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Politicians, the Bureaucracy and Economic Policymaking over Two Crises: the 1950s and Today

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Abstract Recent reports into the performance of the Central Bank, the Financial Regulator and the Department of Finance in the lead-up to the current crisis identify three key weaknesses: the pressures towards 'group think' within each institution, an unwillingness or failure on the part of the institutions to challenge each other's analysis and conclusions, and an attitude of 'deference and diffidence' that kept them from rocking the boat. Each of these weaknesses reduces the scope for *the clash of ideas* that drives progress. The 1950s was a decade of dramatic institutional experimentation that laid the foundations for the emergence of the modern Irish economy. The Industrial Development Authority and Córas Tráchtála – a forerunner of today's Enterprise Ireland – took shape at the beginning of the decade. The export profits tax relief introduced in 1956 represented the origins of today's low corporation tax regime. The debate on trade liberalisation was triggered by the imminent establishment of the European Free Trade Association, EFTA. The key elements of the economic policy bureaucracy challenged each other's analyses vehemently, and guarded their independence jealously. In light of this review of the 1950s and the thinking it provoked at the time, the paper considers how the weaknesses identified by the recent reports might be addressed.

1. INTRODUCTION

The usual articulation of the separation of powers – as between the executive, the legislature and the judiciary – relates more to the US system than it does to ours. The fact that the legislature in Ireland (and Britain) has much less effect in holding the executive to account makes the separation of powers between government and bureaucracy more important.

As Garret FitzGerald (2000) memorably noted, pressures from vested interests can be so intense that many government decisions operate against the interests of society as a whole. The independence of the bureaucracy, as provider of policy advice, is a crucial line of defence against such pressures (Kingston, 2007).

As far back as 1987, T.K. Whitaker said that he would like to see "a restoration of the old (civil service) principle that you were independent of ministers. You gave your views on any new proposals fearlessly, critically, honestly. You did not care whether your views were likely to commend themselves to the minister, whether for their own sake or politically. Once a decision was taken by minister or government, however, you carried it out as loyally and efficiently as you could. That was my understanding of the function of senior civil servants but I'm afraid it has been undermined. The young men who are preoccupied about this generate deep disappointment in me by telling me that that was an old world that has vanished. In the new world, the civil servant is all the time trying to please the minister, over-conscious of what might be politically acceptable, arranging the options so that they will appeal, rather than in strict order of eligibility" (Whitaker interview, Kenny, 1987).

That Whitaker's fears were well-founded is evident from the various reports into the weaknesses and failures of the Department of Finance, the Central Bank and the Financial Regulator in the lead-up to the current crisis.

[1] I would like to thank Niamh Hardiman for helpful discussions and suggestions.

Together the reports – vernacularly known as Wright (2010), Honohan (2010), Regling and Watson (2010) and Nyberg (2011) – identify three key weaknesses: the pressures towards 'group think' within each institution, an unwillingness or failure on the part of the institutions to challenge each other, and an attitude of 'deference and diffidence' on the part of the institutions, both towards the political establishment and towards challenging public opinion.

This is not to suggest that the policy errors committed over the boom period were advocated from within the bureaucracy. The Department of Finance was opposed to the property tax incentives that helped to fuel the construction boom, and the Wright Report suggests that the Department's calls for caution on fiscal expansion were overwhelmed by spending processes emanating from within the political arena. The bureaucracy was certainly devoid of blame for the fiasco of decentralisation, as announced in Budget 2003.[2]

Nor should recognising that weaknesses exist be seen as a general attack on the bureaucracy. At the 50th anniversary conference to mark the 1958 publication of the Department of Finance document *Economic Development*, I expressed the opinion during a question and answer session that "we take our civil service for granted here. We take for granted that it's meritocratic, that it's well-functioning. It's not the norm (across the world) to have a well-functioning civil service that does its homework and comes up with valuable ideas that ministers can choose to adopt or not…. And one of the important things that we see from *Economic Development* is the importance of having good policy advisers – who are not always listened to! This is one of the benefits of having a meritocratic civil service.. that it ensures that your policy advisers are disinterested to a large extent" (Mulreany, 2009, pps. 157, 161).

Let us return then to the weaknesses that the reports identified. 'Group think' is a phenomenon to be expected in hierarchical organisations, though Nyberg "has difficulty in understanding the apparent lack of interest in fostering critical debate within the confidential confines of the Central Bank on stability issues". Group think within a particular organisation is less of a problem if the organisation represents only one voice in the mix. The more powerful the organisation however (so that its views are less open to challenge), the greater the problem that group think poses. Hence the problem was compounded by the failure of these organisations to challenge each other.

Nyberg criticises the lack of professional scepticism or suspicion on the part of the Financial Regulator, though this could have been challenged by the Central Bank. "On its own", however, "the Central Bank appears also to have concluded that there was no financial stability problem serious enough to warrant action at the time". What of the Department of Finance? "There is no evidence that the Department of Finance was particularly concerned with prudential matters or in assessing any possible financial stability concerns." Briefings and draft speaking points submitted to the Minister did not contain any critical analysis. "Being conscious and supportive of the independence of both the Central Bank and the Financial Regulator, the Department of Finance provided very little comment or input to this process, nor did it assess how they fulfilled their duties until very late in the period."

This brings us to the issue of 'deference and diffidence'. As to why more aggressive warnings of the risks of the inflating property market were not issued, Honohan writes that "although some initiatives were taken, deference and diffidence on the part of the CBFSAI led to insufficient decisive action or even clear and pointed warnings". And later he concludes that "'rocking the boat' and swimming against the tide of public opinion would have required a particularly strong sense of the independent role of a central bank in being prepared to 'spoil the party' and withstand possible strong adverse public reaction."

Similar criticism of excessive diffidence on the part of the Department of Finance is made in the Wright Report:- "It did provide warnings on pro-cyclical fiscal policy and expressed concern about the risks of an overheated construction sector… However, it should have adapted its advice in tone and urgency after a number of years of fiscal complacency. It should have been more sensitive to, and provided specific advice on, broader macroeconomic risks". Again later the report notes that: "after several years of fiscal action well above that clearly recommended by the Department, one would have expected the tone, and shape, of advice on the risks of this path to increase vigorously. We would have expected more initiative to make these points in new ways. This did not happen."[3]

These various weaknesses reduce the scope for *the clash of ideas* which drives progress. They suggest a cartelisation of the "marketplace for ideas". A more contestable market would afford greater opportunities for

[2] Several Secretaries General roundly criticised the policy at the first publicly available opportunity – their retirement dinners!

[3] It has since emerged that senior officials of the department repeatedly excised references to property market risks from official departmental statements and speeches drafted for the Minister. While this undermines the supposed ubiquity of group think, it appears to be an even more worrying phenomenon.

good ideas to challenge bad ones and would diminish the power of vested interests, including elements of the political establishment and the bureaucracy itself.[4]

A common view among economic historians, for example, is that Europe drew ahead of China over the Enlightenment and Industrial Revolution because Europe's competing polities functioned like a competitive market, limiting the damage that rulers could inflict on their economies and allowing for a freer development and exchange of ideas.[5]

Barry (2011a) contains the following passage on how competition in the marketplace for ideas drives progress in the fields of science and medicine: "Before a research paper is accepted for publication, it is likely to have been presented at conferences and seminars before audiences of one's peers; it will have been refereed anonymously by a number of experts in the field, and will have been adjudicated upon by a journal editor. The leading academic journals have rejection rates of over 90 per cent, and one would rarely consider even submitting to these journals unless previous feedback had been extremely positive. Even for much lower-ranked journals, the paper will frequently have had to have been revised and resubmitted. This process ensures that the ideas will have been tested and challenged, and errors and ambiguities identified and rectified."

In the next section I consider the competition of ideas within the bureaucracy over the reform period of the 1950s – the pivotal decade in which the foundations of the modern Irish economy were laid. The willingness of the key institutions of the period to challenge each other, and the dynamism this engendered within the policymaking process, will be apparent, as will the lack of 'deference and diffidence' on the part of the key institutions. The concluding comments will seek to draw out the implications for how public policymaking processes might be improved.

2. THE BUREAUCRACY AND THE CLASH OF IDEAS OVER THE 1950s

The Central Bank does not play a major role in the story being told here. It maintained a rigorously independent voice however, and was frequently – if not permanently – at loggerheads with government over the 1950s and beyond. Its historian, Moynihan (1975), records that "so far as the Bank's views generally are concerned, (de Valera) insisted at all times that they were held in good faith, but (in common with Mr. Lemass and, no doubt, almost all the members of Dáil Éireann) he was unwilling to accept them as a basis for public policy."[6]

The Bank's report on the economy for 1950-51 proved to be of particular significance. As one contemporary account put it, "seldom since the Communist Manifesto has a slim volume produced such a medley of heat and noise."[7] The Labour Party condemned the opinions of the Bank as "Victorian and reactionary."[8] Lemass was determined "once and for all, to rid himself and the Government of the incubus of any responsibility for the views of the Central Bank."[9] So hostile were both government and opposition to the independent stance adopted by the Bank that its Governor resigned rather than give way. This was clearly a very different world to that described by Honohan.

The main part of the present story concerns the battles between the Departments of Finance and Industry & Commerce, which had been engaged in a struggle for supremacy over economic policy since 1932, with Finance restrictive and Industry & Commerce expansionist.[10] Finance emerged victorious under T.K. Whitaker at the end of the 1950s, but only after it had robed itself in Industry & Commerce's developmentalist mantle. The two departments offered distinct sets of policy choices, and politicians – on matters of economic policy – largely confined themselves to choices that would have the backing of one or other of the two camps.[11]

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[4] This is related to the more general point that competitive capitalism (as opposed to crony capitalism, for example) is the system most conducive to growth because multiple and competing centres of power constrain power-holders (Acemoglu, Johnson and Robinson, 2004).

[5] "What seems unique to Europe in the period leading up to and including the Enlightenment is the growing opportunity for critics, sceptics, and innovators to try their ideas out in a marketplace for ideas and to survive the experience… The picture of Europe in the period 1500-1750 is one in which innovative, often radical, intellectuals are able to play one political authority off against another" (Mokyr, 2006).

[6] Moynihan (1975), p. 393.

[7] Moynihan, p. 375.

[8] Moynihan, p. 379.

[9] Moynihan, p. 381.

[10] Garret FitzGerald drew attention on a number of occasions to the heated exchanges that took place between the two camps following Whitaker's paper to this society in 1956. Unfortunately these were not recorded in the published proceedings.

[11] This section draws on Barry (2009a, 2009b, 2011b), Barry and Daly (2011), and Barry and Ó Fathartaigh (2012).

This is not to underestimate the importance of the political decision-making process. On these political decisions the direction of the entire economy turned. In the 1930s Fianna Fáil's protectionist vision accorded with the policies advocated by Industry & Commerce throughout the tenure of the previous government, whereas Cumann na nGaedheal's perspective was more aligned with that of the Department of Finance. In the late 1950s Lemass did not switch allegiance completely from his old department – he had been Minister for Industry & Commerce for most of the period since 1932 – but he found elements of the new blend on offer from Finance appealing. In each case options appeared on the menu only if they had succeeded in gaining the support of at least one of the major economic departments of state.

Conventional wisdom today portrays the Department of Industry & Commerce of the time as antediluvian, remaining wedded to protectionism long after its sell-by date. But many of the crucial institutional innovations of the period were the fruits of victories that it scored over its rival. The low corporation tax regime – which Padraic White, a long-serving Managing Director of the IDA, refers to as "the unique and essential foundation stone of Ireland's foreign investment boom" – is one. Córas Tráchtála (forerunner of today's Enterprise Ireland) is another.

The proposal for some form of exports profits tax relief – the origin of Ireland's low corporation tax regime – had first surfaced in a memo from Industry and Commerce in 1947 but had been defeated by Finance and the Revenue Commissioners. The latter camp argued that such relief would represent a windfall gain for existing exporters, that it would open the door to other demands for special treatment – making it even more difficult to bring farmers into the tax net – and that any concessions offered should in any case be in the form of subsidies, loans or grants, which could be effectively measured.

The proposal resurfaced frequently in the years since then until finally, in 1956, John A. Costello, in his second period as Taoiseach and at the urging of his advisor and son-in-law Alexis FitzGerald, took the momentous decision to overrule Finance.

Over the previous few years there had been an accretion of new bodies that threw their weight in support of the new policy. The IDA – established in 1949 – is the most interesting of these, and its origins will be discussed below. The IDA's first interim report called for tax relief for exporters and the establishment of an Irish export board. The prevailing dollar shortage in post-war Europe however strengthened the hand of Industry & Commerce, not least through the establishment of a number of new agencies and bodies that would support key elements of its agenda. The Dollar Exports Advisory Committee, established in 1950 and chaired by the Secretary of Industry & Commerce, was one such body. Its membership included representatives of various government departments and a substantial number of businessmen, (including Eustace Shott, whose name will surface again below). The reports of the Committee, issued in rapid succession over the course of that year, reiterated the recommendations of the new Authority.

The decision to establish an export board was taken before the Inter-Party Government left office. With Finance defeated on the matter, Lemass duly established Córas Tráchtála (the Irish Trade Board) in 1952. Its successor would merge with a number of other agencies in the 1990s to form Enterprise Ireland, the body now tasked with the development of Irish indigenous industry. Córas Tráchtála in turn added its weight to the calls for export profits tax relief, in the face of continuing opposition from Finance and the Revenue Commissioners.

Sweetman, Costello's Finance Minister, adhered strongly to the position of his departmental officials and expressed disappointment at Costello's endorsement of EPTR. Following Costello's announcement, he wrote to a cabinet colleague that it had left him "with a sense of disappointment":

> "The Taoiseach's speech, with its great variety of new bodies, with its promises of large grants, striking reliefs from taxation and further assistance … foreshadows further expansion of the already inflated administrative machinery of the state and new large outlays from public funds and losses of revenue through widespread tax concessions. The Taoiseach's speech will moreover be read by departments as giving them the green light to go ahead with expansionist programmes and will seriously embarrass the Minister for Finance in his efforts at retrenchment."

The following month, Sweetman writes to Whitaker informing him that the export tax initiative falls within the scope of the Department and that "legislation must be prepared by the Revenue Commissioners forthwith". Whitaker complains in December that the entire bill has been rushed and responds tetchily to J.C.B. MacCarthy, Secretary of Industry and Commerce, on the matter.

> "I will make only two points on your letter: (i) Even though you got the CTT report only on 12 November, it would have made a considerable difference if it were sent to us then, rather than nine days later… (ii) I might add that we did not and indeed could not have sent to Revenue on 21 November a communication which reached us only on the 22nd. *I do not know why you assume that we have invented a new time machine*" (italics added).

The Department of Finance continued to snipe at the policy for years afterwards, particularly when Fianna Fáil abolished all profits tax on qualifying exports. "Nothing we can do", Whitaker wrote to one Minister with reference to a particular Danish proposal, "will relieve the Danes of *all* tax on their income… A double taxation agreement would secure that they paid only *one* tax – and that tax to the *Irish* Exchequer. The exports tax concession will secure that they pay one tax – but to the *Danish* Exchequer." "Department of Finance concerns regarding the policy remain", he wrote elsewhere, "and remain the same."

The origins of the other major institutional innovation – the Industrial Development Agency – are more complex. Though it was staffed by officials from Industry & Commerce, the board of the IDA – as established by the first Costello government in 1949 – was independent of the department. Neither Industry & Commerce nor Finance were initially happy about this, though the IDA soon proved itself a useful ally to the former. According to Alexis FitzGerald, the idea that the board should be independent of the department came from a private businessman, Eustace Shott, who was a partner in Craig Gardners. The logic, FitzGerald recalled, was that "it involved a complete regearing of industrial policy, something difficult for a Department which had been going along a particular line – the protection of industry."

Its independence would prove to have consequences of the utmost importance. When Lemass returned to power as Minister for Industry & Commerce, he *requested* the IDA "to concentrate all their activities on an examination into the possibilities of establishing factories" for a list of import-substituting goods that he presented to them. The IDA's independence allowed it to effectively ignore this list and concentrate on the possibility that it had recently stumbled upon, of attracting foreign export-oriented firms to Ireland. (Amusingly, given that 'hardware other than hollowware' was one of the sectors Lemass asked them to concentrate on, one of the foreign firms established in 1957 with IDA assistance was a producer of enamelled hollowware.)

That Finance did not have a monopoly on economic wisdom is further illustrated by a fascinating interchange between J.J. McElligott, secretary of the Department of Finance, and John Leydon, secretary of Industry and Commerce, in 1950 over the export incentives proposal. Noting the predominance of agricultural products in existing exports to the U.S. and Canada, McElligott suggested that 'it is in this field rather than amongst *our newer, protected industries* that one should look for dollar export potentialities', to which Leydon replied that 'it is possible that the granting of the [proposed tax] concession *may induce foreign enterprise to establish in this country industries capable of exporting goods to the dollar area'* (italics added).

These defeats at the hands of the expansionist camp triggered a change of strategy on the part of Finance. By May 1957, as Ronan Fanning notes, Whitaker was urging his Assistant Secretaries that it was desirable 'that this Department should do some independent thinking and not simply wait for Industry & Commerce or the IDA to produce ideas'. Joe Lee, and indeed Garret FitzGerald in a contemporary article for the *Irish Times*, interpreted Whitaker's *Economic Development* as manifesting, in part at least, a desire to reestablish the supremacy of the Department of Finance in economic policymaking.

Finance seized the initiative by adopting elements of its rival's developmentalist agenda. The contrast between Whitaker's understanding of the role of the Department of Finance as expressed in two articles in *Administration*, one in 1953 and the other in 1961, could hardly be starker. "Our function", the earlier paper states, "is not to select the most meritorious (departmental proposals) and clap them on the taxpayer's back but, rather, to see that as few as possible emerge as new burdens on the community". By 1961, he was reporting that the Department "has now, as an integral part of its organisation, a special division (the Development Division) whose responsibility is to seek out ways and means of advancing economic growth and to develop ideas and projects to the point at which they can be placed with the appropriate Department or agency."

The new developmentalist agenda of the Department of Finance revolved around productive capital spending, though Lemass did not always take heed. *Economic Development*, which the department produced, argued for a reduction in direct taxation and a shift in public investment from social to productive areas. The government's *First Programme for Economic Expansion* followed suit. It proposed reducing capital spending on local authority housing and hospitals, implementing significant income tax reductions and keeping the rate of increase in wages and salaries below that of Britain.

The outcome over Lemass' tenure as Taoiseach proved to be very different. The reductions in capital spending were short lived; Irish nominal wages expanded far more rapidly than in the UK, and income taxes increased significantly. *Economic Development* helped the government out of a political difficulty however. Its publication under Whitaker's name provided cover for the government's U-turn on economic policy. As Joe Lee notes, "the de-politicisation of 'planning' was too useful an asset to be wantonly surrendered to the capricious vagaries of Dáil debates."

The closest we have to a record of "brainstorming" in this present account comes via an exchange of civil service memos in late 1959 on whether or not to apply to join the European Free Trade Association (EFTA), which was to come into being in 1960. These largely pitched Whitaker at Finance against MacCarthy, his opposite number at Industry & Commerce, and were intended especially for the eyes of Lemass, who had become Taoiseach earlier that year. EFTA membership would have exposed Irish industry to strong competition. Whitaker argued that the discipline of tariff reduction would increase efficiency and reduce costs, enhancing the prospects for increased exports not just to EFTA but to other countries as well. EFTA membership, he suggested, would also draw further export-oriented foreign investment to Ireland. MacCarthy, on the other hand, insisted that the increased industrial competition would be catastrophic.

The debate was ultimately resolved by an intervention from the Department of Agriculture which suggested that EFTA membership would most likely require Britain to extend equivalent agricultural access to other EFTA member states and that Irish interests would therefore be best served by seeking a Free Trade Area arrangement with Britain alone. Whitaker wrote to the Secretary of the Department of Agriculture to signify his acceptance of this thesis and the decision not to pursue membership of EFTA was effectively settled.

What we see in each of these episodes is the importance of the bureaucracy's role in vetting proposals, in analysing their costs and benefits, and in offering policy options to government. Only the proposal to establish the IDA as an independent body breaches this pattern. Crucially, the suggestion – even though it came from a private businessman and was supported neither by Finance nor Industry & Commerce – was untainted by rent-seeking behaviour.

Though we have seen the benefits of vigorous debate within the bureaucracy on economic policy, the public service seems to have regarded it as a virtue to remain insulated from outside influence. Ronan Fanning describes the Secretary of the Department of Finance as being incensed at the "heresy" committed by an academic economist who suggested in 1939 that discussion of the sterling link should not be "confined to anonymous bureaucrats". A decade later, the Department interpreted the suggestion that the IDA should have an independent board as impugning the integrity of the civil service.

An anecdote from Seán MacBride further illustrates the point. When he became Minister for External Affairs in 1948 he decided to recruit an economic advisor from outside the civil service and settled on Louis Smith, later professor of economics at UCD. Smith was appointed via a cabinet order in the face of hostility from both Finance and MacBride's own department. After six weeks or so, MacBride was notified that Smith's services had been dispensed with because he had failed to pass an Irish language exam!

Interestingly, many issues of pertinence to the findings of the recent reports into the bureaucracy were extensively discussed in the period immediately following the institutional innovations discussed here. The need for a more professional and specialist bureaucracy, for example, was emphasised by writers such as Basil Chubb and T. J. Barrington.[12]

Paddy Lynch, one of Costello's key advisors, diagnosed the problem of the civil service as far back as 1956 as one primarily of organisational culture. "The most striking thing that I remember about the civil service", he wrote, "was its lack of morale (and) sense of studied disenchantment". He advocated a greater delegation of responsibility, to establish and sustain an intellectual and professional tradition, boost morale and leave the heads of departments with more time for thought. By allowing a greater diversity of voices to be heard, it might have served as something of a bulwark against group think.

[12] The recruitment of a cadre of trained economists, as suggested by the Wright Report however, is unlikely to be sufficient to overcome the deficiencies highlighted by the crisis. The large coterie of professional economists employed at the Central Bank did not prove sufficient to prevent the failures evident in that organisation over the run-up to the crisis.

3. CONCLUDING COMMENTS

The 1950s was a decade of dramatic institutional experimentation that laid the foundations for the emergence of the modern Irish economy. The key elements of the economic policy bureaucracy challenged each other's analyses vehemently, and guarded their independence jealously. From this clash of ideas emerged the institutional innovations of the time: export profits tax relief, Córas Tráchtála and the Industrial Development Authority (whose independence we have seen to have been crucial to its evolution), and indeed *Economic Development* itself.

Let us return now to the three key weaknesses of the bureaucracy identified in recent reports: the pressures towards 'group think' within institutions, unwillingness to challenge other institutions, and an attitude of excessive 'deference and diffidence'. Each of these weaknesses, it has been argued, reduces the scope for *the clash of ideas* that drives progress.

One way of tackling group think, as suggested by Frank Convery (2012), is that, in employing economists, it may help to have them apply their research skills to areas outside their particular specialism.[13] Group think is of course best tackled by having one's way of thinking exposed to the scrutiny of outsiders. Thornhill (2009) advocates such contestability, suggesting that the strategy and output statements of government departments, and their implementation, be subject to independent review, and that the revenue and expenditure projections of the Department of Finance be independently reviewed prior to publication. The Fiscal Advisory Council is a step in this direction. More generally, there is much to be said in favour of 'brainstorming' problems – rather than working to a set agenda as in seminars such as this.[14] Barry (2009) suggests that all research commissioned by government departments and public bodies should be published only after it has been exposed in seminar form to interested experts as a form of quality control.

Another more complex suggestion as to how the institutions of the bureaucracy might be encouraged to challenge each other would be through assigning overlapping responsibilities in particular areas, though incentives would need to be structured to ensure that this did not lead to an avoidance of responsibility.

A model of this type, which would also distance policymakers from vested interests, is suggested in the recent book *Guardians of Finance: Making Regulators Work for Us*, by Barth, Caprio and Levine (2012). It suggests creating an outer layer of regulators to stand "sentinel" over the financial regulatory authorities in order to guard against regulatory capture and political influence. This extra layer would have no direct interaction with the banks but would have full access to information to scrutinise the actions and decisions of the regulators. Similarly the Mahon Tribunal recommends the establishment of an independent Planning Regulator, among whose tasks would be to investigate when the policy decisions of elected officials appear grossly at odds with the professional and managerial advice of the bureaucracy.[15]

With respect to the final point – the 'deference and diffidence' shown by the institutions of the state – the independence of the bureaucracy of the 1950s stands in sharp contrast to the behaviour of its successors. The culture of the public service may have been affected by the intimidatory tactics of Charles Haughey and his disciples. A relevant example is provided by the Beef Tribunal, which reported that "there is no doubt whatsoever but that the Government … wrongfully and in excess of their powers … directed the (Industrial Development) Authority to remove 'the performance' clause from the Grant Agreement being negotiated between the IDA and the Goodman Group and that this direction was made either at the instigation of the then Taoiseach or the Secretary to his Department."[16]

In the 1987 interview cited earlier, Whitaker mentions that the politicisation of the civil service had been accentuated by *cabinet* appointments. As Kingston (2007) notes, the offer of three names to Ministers for senior appointments "obviously makes ambitious civil servants more compliant with their wishes." Whitaker intimates that he favours a Whistleblowers' Charter for civil servants and recognises that independence is further

[13] He points to the fact that it was Morgan Kelly who highlighted the catastrophe implicit in the Irish housing market, even though, as the latter said, "this isn't my day job. I was working on medieval population theory."

[14] One wonders what ideas might emerge, for example, if bodies such as the Departments of Finance, Social Protection and Jobs, Enterprise and Innovation got together with researchers from the Central Bank, the ESRI etc., and brainstormed about how the unemployment problem might be tackled.

[15] Mahon Tribunal (2012), 3.65, p. 2564

[16] Whitaker mentions "more oppressive ministerial styles" as one of the factors behind the politicisation of the civil service in recent decades (Kenny, 1987).

compromised when even the most senior civil servants become dependent on others for future appointments. Thus, as Kingston notes, a UK inquiry into the Iraq War recommended that a particular key post should never again be held by anyone other than an official "who is demonstrably beyond influence and thus probably in his last post".

While the increasing complexity of the modern economy may well mean that the reliance on generalist civil servants, deriving from the Northcote-Trevelyan reforms of the British civil service, is now outdated, simply employing more professional economists will not resolve the issues addressed here.

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