The Establishing of the Irish Pound: A Backward Glance[1]

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THIS paper proposes to examine the major structural developments in Irish banking during the decade of the nineteen-twenties. This was an era of great changes on the political scene in Ireland, and also of institutional changes of far-reaching significance to the Irish economy. In order to appreciate the practical problems confronting the Central Bank of Ireland as it exercises its role of controlling credit, it is sometimes useful to compare it with the *Saorstát Éireann*[2] Currency Commission, and to note the circumstances under which the Commission was established.

It seems particularly useful at this time, when the structure and purpose of Irish banking are being publicly discussed again, to cast a backward glance to see whence the present institutional arrangements came. Regrettably, much of the sterility of current discussions appears to spring from some misconceptions regarding the reasons why the Irish pound was established, or how, and why it was deemed necessary to have it convertible into sterling. It is hoped that this study will be of use in modern discussions by clarifying some of the basic issues. It would, obviously, be folly to suggest that the issues of today's discussion are the same as those of the early 'twenties: however, some similarities may be seen, and to this extent, this paper hopes to make some contribution. Its main purpose, nevertheless, remains in the historical context.

1. This paper is based on a larger study which was presented as an essay in fulfillment of the requirements for the M. Econ. Sc. degree at University College, Cork, in 1965.

2. In this study, "Ireland" refers to all-Ireland; *Saorstát Éireann* (or "Irish Free State") refers to the 26 counties now constituting the Irish Republic; "Northern Ireland" refers to the 6 counties remaining within the United Kingdom.

I INTRODUCTION

January 1st, 1920, is a convenient starting point for any study of Irish banking in the early Twentieth Century. The status of legal tender had been conferred on the bank notes of the Irish commercial banks in 1914,[3] as an emergency measure at the commencement of the Great War, in order to provide adequate circulation to meet the increased demand. This privilege was withdrawn on January 1st, 1920, by proclamation[4] on the recommendation of the Cunliffe Committee.[5]

The gaining of political independence by *Saorstát Éireann* had little effect on the possibility of an effective Irish banking policy. Such changes as occurred in this decade were of an institutional character, and did not immediately affect monetary policy weapons to any extent. Indeed, Busteed wrote in 1951

> For the past twenty years in matters of financial policy (variation in interest rates, etc.) Ireland has depended completely on London decisions. Indeed, in all matters concerning banking policy and the balance of payments, Ireland is in exactly the same position as if it had remained part of the United Kingdom.[6]

The United Kingdom returned to the gold standard in 1925. Ireland had, at this time, no currency system of its own, and, since it continued to use some British notes, Ireland found itself automatically back on the gold standard with the United Kingdom.

The Coinage Act of 1926 empowered the Minister for Finance of *Saorstát Éireann* to issue token coinage. It also gave the government an opportunity to test public opinion on the whole subject of banking reform. The reactions were interesting. The Institute of Bankers in Ireland said:

> It may be doubted if any real demand for a distinctive coinage can be said to exist among the majority of the people of this country. . . . The point of chief importance in the new proposals is that no alteration is to be made in the real basis of the currency. Whatever may result from the findings of the Banking Commission it is safe to predict that every possible guarantee will be demanded for the maintenance of the sterling connection.[7]

This was again the opinion in banking circles when the Commission's proposals came to be discussed. The new coinage was put into circulation on December 12th, 1928.

On March 8th, 1926, the *Saorstát* Government appointed the Commission referred to in the above extract, and invited it

> to consider and report to the Minister for Finance what, if any, changes in the law relating to banking and note issue are necessary or desirable, regard being had to the altered circumstances arising from the establishment of Saorstát Éireann.[8]

3. Currency and Bank Notes Act, 1914.
4. Proclamation of December 20th, 1919.
5. Committee on Currency & Foreign Exchanges, *Final Report*, para. 7.
6. Busteed, J., The Sterling Assets & Ireland's Economy, *The Statist*, February 2nd, 1951.
7. *Journal of the Institute of Bankers in Ireland*, April 1926, p. 43.
8. Warrant of Appointment of the Commission.

This Commission of 1926 is referred to throughout this study as the "Parker-Willis Commission", after Professor Henry Parker-Willis who acted as its chairman.[9] The work and recommendations of the Parker-Willis Commission are examined and appraised in later pages. It submitted four interim reports and a final report. The first interim report on Banking and Currency, released on January 21st 1927, is the only interim report of concern here.

A Bill to implement the recommendations of the First Interim Report was introduced in *An Dáil* (the Irish Lower House) on March 30th, 1927, and was passed by August 20th, 1927, a general election intervening between stages. In broad general terms, this Act—the Currency Act, 1927—led to the creation of the Currency Commission, which commenced the issue of new *Saorstát Éireann* legal tender notes on September 10th 1928. On May 6th, 1929, new Consolidated Bank Notes were issued, to replace the note issue within the *Saorstát* of the Irish commercial banks. Obviously, the *Saorstát* legislation was not valid in Northern Ireland, but it did create some problems there. As a direct result, the Bankers (Northern Ireland) Act, 1928, was passed by the Westminster Parliament. It scaled down, to a quantity suitable to the Northern Ireland area, the powers of the commercial banks to issue notes there. It must be considered as a complement to the *Saorstát* Act of 1927.

The passing of these two Acts constituted an important step in adapting the Irish banking system to the political changes which had come about. The mechanism still existing bears striking similarities to that of the nineteen-twenties. Of course, important alterations have been made since then, notably the Central Bank Act, 1942, which established the Central Bank of Ireland in place of the Currency Commission, on the recommendation of the Banking Commission, 1934–1938.

II BANK NOTES

The Warrant of Appointment of the Banking Commission was signed on March 8th, 1926.

Before examining the recommendations of the Parker-Willis Commission, it is necessary to mention briefly the situation which existed as regards the rights of the commercial banks to issue notes. The banks operating in Ireland were of differing characters. The Bank of Ireland had been founded under Royal Charter; the National Bank had its head office in London, and was a London Clearing bank; the Northern Banking Company, the Belfast Bank and the Ulster Bank had head offices in Belfast; the Royal Bank operated exclusively in the *Saorstát* area; the Belfast Bank operated exclusively in Northern Ireland from 1923 onwards; the Munster & Leinster Bank had its head office in Cork; the National Land Bank, later absorbed by the Bank of Ireland, and thereafter known as the

9. There is a danger of confusing this 1926 Commission with that which sat from 1934 to 1938 It might also be confused with the Currency Commission, to which reference will be made later

National City Bank, had been set up by *An Dáil* in 1919; the Provincial Bank had been incorporated in Great Britain, but had its head office in Dublin; the Hibernian Bank also had its head office in Dublin.

The Bankers (Ireland) Act, 1845, had granted the right to issue notes to six of these banks. They were the Bank of Ireland, Provincial, National, Ulster, and Northern, all of which exercised this right on an all-Ireland basis, and the Belfast which issued only in Northern Ireland. The note issue of these banks was made up of two components—the Fiduciary issue, and the Secured (or non-fiduciary, or excess) issue. Each bank was allotted a fiduciary quota by the Bankers (Ireland) Act, 1845. The issuing banks could issue bank notes up to that quota figure, without any specific cover, or backing, for the notes, save the "unlimited liability of the banks"[10] Any notes issued over and above the maximum fiduciary issue formed part of the "secured issue". They were so called because the secured issues had to be protected £ for £ by securities deposited with the Bank of England.[11]

The banks possessing the right to issue notes found it more costly, therefore, to advance credit by way of bank notes once they had exceeded their fiduciary quota. It should be noted that the banks were nearly always in excess of their quota, and it should also be noted that the Irish appear to have attached greater importance to notes than to other forms of bank credit, unlike Great Britain.[12] As Mr. Blythe, the Minister for Finance, said:

> The arrangements in regard to bank notes in this country and in England have worked out differently. In England the bank note issue . . . has sunk into a matter of very little importance. Here the importance of the note issues has remained.[13]

The Commission was not satisfied with the existing state of affairs, and, in particular, saw some dangers and undesirable features: (a) it disliked the note issue monopoly granted to the six banks—only five of which were within the jurisdiction of the *Saorstát*—and wanted to amend it; (b) Under the prevailing conditions, banks without the right of issue had to obtain bank notes from the issuing banks, with consequent profit to the issuers. The Commission felt that it would not be equitable or wise to continue that situation. The Commissioners reported: "We are of the opinion that we cannot conscientiously recommend the continuance of the fiduciary privilege upon its present basis".[14]

The profits resulting from the issue of secured notes accrued to the Bank of England, the agency supplying the backing for the notes.

The Commission reviewed a number of proposals before they reached their final recommendation. The alternatives are listed as follows, with brief comments on each suggestion:—

10. *First Interim Report* (*IR*1), *Parker-Willis Commission* (*P-W*), p. 41.

11. e.g. gold and silver coin, British Currency Notes or Certificates. *Final Report* (*FR*), *P-W*, s 36-7, p. 34.

12. See also *FR*, *P-W*, s 36.

13 *Dáil Reports*, Vol. XIX, 1135.

14. *IR* 1, *P-W*, s 7.

(1) To allow the banks to continue their present fiduciary issue, and require the banks to obtain legal tender notes instead of using secured notes once the fiduciary quota had been exhausted.

> This proposal suffered from disadvantage (a) above. It could be overcome by also granting fiduciary privileges to the non-issuing banks. The Commissioners rejected this because they considered the continuance of the semi-monopoly rights undesirable in the public interest; nor could they agree to any increase in the number of issuing banks, because they feared that such an extension of the note issue would be to the disadvantage of the legal tender note issue, which they were also to recommend in their reports.[15]

(2) To grant the status of legal tender to the existing bank-note issue, and to limit the total issue by some suitable means.

> This scheme also made allowance for a graded tax-rate in order to provide the government with its due return.
> This suggestion posed legal problems regarding the granting of legal tender status to a bank-note. It made allowance for a graded tax-rate in order to provide the government with its due return, but the Commissioners doubted the equity of such a tax-system, due to the problem of apportioning liability among non-issuing institutions. They also felt that such a system would "represent an unwise combination of private liability and of Government authority"[16]

(3) To abandon completely the idea of a secured issue and substitute a fiduciary issue limited only by the requirements of good banking, and the need to maintain adequate reserves—the so-called "limitless" or "self-limiting" variety of non-secured note issue.

> Presumably the Commission intended some treatment for the non-issuing banks similar to that in Proposal I above. Even if it did, the idea was rejected. The members feared the dangers of the over-issue of fiduciary notes by competing banks, with consequent inflationary effects. Therefore they inclined to the view that this proposal could be accepted only if the issue of such notes was made the exclusive privilege of some kind of central banking institution. For reasons to be outlined later, the Commission did not recommend the formation of a central bank,[17] and so, this proposal was also rejected.

The Parker-Willis Commission was in favour of maintaining the fiduciary issue, adequately protected, and the substitution of legal tender notes for the secured issues. It suggested a

> pure bank note issue similar to the present fiduciary issue, except that it shall now be frankly convertible into Government legal tender, instead of, as before the War, into gold, or as at the present time (probably) into British legal tender notes[18]

15. See page 61 later.
16. *IR* 1, *P-W*, s 16.
17. See page 71 later.
18. *IR* 1, *P-W* s 16. The question of legal tender is dealt with on page 61 later.

The Commission recommended that the fiduciary issue be consolidated, and that it be jointly controlled and issued by an independent, non-political central institution to be known as the Currency Commission.

These proposals posed two immediate problems:
(i) Due to the semi-monopolistic right of note issue possessed by six banks, the privilege of note issue would have to be extended to the non-issuing banks, and appropriate quotas established;
(ii) Because the notes already in circulation had been issued for all-Ireland, the aggregate issue would have to be apportioned between Northern Ireland and the *Saorstát*, since any changes introduced in the *Saorstát* would not necessarily be followed by similar legislation in Northern Ireland. The *Saorstát* portion of the outstanding fiduciary issue would be replaced by the consolidated notes.

Before either of these apportionments could be made, the question of limiting the aggregate consolidated issue had to be faced.

The Commissioners' opposition to "self-limiting" note issues of any kind disposed them towards setting some upper limit to the volume of aggregate consolidated issues. The figures they finally arrived at, were reached

> after a careful study of data showing the apportionment of aggregate business between the Saorstát and Northern Ireland furnished by the banks themselves as well as considerations of the number of branches.[19]

They estimated that some £4½ million fiduciary issue circulated in the *Saorstát*.[20] They expanded this figure to six million pounds to compensate the banks for the loss of the privilege of "till money".[21] It could not be continued when the new notes were issued in Dublin by a centralised institution like the Currency Commission. Therefore the banks lost their privilege and were compensated for it by an increase of £1½ million to the limit for aggregate consolidated issues, making the new limit £6 million.

The Commission recognised, however, the need for some flexibility. The quota allotted to any bank could be exceeded (for not longer than twelve months) on the unanimous consent of the Currency Commission. Such issues were called "Emergency Currency Issues", and were permitted by the Currency Act, 1927.[22] They were subject to a penal tax of 5% in addition to the tax of 30/- per £100 payable on all consolidated issues. This replaced the old tax of 7/- per £100 sterling levied on total issues, fiduciary and secured, under the Bankers (Ireland) Act, 1845.

The quotas of Consolidated Bank Notes allotted to the banks under the Currency Act, 1927, of *Saorstát Éireann*, were those recommended by the Parker-

19. *IR* 1, *P-W*, s 20.
20. *FR*, *P-W*, s 47.
21. Formerly, the banks were not deemed to have issued a note, and so not liable to tax on issues, until it was actually handed over to the public. They could therefore hold quantities of notes in their vaults for large rushes of business e.g. on fair days etc.
22. See s 5.

Willis Commission, with one minor modification. Originally, the National Land Bank was to be allotted a quota of £55,000 on the recommendation of the Commission. However, the Bank of Ireland absorbed the National Land Bank in July, 1926, buying the interest of the Minister for Finance in it, for £203,000. As a result, the quotas established by the Act increased that of the Bank of Ireland by £55,000 to £1,760,000 and eliminated the quota of the National Land Bank. The quotas were as follow:

	£000s
Bank of Ireland	1,760
Hibernian Bank	439
National Bank	1,365
Northern Bank	243
Munster & Leinster Bank	852
Provincial Bank of Ireland	649
Royal Bank of Ireland	273
Ulster Bank	419
	6,000

These figures were arrived at on

> a basis of apportionment which is founded upon the relative amount of advances and deposits and capital and reserves reported by each of the banks now operating in the Saorstát, modified by the relative numbers of branches established and maintained by the various banks.[23]

Finally, it should be noted that these figures were to apply until September 30th 1931, after which they were to be reviewed by the Currency Commission. The Commission made no change then in the total of £6 million, though it did alter individual quotas, operative as and from October 1st, 1931.

The Currency Commission was to be composed of seven Directors; three chosen by the government, two of whom were to be representatives of business, industry or trade; three chosen by the banks; the seventh to be "a man learned and experienced in banking and finance and shall be chosen by the six members appointed above"[24] to act as Chairman. The Commission could issue consolidated notes only to banks incorporated within the *Saorstát*, or to other banks which maintained special registers to show *Saorstát* domiciled share-holders. Subject to this requirement, "all banks now registered or operating in the *Saorstát* shall become eligible for membership in the Currency Commission".[25]

The Parker-Willis Commission recommended that, when issuing notes to the

23. *IR* 1, *P-W*, s 23.
24. *IR* 1, *P-W*, s 11.
25. *Ibid.*, s 29.

commercial banks, the Currency Commission

> shall receive from these banks claims upon the entire assets of the banks receiving such notes . . . No bank shall receive notes unless it be able to prove the existence in its portfolio of a fully equal amount of liquid sound advances.[26]

It recognised that most credit took the form of overdraft accommodation, and so recommended that the Currency Commission issue notes against—

(1) Commercial Bills of Exchange, or other evidence of trade indebtedness;

(2) Contract obligations of the banks representing liquid sound advances to customers.

The Commission was authorised to inspect the banks' portfolios in order to verify the backing. This power to inspect was subject to much controversy while the Currency Bill was going through *An Dáil* and *An Seanad* (the Irish Upper House). The need for the provision was explained by Mr. Ernest Blythe:

> In order that the Commission may do its work, in order that it may determine what amount of issue is required for the country as a whole and what amount of the issue may be allocated to each bank, it must be in a position to obtain all the information it requires and considers necessary to discharge its functions.[27]

A sum equal to 10 *per cent* of the outstanding consolidated issue was to be set aside out of the income from the Commission's investments, and held in the Note Reserve Fund as a reserve against both the legal tender and consolidated bank note issues.

On May 6th, 1929, the new Consolidated Bank Notes were issued. After that date, the banks called in the old bank notes which they had previously issued. These were replaced by the new notes. The balance of notes remaining outstanding was a figure of some importance. It was explained by Mr. Joseph Brennan, the first chairman of the Currency Commission:

> The Free State portion of the old notes of any bank outstanding at any time is deemed to be consolidated bank notes up to the equivalent of one half of the bank's quota of the latter notes. It is this provision which explains the difference between the present statutory volume of consolidated notes, namely £6,000,000 and the amount of these notes actually outstanding, namely about £4,029,000.[28]

This was an interesting provision of the Act, and it was designed to facilitate

26. *Ibid.*, s 22.
27. *Seanad Debates*, Vol. IX, 128.
28. Brennan, J., The Currency System of the Irish Free State, *Journal of the Statistical & Social Inquiry Society of Ireland*, Oct. 1931, Session 84, p. 23.

the change over to the new currency system recommended by the Parker-Willis Commission. It was explained by Mr. Blythe as follows:

> The object of this is to permit an existing bank of issue to get half of its quota of new notes without waiting for all the existing notes to be withdrawn. The remaining half of the quota will be offset by the existing notes outstanding . . . This will give a period during which the banks may provide, at any rate, some of the new consolidated notes while they are getting in their existing ones.[29]

The banks had to pay a percentage charge to the Currency Commission in respect of these notes. It was at 3% for the year following June 6th, 1929, and thereafter at 5%. Before this charge could be computed, however, the Commission had to determine what proportion of the total outstanding bank issue pertained to the *Saorstát* business of the banks. The Commission arrived at the following figures:

Percentage of Total Outstanding Bank Issues pertaining to Saorstát business:[30]

Bank of Ireland	87
National Bank	95
Northern Bank	28
Provincial Bank	82
Ulster Bank	42

This assigned about 70 *per cent* of the total outstanding bank note circulation to the *Saorstát*.[31]

The Currency Commission was formally established on September 21st, 1927, under Section 25 of the Currency Act, 1927 of *Saorstát Éireann*.

The Banks operating in Ireland before the Treaty worked under the Bankers (Ireland) Act, 1845, under which six of them had been granted the right to issue bank notes throughout all-Ireland. The Currency Act passed in the *Saorstát* gave to all the banks having branches there, the right to issue jointly Consolidated Bank Notes within the *Saorstát*. The six banks granted their issuing rights under the United Kingdom 1845 Act could now, in theory, possibly issue their full fiduciary quota in Northern Ireland while using their quota for Consolidated Bank Notes in the *Saorstát*.[32] To say the least of it, a rather uncertain situation prevailed.

The Bankers (Northern Ireland) Bill was introduced at Westminster on May 2nd, 1928. By its provisions, the fiduciary quotas of the six banks which had been granted under the Bankers (Ireland) Act, 1845, were scaled down to a size con-

29. *Dáil Debates*, Vol. XIX, 2026–7.
30. Currency Commission, *Annual Report* y/e 31.3.1930.
31. See Brennan, J., *op. cit.*
32. Busteed, J., Banking and Currency in Ireland Since the Treaty, *Journal of the Institute of Bankers in Ireland*, April 1932, p. 110.

sistent with the needs of the Northern Ireland area. The non-issuing banks operating in Northern Ireland, namely, the Munster & Leinster, and the Hibernian, were not granted the right to issue notes in Northern Ireland. This was in accordance with the established British tradition of not extending the right of note-issue. The Act made it illegal for a Northern Ireland banker to pay out notes forming the currency of any country outside the United Kingdom (e.g. *Saorstát Éireann*). This helped to keep the Northern Ireland bank-note issue and the *Saorstát* Consolidated Bank Note issue separate from each other. Bankers were not barred from accepting bank notes originating outside the area of acceptance. The (British) Treasury could grant licences to bankers allowing them to provide such notes to facilitate travellers, etc.

The Bankers (Northern Ireland) Act and the Currency Act must be considered together since they are complementary pieces of banking legislation. The aggregate resultant position is summarised in the following Table:

Fiduciary Issues of the Irish Banks

before and after the Currency Act (1927) *and the Bankers* (*Northern Ireland*) *Act* (1928).

£000s

Bank	*Previous Issues*	*New Issues*		*All Ireland Total*	*Change (+ or —)*
		Saorstát Éireann	*Northern Ireland*		
Bank of Ireland	3,738·428	1,760	410	2,170	—1,568·428
Provincial	927·667	649	220	869	— 58·667
National	852·269	1,365	120	1,485	+ 632·731
Ulster	311·079	419	290	709	+ 397·921
Belfast	281·611	†	350	350	+ 68·389
Northern	243·440	243	244	487	+ 243·560
Munster & Leinster	nil	852	nil	852	+ 852·000
Hibernian	nil	439	nil	439	+ 439·000
Royal	nil	273	*	273	+ 273·000
Total	6,354·494	6,000	1,632	7,634	+1,279·506

†indicates operating only in Northern Ireland
*indicates operating only in *Saorstát* Éireann

The alterations made to the structure of the note issue were simple and straightforward. The fiduciary issue of the banks was replaced by a consolidated issue in the *Saorstát*. (The fiduciary issue with respect to Northern Ireland was reduced in volume accordingly.) The right of issue was extended, in the sense that all the banks were included in the new *Saorstát* arrangements; the right of issue was curtailed in the sense that the Currency Commission issued the notes to the commercial banks. The general trend in the United Kingdom had been, for some years previously, the elimination of the banks' rights to issue notes. The enactments of the 'twenties followed this pattern in Ireland to some extent.

The Consolidated Bank Note issue did not endure for long. The Report of the Banking Commission (1934–1938) recommended that it be withdrawn. However, it had served its purpose as a stage in the gradual elimination of the banks' note-issuing powers. To have suggested this in 1926 would have confirmed the wildest pessimism of many that the new government would be unable to preserve financial stability. The climate of opinion had changed sufficiently by 1938 for this to be done without serious repercussions.

The Consolidated Notes laboured under another disadvantage when they were originally introduced. The decision to base them on liquid sound advances, or evidence of trade indebtedness, was unwise. It was opposed by Senator Jameson in the Parker-Willis Reports, and his objections were repeated by the 1938 Report, which commented as follows:

> It can hardly be said that liquid sound advances have had any precise relation to the empirical figure of £6 million which had been adopted for the aggregate limit of the Consolidated Bank Note Issue.[33]

The Currency Commission found this arrangement unworkable. It had received power[34] to take security from shareholding banks in respect of Consolidated Notes. During the course of the year 1931, the Commission decided to exercise this power, and it required every shareholding bank to transfer to it acceptable securities sufficient to protect the Consolidated Bank Notes outstanding.[35] The ownership of these investments continued to vest in the particular bank, which also continued to receive the annual income thereon. The requirement marked, however, the date when it was realised that the notes should be backed by recognizable securities, and not by a vague generalization like "evidence of trade indebtedness".

III LEGAL TENDER NOTES

The First Interim Report of the Parker-Willis Commission was submitted on April 17th, 1926, and was published on January 21st, 1927. When one remembers that the Commission received its Warrant of Appointment only on March 8th, 1926, it is apparent that it reported to the Minister with remarkable speed. Its members explained that they had

> been assured by members of our own body that there exists among the public at

33. Banking Commission, *Report*, 1938, s 242.
34. Currency Act, 1927, s 52, (4).
35. Currency Commission, *Annual Report*, y/e, 31.3.1931, s 6.

> large a condition of unrest and anxiety with respect to the possibility of changes in currency, monetary standards and banking arrangements . . . It is desirable to reassure the minds of such persons . . . and the desirable course of action, we believe, is to eliminate all basis for it by announcing as early as possible the general tenor of our conclusions in this regard.[36] They reiterated that one of Ireland's most valuable advantages during the period of revolution and civil war was that she did not possess her own currency but continued to use the most stable currency in Europe.[37]

This view, obviously commonly held at the time, is important because the Commission proceeded to recommend that the new *Saorstát* currency be linked to sterling. Mr. Joseph Brennan later commented:

> During the early years while the new order was being stabilized legislation on so vital a matter as currency would probably have created public alarm.[38]

The Commission then went on to explain the nature of one of the serious problems then facing Irish banking, namely, the lack of any recognizable *Saorstát Éireann* legal tender. Between one and three million pounds of British legal tender currency notes were in circulation in the *Saorstát*. Only those issued prior to December 6th, 1922, were actually legal tender in the *Saorstát*. However, the legally acceptable British legal tender notes were undated, and were therefore not separately identifiable from the notes not legally acceptable. There was no other possible legal tender in the *Saorstát*. The Commission commented:

> We feel bound to add that this question has never become acute or urgent, creditors being entirely satisfied with payment in British legal tender.[39]

The Report recommended "definite acceptance of British sterling as a standard of value in *Saorstát Éireann*",[40] after the new currency system it envisaged was introduced. The Currency Commission, it was recommended, would redeem in sterling any *Saorstát* legal tender notes presented for redemption at its London agency, and it would redeem in Dublin at it own discretion.[41] The Currency Commission later appointed the Bank of England to act as its London Agency.[42]

The reasons for recommending the sterling-exchange standard were explicitly pragmatic. The Parker-Willis Commission said:

> The Saorstát is now, and will undoubtedly long continue to be, an integral part of

36. *IR* 1, *P-W*, s 2.
37. Waller, B. C., The Irish Free State Banking Commission's Proposals, *The Banker*, Vol. III, No. 13, Feb. 1927.
38. Brennan, J., *op. cit.*
39. *IR* 1, *P-W*, s 8.
40. *Ibid.*, s 6.
41. Currency Act, 1927, s 49.
42. Currency Commission, *Annual Report*, y/e, 31.3.1929. s 7.

> the economic system at the head of which stands Great Britain . . . the Saorstát will undoubtedly continue for an indefinite period to find the great bulk of its market for exports in Great Britain . . . Many years must elapse before it can have with any other part of the world . . . an economic relationship at all comparable to that which it at present has with respect to Great Britain . . . It would be a gross and obvious error of monetary policy to attempt the establishment of a new unit of value in a country whose economic relationships are of the kind above outlined.[43]

This recommendation, when it was enacted in the Currency Act, was of great significance. Ireland still remains part of the United Kingdom banking system in many respects. However, a discussion of the nature of the tie between the *Saorstát* pound and sterling will not be pursued at this stage.[44]

Having admitted its dislike for legal tender notes issued under the control of the government, and also its dislike for the "legal tender paper regime", the Commission favoured "the institution of an Irish* Government legal tender note properly protected . . . as an expedient whose use is entirely defensible"[45] under the prevailing British conditions. Accordingly, its fundamental recommendation was the establishment of a *Saorstát Éireann* Government legal tender note. These notes were to be backed £ for £ by British Government securities and liquid sterling balances and gold so that the maintenance of parity with sterling would be completely beyond doubt. The sterling reserves were to be held in the Legal Tender Note Fund of the Currency Commission. They consisted of gold coin or bullion, legal lender money of Great Britain, sterling bank balances and British Government securities maturing within twelve months.[46]

It should be noted that this provision was amended by the Currency (Amendment) Act, 1930. Under its provisions, new classes of assets could be recognized as suitable for the Legal Tender Note Fund and for the Note Reserve Fund. This could be done at the unanimous request of the Currency Commission, followed by an order by the Minister for Finance, later to be approved by resolution of each house of *An tOireachtas* (Parliament). This power was not availed of until 1956.

The stipulation requiring the securities to be of twelve month maturity, or less, was added by *An Seanad* when the Senators were debating the Currency Bill. It was made to guard against the possibility of any depreciation in the capital value of the securities held in the Legal Tender Note Fund. As Senator Sir John Keane said:

> . . . these are different to ordinary investments. In an ordinary investment, the interest may be safe, but in this case it is essential that the capital should be safe too, because the capital is the fund out of which convertibility is made.[47]

43. *IR* 1, *P-W*, p. 7.
44. See later, page 71.
45. *IR* 1, *P-W*, s 8.
46. Currency Act, 1927, s 61 (3).
47. *Seanad Debates*, Vol. IX, 194.
* *i.e. Saorstát.*

The amendment was supported strongly by Senators Guiness, Jameson (who sat on the Parker-Willis Commission), Bennett, and Kenny, and was opposed by the Minister, Mr. Blythe, who did not want the Currency Commission restricted in this way. When he reintroduced the Bill to *An Dáil* after the general election, he suggested that *An Seanad's* amendment be agreed to, but added

> If it is accepted here it may afterwards call for some further legislative action. I am not much in favour of the amendment, but it was very strongly pressed from all Parties in the Seanad. I recommend the Committee to agree with it.[48]

The *Seanad* amendment was incorporated in the Currency Act,[49] but was struck out again in 1930.[50] It was found necessary to repeal it because of the contraction in the number of British Government securities maturing within twelve months that were available for the Currency Commission.[51]

The Note Reserve Fund, to which reference has already been made,[52] was to be built up out of the annual income from the Commission's investments, until it equalled one-tenth part of the total amount of Consolidated Bank Notes outstanding. Any deficiencies or excesses in the Legal Tender Note Fund, due to market fluctuations, were to be made good out of, or transferred into, the Note Reserve Fund. If, for any reason, the Legal Tender Note Fund should prove insufficient to redeem legal tender notes presented for payment, the obligation was to fall on the Note Reserve Fund. In the even more unlikely event of the Note Reserve Fund also proving inadequate, the necessary resources were to be advanced by the Minister for Finance out of the Exchequer's Central Fund. Thus there could be little, if any doubt as to the ability of the Currency Commission to convert legal tender notes, without limit, into sterling.

The First Interim Report recommended that the issue of legal tender notes be the responsibility of the Currency Commission. It was estimated that the total circulation in Ireland was about £14 millions, (excluding £3 million till-money and British Treasury Notes), of which about £8 million consisted of the secured issue. The Commission, accordingly, recommended that the Currency Commission should have power to suspend the issue of legal tender notes when

> the amount outstanding has reached a figure which shall fully take into account or cover the present secured issue plus British currency notes in circulation in the Saorstát.[53]

This recommendation was very strongly criticised in Irish banking circles, and

48. *Dáil Debates*, Vol. XX, 1658–9.
49. s 61, (3), (d).
50. Currency (Amendment) Act, 1930, s 2.
51. Currency Commission, *Annual Report*, y/e, 31.3.1930, s 9.
52. See above.
53. *IR* 1, *P-W*, s 12.

was not included when the Bill was introduced into *An Dáil.* The criticisms may be typified by the following comment:

> This savours of over-timidity . . . and is inconsistent with the principle of legal tender which . . . entitles creditors to demand it in payment of debts *up to any amount.* Convertibility should be assured in any case, since legal tender notes can only be issued against payment of an equal amount in sterling, and there could be no such thing as over issue of a convertible currency.[54]

As regards the actual mechanics of the transition, the situation was that the Irish commercial banks transferred to the Currency Commission the British Government investments they held against their secured issues, and received in return *Saorstát Éireann* legal tender notes. The Commission had no option but to pay out legal tender notes to any banker presenting sterling, or any of the other securities listed in the Act.[55] They were under statutory obligation to issue against—

(a) a bank draft payable at sight in London, approved by the Commission, and of a nominal amount equal to the amount of the legal tender notes so issued, or

(b) the transfer to the Commission for the account of the legal tender note fund of such amount of British Government securities approved by the Commission as in the opinion of the Commission is equal in value at the current market prices to the amount of legal tender notes so issued.[56]

Of course, this arrangement would yield the Government a moderate annual income. If the legal tender note circulation was about £7 million, then, at a rate of about 3 % or 4 % on the investments, the yield would be somewhere between £210,000 and £280,000 per year.

The Currency Commission appointed September 10th, 1928, as the day on which the legal tender notes were to be issued for the first time.[57]

IV THE BASIS OF THE CURRENCY

The Parker-Willis Commission then faced one of the greatest problems it was to examine. It had to decide what relationship should exist between the new legal tender note of the *Saorstát*, and the currency of the rest of the world. It was a

54. Anonymous, "The Currency Report", *Journal of the Institute of Bankers in Ireland,* April 1927. Original italics.
55. Currency Act, 1927, s 61.
56. Currency Act, 1927, s 47, (5).
57. Currency Commission, *Annual Report,* y/e 31.3.1929, p. 4.

difficult time to make such a decision, because Great Britain was then going through a deflationary process in order to restore the pre-war relationship to the dollar before returning to the gold standard. It was to be expected, therefore, that the Commission should examine all possible courses of action before making its final recommendation. However, its reports on this subject are not entirely satisfactory, and are a little confusing, when one tries to determine the theoretical basis, if any, which influenced their conclusions.

The alternatives which the Commissioners considered are outlined below, and the main factors which they considered are discussed.

ALTERNATIVE 1

The first possibility open was for the Commission to recommend that no action whatever be taken at that time.

The main objection which the members raised to this course of action (or inaction), was that it would in no way mitigate the hardships being suffered by the people due to the falling price level, and would "perpetuate all of the incidental hardships and inconveniences which are inherent in the present currency and banking situation".[58] This would be so because

> the general effect of inactivity would be simply to leave Irish prices and financial values and quotations to move as they do now practically in sympathy with those which prevail in England.[59]

It should not be thought, however, that this course did not have its supporters. Many would have been pleased if it had been accepted. Waller said "The business and trading community has generally favoured . . . adherence to the use of British currency".[60]

Of course, a decision to do nothing at all at that time would scarcely be reconcilable with the other recommendations of the Commission. In addition to the specific reasons, already outlined, for making the suggestions regarding note issue and legal tender, was the fact that a decision to make no change would have entailed the passing of some legislation to give legal tender status to British gold and paper money in the *Saorstát*. Such a scheme was rejected, because, said the Commission, it would

> perpetuate a regime whereby British legal tender notes are assured of a field of circulation which properly belongs to the Government of this country, and it

58. *FR, P-W*, s 8, (1).
59. *Ibid.*
60. Waller, B. C., *op. cit.*

would also leave Irish industry and commerce, directly and entirely dependent upon those local fluctuations and changes which might affect British banking and business in the future.[61]

It was also considered that the *Saorstát*, since it had won the *right* to establish its own system of currency, had something of a *duty* to do so.[62]

ALTERNATIVE 2

The Commission could have recommended that some currency unit, other than that of Great Britain, be selected as a standard of value in the Saorstát.

The most likely "other currency unit" to be considered was the United States dollar, which is explicitly mentioned by the report.[63] Unfortunately, the Commission is particularly confusing and rather unsatisfactory in its discussion of this course of action. It reported: "Such action would obviously mean the establishment of a relationship between American and Irish prices".[64]

Its reasons for believing this are not disclosed. Indeed, it has already attributed the sympathy between Irish and British price movements to the market conditions existing for Irish exports to Britain, and because of the negligible impact of transport costs on British goods imported into Ireland.[65] If, then, it was market forces which determine the correlation between British and Irish prices, it is difficult to see how the Commission believed that a change in monetary standards could alter the situation at all. A more acceptable reason for rejecting this suggestion would have been the practical banking difficulty of guaranteeing dollar convertibility when the banks probably held very little dollar investments.[66]

The Commission, on the other hand, believing that Irish prices would become correlated, to some extent, with American, feared the emergence of a rate of exchange (other than parity) developing between the Irish and British currencies in the event of British and American price levels diverging. It was this dislike for variable exchange rates between Britain and Ireland that caused the Commission to reject this scheme.

It should however be noted, that the dangers of variable exchange rates could only arise in the event of a free international circulation of gold with fluctuating exchange rates. In this connection, it must be remembered that the members of the Commission were proceeding on the assumption that Great Britain and the United States would shortly be in a position to announce a return to the pre-war

61. *FR, P-W*, s 8, (4).
62. *Ibid.*
63. *FR, P-W*, s 8, (2).
64. *Ibid.*
65. See *FR, P-W*, s 8, (1).
66. See O'Mahony, D., *The Irish Economy*, Cork University Press, 1964., p. 90.

conditions on international trade, since both countries were deflating for that purpose. They were not mistaken in this belief, though the experiment was short-lived and unsuccessful. Once currencies are pegged to some particular gold-convertibility, their rates of exchange are similarly pegged within small limits. The Parker-Willis Commission did not envisage this as the mode of international payments in the future.

Basically the same argument was implied for any suggestion that any other currency be used in place of dollars—that is, any currency expected to be convertible into gold.

ALTERNATIVE 3

It could have recommended that a currency not based upon gold be selected as a basis for the Saorstát system.

The Commission regarded such a venture as impracticable though it did discuss it briefly. It doubted the stability of inconvertible paper currencies, and commented:

> The attempt to base the currency system of this country upon a paper unit whose value could be changed at any time as a result of the whim or fancy of a foreign country, would be almost unthinkable.[67]

The members did not elaborate on the "unthinkable" consequences of such a decision.

ALTERNATIVE 4

The Saorstát currency could have been based directly on gold.

If it were to be based on gold, the Commissioners regarded it as tantamount to a return to the gold standard by the *Saorstát*, and possibly an eventual return to the actual circulation of gold throughout the country. Basically, their objections to this suggestion were similar to those to Alternative 2 above, and were based on much the same theoretical beliefs. They associated a return to the gold standard with free, fluctuating exchange rates, and failed to consider the possibility of exchange rates being pegged to give exchange stability. The main fear was, again, the emergence of any non-parity rate of exchange, or any free fluctuating exchange rate between Ireland and Great Britain.

It is difficult to understand their feelings in this regard. The impact of internal

67. *FR, P-W*, s 8 (3).

credit policies on the stability of exchange rates had long been recognised. As Fetter has written:

> . . . the willingness of the Directors of the Bank of Ireland to adopt a policy of exchange stabilization . . . was a full recognition . . . that the monetary authority in an area can maintain a stable exchange rate through the use of its external reserves and through changes in its credit policy.[68]

The decision referred to by Professor Fetter occurred some time before the integration of the currencies of Great Britain and Ireland in 1826.[69] It was taken largely after the criticisms which the Report of the Committee of the British House of Commons made in 1804 on *The Condition of the Irish Currency*,[70] which was concerned with the fluctuations in exchange between British and Irish currencies after the restrictions on gold convertibility of 1797. The reporting Committee said:

> That this depreciation in Ireland arises almost entirely, if not solely, from an excess of Paper, appears highly probable: and Your Committee, in adverting to the issues of the Bank of Ireland, do not mean to decide whether the Directors of it might not have had strong reasons for their conduct; but they conceive it their duty to call the attention of the House to a matter of so much importance. . . . and upon comparing the issues of the Bank of Ireland with the rates of Exchange, a strong presumption arises of the connection between an increased Issue and a high Exchange.[71]

ALTERNATIVE 5

A new system could be developed, maintaining the existing unit of value, yet providing for independent administration.

This was the final possibility considered by the Commission, and was, in fact, the one it recommended to the Government. Under this scheme, a new medium of exchange was developed. These definitional problems arose when the Currency Bill was being debated by *An Seanad*. Mr. Blythe said:

> The whole principle of the Bill is that the *standard of value* is sterling or sterling exchange . . . the standard *unit of value* is going to be in future . . . the Saorstát pound. The object of the section* is to lay down that the unit of value

68. Fetter, F. W., *The Irish Pound*, George Allen & Unwin, London, 1955, p. 61, referring to a resolution passed in November 1822.
See also: Hall, F. J., *The Bank of Ireland*, Hodges, Figgis & Co. Dublin, 1949, p. 107.
69. under 6 G. IV, c. 79. June 1825.
70. reprinted in Fetter, *op. cit.*
71. *Ibid.*, p. 72.
* *namely*, s 4, (1)

> and account shall be the Saorstát pound ... for which we have made provision to be equal to the pound sterling.[72]

The Commission said:

> We urge the creation of a new type of local Irish currency ... but we urge with equal force that this currency shall at all times be directly convertible into British sterling so that there may be no development of exchanges rates, charges or depreciation in the trade between the two countries, and so that Irish obligations of every description stated in sterling may at all times be of a value unquestionably equal to that of similar obligations of all kinds in Great Britain.[73]

Thus, the Commission recommended that the *Saorstát* pound be convertible at par into sterling. Convertibility was essential if it was to be certain that the people in the country would accept the new currency. Reference has already been made to the fact that some people were worried as to the nature of the alterations the Commission would recommend. It was not, therefore, surprising that the currency should be convertible in order to assure its acceptability.

While some of the arguments of the Commissioners in favour of sterling as a base for the new currency may be of questionable theoretical validity, there can be little doubt but that sterling was the obvious choice of currency to act as base. The question of public confidence is, of course, important here also, because the people were familiar with sterling as a safe medium of payments, etc. Sterling was also an inevitable choice when one considers that the banks had no other assets in sufficient volume with which to buy notes from the Currency Commission. As O'Mahony has said:

> As the banks always had large holdings of suitable British securities it was inevitable that these would be used for the acquisition of the currency.[74]

The obvious corollary of this is that the notes should be redeemable in sterling also, and this the Commission recommended.

On the question of the rate at which the *Saorstát* pound should be exchangeable for sterling, the Commissioners have nothing to say. It was, presumably, regarded as the obvious step to make it exactly at parity with sterling, as it had been since 1826. As a consequence, it might be difficult to revalue the Irish pound in terms of sterling without injuring public confidence, and, perhaps, laying the seeds of doubt as to the timing of a second or third revaluation. However, the only assurance we have that parity is the most suitable rate of exchange is the fact that it has been so since 1826. As Professor Fetter concluded:

> For more than a century and a quarter Ireland, as part of the United Kingdom, as a member of the British Commonwealth of Nations, and as an independent Repub-

72. *Seanad Debates*, Vol. IX, 273–4. Italics supplied.
73. *IR* 1, *P-W*, s 7.
74. O'Mahony, *op. cit.*

lic, has maintained its currency at parity with the British pound through redemption in London exchange and sale of London exchange, in line with the recommendations of the Committee of 1804.[75]

V. THE STERLING EXCHANGE STANDARD

The recommendation of the Parker-Willis Commission regarding the sterling convertibility of the *Saorstát* pound was a recommendation that the State would adopt the sterling-exchange standard. This was done. The members saw a number of advantages attaching to such a decision, and listed them briefly. They may be summarized as follows:

(i) It would restore the confidence of the business community, which had feared drastic reforms.

(ii) It was hoped that the restoration of public confidence would stop the outflow of funds which appears to have been a disquieting feature at the time. This aspect of the question was also raised in *An tOireachtas*, by Senator Sir John Keane, who said:

> If you look at the consolidated figures of the banks since the Treaty, you get this fact, that since the Treaty deposits have been drawn on to the extent of £29,000,000. That is to say they dropped from £191 million to £162 million. Of that sum, £29 million, twenty millions were met by the sale of sterling investments, and six millions were met by a reduction in cash balances.[76]

(iii) The trouble and expense and inconvenience of the change-over to a new standard of value would be avoided.

(iv) Fixed parity with sterling avoided the disadvantages of non-parity exchange rate that would cause difficulty to the trading community.

(v) The Commissioners also believed that the sterling exchange standard would ensure that Irish and British prices would be tied. The validity of this point has been questioned in the previous chapter.

A more interesting aspect of the sterling-exchange is the method of achieving convertibility. The reserves fund held for the purpose of ensuring convertibility could be maintained in at least three different modes, i.e.

75. Fetter, *op. cit.*
76. *Seanad Debates*, Vol. IX, 68.

(1) The reserves could consist of physical deposits of gold with which to redeem any notes presented for payment. Such a method is absolutely safe, but it earns no income at all, since the gold is held in an unproductive reserve.

(2) The reserve fund could consist of British legal tender notes. This method, absolutely safe though it is, is as unproductive as the first.

(3) It is also possible to hold British securities in the reserve fund. Provided the investments are judiciously selected and are wisely distributed between long- and short-term markets, a reserve fund can be quite as adequate as either of the previous two methods. It is of course necessary to hold a certain amount of liquid assets and cash to convert the proportion of notes normally presented for conversion. The investments earn income for the monetary authority; in the case in question, for the Currency Commission.

(4) The Parker-Willis Commission also considered the possibility of holding non-British securities in the reserve fund—especially *Saorstát* stocks—but decided against. It agreed that such investments would be quite adequate so far as the *safety* of the note-issue was concerned, but added:

> convertibility would probably not be served or insured by any other type of investment in the same degree that would be true of a holding of British Government obligations.[77]

It is important to remember the truth of this statement. The lack of suitable short-term or early maturing *Saorstát* stocks would have made it unwise to permit any substantial portion of the reserve fund to consist of Irish securities. It must also be noted that, to be assuredly convertible without limit as to amount, any currency must be backed by the reserve currency, or by investments held in the reserve currency, to a substantial extent. The Parker-Willis Commission recommended that the reserve fund—the Legal Tender Note Fund—should consist of British Government securities, and other assets. The precise composition of the fund has been detailed earlier.[78] However, while the Commission considered in some detail the composition of the Legal Tender Note Fund, it appears that it gave no consideration to the possibility of a cover of less than 100%. The only type of reserve considered was a *full* pound for pound cover. This omission is a little surprising.

It may be, of course, that the state of confidence in the country would have rendered any such discussion inadvisable. However, Busteed had suggested a backing of fifty *per cent* as early as 1924.[79] The really interesting point, though,

77. *FR, P-W*, s 28.
78. See above.
79. Busteed J., Irish Currency, *The Irish Statesman*, August 2nd, 1924.

is the fact that Busteed's point was recognized even when the Currency Bill was going through *An tOireachtas*. Mr. Blythe said:

> It should be remembered . . . that there will not be a period when there will not be a substantial amount of legal tender notes in circulation. *There is no need to visualize the position where every legal tender note will have to be met.*[80]

The Currency Act did not recognize the truth of this.

Colbert has also commented on this aspect of the Parker-Willis reports. He said:

> In normal times a proportional reserve is all that would be required; in times of crisis . . . the obligation to redeem would simply be suspended.[81]

It is only comparatively recently that the possibility of less than 100 *per cent* cover was realized. Since 1961, the Central Bank of Ireland is permitted to hold as an asset in the Legal Tender Note Fund a balance in the General Fund.[82] The effect of this innovation is that the Legal Tender Note Fund need no longer, and in fact does not now, contain assets providing full 100 *per cent* cover for the legal tender notes. It seems likely, however, that full cover will be preserved taking the Legal Tender Note Fund and the General Fund together.[83] It was, nevertheless, a little surprising that the Parker-Willis Commission did not explicitly deal with this question. The investment funds which could have been released thereby for development purposes might have been useful during the early years of the *Saorstát*. Such speculations were not, however, entertained in official quarters at the time, though Busteed did discuss it.[84]

VI. CONCLUSION

THERE can be little doubt but that the Parker-Willis Commission had a very difficult task. They had to amend the Irish banking system to the strange, new "terrible beauty" of political independence, while at the same time not disturb the state of confidence of a community shaken by civil war and distrust. It must also be remembered that the Commission worked before Keynesian economics had stimulated interest in the science of econometrics, and had stressed the importance of all kinds of economic statistics. The facts on which the members had to base their judgements were inaccessible, and had to be supplemented by personal assessments and individual practical experience of banking. Fortunately, they lacked little in the way of experience.

80. *Seanad Debates*, Vol. IX, 196. Italics supplied.
81. Colbert, J. P., *Money and Banking*, Cahill & Co., Dublin, 1943.
82. O'Mahony, *op. cit.*
83. *Ibid.*, p. 90.
84. Busteed, J., *op. cit.*

In many senses, the Currency Act was a measure of intermediate reform. It went half-way towards the elimination of the banks' right to issue notes; it concentrated the new issues under the control of a semi-state undertaking; and the Currency Commission was itself a step towards central banking in the *Saorstát*.

The Parker-Willis Commission could have recommended the formation of a central bank in 1926, but did not. It decided that the suggestion of the League of Nations and Genoa Conference that emerging nations should establish such institutions did not apply to Irish conditions. It felt that it was intended

> for nations without well-organised banking systems or for those whose currency systems were in difficulty, or which required a strong financial leadership in order to bring about a reorganisation of their banking and currency policies.[85]

The members, on the other hand, maintained that the *Saorstát* already had a sound banking system; that government business was being handled satisfactorily by those banks to which it had been entrusted; and that, since the banks used the London money market, there was little likelihood of similar markets being set up in the *Saorstát*. It was, apparently the lack of financial markets that clinched the issue. The commercial banks feared the central bank, if established, might, in the absence of rediscounting needs, compete for ordinary business with the existing banks. Accordingly, the Parker-Willis Commission did not recommend the formation of a *Saorstát* central bank.[86]

Indeed, any attempt to enforce credit control on the part of a central banking institution would probably have failed in the absence of sweeping changes in other directions. The banks held substantial volumes of sterling investments. They did not need to go to the Currency Commission, or any other similar institution, to obtain legal tender notes. They could have realized their investments for sterling, and so avoided the Currency Commission completely, had they so desired. This course of action was open to the Irish commercial banks as long as they held sterling investments in excess of their minimum reserve requirements. They did not need a central institution as a lender of last resort. The problem confronting the Central Bank of Ireland until recently was not dissimilar; however, the decrease in the sterling assets of the commercial banks makes them rely more heavily on the Central Bank for their currency and other requirements.

The overall impression one gets of the changes which occurred during the nineteen-twenties is one of careful adaptation to the needs of the new State. To have attempted more in 1926 might have caused public unrest or uneasiness, and might have had serious consequences in the economic and other spheres. As it was, the limited changes recommended by the Parker-Willis Commission made possible the greater changes of 1942, after the 1938 Report.

85. *FR, P-W*, s 42.

86. In his *Minority Report*, McElligott suggested "that after a period of, say, five years of smooth working of the proposed currency arrangements, further inquiry should be made into the question of setting up a Central Bank."

APPENDIX

The members of the Parker-Willis Commission were:

Prof. Henry Parker-Willis, Columbia University, U.S.A., Chairman;

Senator Andrew Jameson, Director, Bank of Ireland;

J. J. O'Connell, Director, National Bank;

F. J. Lillis, Director, Munster & Leinster Bank;

L. Smith-Gordon, Managing Director, Industrial Trust Company of Ireland;

C. A. B. Campion, late of the Commonwealth Bank of Australia;

R. K. L. Galloway, Director, Ulster Bank;

J. J. McElligott, Department of Finance;

J. L. Lynd, Department of Finance, Secretary to the Commission.