in relation to the level of staple exports is, of course, not unique to Ireland but may also be observed in such as Canada and Australia - countries which, according to the argument of this paper, should properly be regarded as neo-colonies as well.

Irish agriculture has experienced unprecedented prosperity since E.E.C. entry, since the products most favoured by the Common Agricultural Policy - beef and dairy products - represent Ireland's chief farm products. Although this has benefited the larger Irish farmers in particular, it does constitute a substantial transfer of resources from the West European centre to the periphery, contrary to the neo-colonial model. However, it is doubtful if the C.A.P. will long continue in its present extremely wasteful form, and in any case, this resource transfer has been gained at the expense of much of Ireland's indigenous industry, which, as indicated earlier, has been a victim of the free trade pursuant on E.E.C. membership.

This loss, of course, has been largely compensated by the influx of foreign industry, which has penetrated the Irish economy much more than most neo-colonies. This high level of penetration may once again be traced to the country's relative location. Substantial quantities of outside investment first materialised following the conclusion of an Anglo-Irish free trade agreement in 1965, and accelerated greatly upon Ireland's accession to the E.E.C. These foreign companies pay their employees well by Irish standards, thereby contributing to the overall position of relative affluence.

The absence of pressing poverty means that the Irish Republic is also unusually stable politically for a neo-colony (an additional attraction for foreign enterprise). At the same time, emigration has dropped to low (even negative) levels in recent years, due mainly to the chronic problems of the British economy. Meanwhile, birth rates have risen, and this, allied to the fact that, despite the growing level of economic wellbeing, total unemployment has not risen since the introduction of the new policy in 1959, has led to the previously-mentioned growth in unemployment. However, the Irish Republic is now a member of the E.E.C., which contains many economies stronger than Britain, and which have had to increasingly depend on the attrac-
tion of alien workers in recent years to maintain their growth impetus. In this light, it is not difficult to foresee a renewal of Irish emigration in the not-too-distant future, except to new destinations. Given that emigration has been crucial to the survival of the Irish political system in the past, one cannot see the Irish government — of whatever hue — objecting to such a development.

NOTES

4. V.I. Lenin (1916), Imperialism, the Highest Stage of Capitalism; Various publishers.
7. Ibid., 352.
8. Ibid., 353.
10. Ibid.
15. Cullen, op. cit., 179.
16. O’Connor Lysaght, op. cit., 129. See also 93-4 and 105, and Meenan, op. cit. 322-3.
18. J. Sweeney (1973), Foreign Companies and the Industrialisation of the Irish Republic; M.A. Thesis; University College, Dublin.