THE IMPACT OF HENRY PARKER-WILLIS AND THE FEDERAL RESERVE ON THE INSTITUTIONAL DESIGN OF THE IRISH CURRENCY ACT 1927*

EOIN DREA
University College Cork and Wilfried Martens Centre for European Studies, Brussels

ABSTRACT. The Anglo-Irish Treaty of 1921 provided monetary independence to the newly established Irish Free State. The existing historiography views Irish monetary and banking policy post-independence as following British precedent in terms of the structure and design of state monetary institutions. However, this article considers how Professor Henry Parker-Willis’s experience of establishing the United States (US) Federal Reserve system in 1913 had a direct impact on his work as chair of the Irish banking commission in 1926. This research highlights that Parker-Willis played a significantly more important role in formulating the Irish Currency Act 1927 than is currently recognized. It further identifies that Parker-Willis’s design for a wholly independent, non-political Irish currency commission was primarily based on his disillusionment with the political interference then evident in the management of the Federal Reserve system. This article, therefore, challenges the dominant view that Irish monetary institution building in the 1920s automatically followed British precedent, but rather identifies the direct influence of US monetary structures on the development of Irish institutions. This is an internationalist dimension not recognized in the existing historiography.

The newly created Irish Free State gained monetary and fiscal independence from Great Britain with the signing of the Anglo-Irish Treaty in December 1921.1 The establishment of monetary independence, however, did not dictate that a new centralized Irish monetary authority would or should be established. Nor did independence prescribe that such an authority would

* I wish to thank Andy Bielenberg, Cormac O’Gráda, and three anonymous reviews for their comments and suggestions.

1 The Anglo-Irish Treaty of 1921 partitioned Ireland into the Irish Free State and Northern Ireland following the Irish War of Independence 1919–21. Relations between the Irish Free State and London in the 1920s were marked by tensions over the position of Northern Ireland, the role of the Irish Free State in the emerging commonwealth, and ongoing disputes arising from Ireland’s financial liabilities for pre-1921 imperial expenses.
require the functions of either a currency board or a central bank. As late as 1900, the only central bank established outside of Europe was that of the Bank of Japan. A central banking system in the United States – the Federal Reserve (Fed) system – only came into operation with the passing of the 1913 Federal Reserve Act (1913 Act).

The Irish Free State in the mid-1920s provides an example of an emerging nation-state seeking to establish structures to manage its newly acquired monetary autonomy. However, this was a level of operational autonomy circumscribed by almost total trade dependence on Britain. The continuity in Irish banking and currency affairs post-1922 also reflected a reluctance to challenge the traditional embedded nature of the Irish commercial banks in the City of London. Administratively, the newly established Irish Department of Finance was structured and operated upon British treasury lines, a process cemented by Joseph Brennan’s (secretary of the Department of Finance 1923–7, chair of the currency commission 1927–43, and principal architect of Irish monetary policy in the 1920s) adherence to British civil service norms.

This article addresses a number of issues which are of interest, not just to historians specializing in Irish or economic history, but to a wider audience. First, the example of Irish monetary development in the 1920s provides a new context for analysing the transition from a colonial empire to a more autonomous commonwealth which began to emerge in the interwar period. Secondly, the case of Ireland provides further evidence of the Anglo-American rivalry for economic influence which raged globally, but informally, in the 1920s and 1930s. Thirdly, this article highlights the importance of individuals in facilitating institutional change notwithstanding the complicated, and often misunderstood, relationship between politics and economics in the 1920s.

This article provides an analysis of the institutional design of the Irish currency commission whose coming into operation in 1927 was recommended by the Irish banking commission 1926 (banking commission). This banking commission was chaired by the American economist Professor Henry Parker-Willis, Professor of Banking at Columbia University and an acknowledged expert in the institutional design of monetary institutions given his role in helping draft the 1913 Act. Given legal force by the Irish Currency Act 1927 (Currency Act), the currency commission was responsible for maintaining the

---

2 John Singleton, Central banking in the twentieth century (Cambridge, 2011), p. 34.
exchange rate parity of the Irish pound with sterling, ensuring that Irish currency issues were fully backed by British securities and generating signorative revenue for the government. This article also assesses the influence of US Fed structures, which became operational in 1914, on the emerging Irish system. Key to this approach is the reassessment of the influence of Parker-Willis on both the 1913 Act and the Currency Act.

The lack of a detailed comparative study of the Fed and the currency commission system is surprising for a number of reasons. First, although the currency commission system was identified as providing an ‘American solution’ to Irish monetary arrangements, no examination of the wider international factors influencing the currency commission model has been undertaken. Secondly, while Brennan noted that the system for issuing bank notes introduced by the Currency Act was ‘in some respects closely modelled on the Federal Reserve Scheme of the United States’, no further comparative research has been carried out in this area. Thirdly, although Parker-Willis was appointed to chair the banking commission, neither the rationale for his selection nor the influence of his previous experience in the Fed (in both drafting the 1913 Act and working within the Fed system) have been considered in any significant detail.

This article is structured in the following way. The first part provides a summary of Parker-Willis’s role in drafting the 1913 Act, outlines its main provisions, and evaluates the provisions of the 1913 Act in the context of Parker-Willis’s beliefs regarding the structure of state monetary authorities. The second part addresses emerging Anglo-American tensions in international monetary institution building in the early 1920s. It also assesses how these international factors played a key role in determining Parker-Willis’s selection to the banking commission in 1926. The third part addresses Parker-Willis’s input into the banking commission and his relationship to both the Irish commercial banks and key public servants. The fourth and fifth parts assess the input of Parker-Willis into the completion of the Currency Act and identify its key institutional provisions. The sixth part compares the institutional provisions set out in the Currency Act with those provided for in the 1913 Act. The seventh part offers conclusions.

The creation of the Fed resulted directly from the US financial panic of 1907.\textsuperscript{12} In that year, a series of runs on a number of New York based financial institutions exposed the lack of liquidity in the US banking system. The liquidity problem was caused by two key factors: first, the lack of a national central bank offering lender of last resort facilities and secondly, the deep rivalry between federal and state regulatory authorities over banking control.\textsuperscript{13} The US banking system at this time represented a highly decentralized system of small financial institutions with scattered and immobile bank reserves.\textsuperscript{14}

Parker-Willis was the economic expert advising the banking and currency committee in the US House of Representatives 1912–13. In conjunction with the committee chairman, Carter Class (Democrat, Virginia), Parker-Willis presented the then President-Elect Woodrow Wilson with their plan for a federal central banking system in December 1912.\textsuperscript{15} This plan formed the basic elements of the 1913 Act signed into law by President Wilson in December 1913.

In this context, Parker-Willis has been described as ‘one of the intellectual founders of the Federal Reserve’.\textsuperscript{16} He subsequently acted as secretary to the Federal Reserve Board (1914–18) and as its director of research (1918–22). In addition, Parker-Willis was engaged as president of the Philippine National Bank (1916–17) and as editor-in-chief of the *Journal of Commerce* from 1919. Subsequent to his work in Ireland he was appointed as the American correspondent for *The Banker*.

The 1913 Act marked a clear compromise between those who favoured a banker-dominated central institution and those who regarded a central bank as an important component of wider government control.\textsuperscript{17} The final bill, although ‘substantially’ based on Parker-Willis’s initial draft, did not meet his complete approval.\textsuperscript{18} The regional structure of the Fed and the fact that the reserve banks would only receive deposits from member banks marked a clear break with the European tradition of central banking which accepted deposits from all financial institutions.\textsuperscript{19}


\textsuperscript{15} Roger T. Johnson, *Historical beginnings... the Federal Reserve* (Boston, MA, 2010), p. 20.


Parker-Willis viewed the 1913 Act as ‘leaving banking as such to be practiced by bankers; it vests the control of banking in the hands of government officers’.20 The political supervision of the newly created twelve regional reserve banks was entrusted to the Federal Reserve Board. The board had sweeping powers over the reserve banks including, but not limited to, the power to inspect their financial records, to regulate the issue of Federal Reserve currency notes, and to remove directors of any reserve bank.21 The conflict between banking and political interests was viewed as being addressed through such a decentralized system of control.22

Parker-Willis was a key advocate of central bank independence.23 However, such a principle was only partially reflected in the provisions of the 1913 Act. The reserve banks did, at least initially, have significant policy autonomy with regard to the buying and selling of government bonds (open market operations) and could act as fiscal agents for the federal government.24 On a broader scale, the operational independence of the Fed as a whole was also circumscribed by its clear secondary position relative to the Treasury Department and the requirement for it to operate from within treasury headquarters.25

To a considerable extent, the 1913 Act reflected the key principles of Parker-Willis’s views on monetary policy and central banking development. Bankers were left to control the day-to-day business of banking with government providing an overarching supervisory framework. The central banking system would, if possible, be fully removed from the partisan nature of party politics.

The Fed system was based on Parker-Willis’s belief in the ‘real bills’ doctrine. This asserted that a banking system built on private sector business transactions could adjust to the changing credit needs of the economy without the need for centralized credit control policies.26 This doctrine limited the issue of Federal Reserve notes to the amount of real commercial bills being discounted or bought by the Fed banks.27

In part, Parker-Willis’s adherence to the real bills doctrine was based on his belief that any central banking institution should seek to support and accommodate commerce, industry, and agriculture. He viewed the 1913 Act as a ‘business man’s measure’ designed to help US businesses obtain the necessary credit for expansion.28 This approach identified Parker-Willis as a pro-business economist whose work in wider business circles with the Journal of Commerce brought him practical experience of the challenges facing private sector businesses.

21 The Federal Reserve Act 1913 (1913, no. 43), section 11.
By the time of his appointment to the banking commission, Parker-Willis viewed the majority of decisions of the Federal Reserve Board as politically motivated.\(^2^9\) To Parker-Willis, the political nature of the Reserve Board was a most serious deviation from his vision for central banking in the US: ‘In its original form, it (the Federal Reserve Act) was a plan for banking self-organization and self-supervision with moderate Government participation (to a minority extent) in the control of the central managing body – the Federal Reserve Board.’\(^3^0\)

For Parker-Willis, the 1913 Act provided an excess of government influence, influence that was readily abused by politicians through making appointments based ‘purely on a basis of personal favouritism’.\(^3^1\) In addition, he viewed government influence as corrupting wider Fed policy including, but not limited to, the setting of interest rate policy.\(^3^2\) The operation of the Fed up to the mid-1920s convinced Parker-Willis of the harmful influence of government in banking operations.

Viewed from a broader perspective, Parker-Willis’s role in the development of the Fed rendered him ideally suited to chair the banking commission. His experience of confronting established banking interests, his acceptance of the need for legislative compromise, and his belief in the evolution of existing banking structures (rather than the establishment of a wholly new system) would prove extremely valuable. In addition, the period since 1914 allowed him to evaluate the flaws evident in the operation of the 1913 Act.

In many other respects, Parker-Willis also fitted Irish requirements perfectly. He was not British, available, willing to act and of sound international standing. In addition, he was neither proposed nor supported by the Irish commercial banks. However, the appointment of a US economist was not universally welcomed in Ireland or Great Britain. The lack of a developed system of branch banking in the US was highlighted as proving the relative backwardness of US banking structures.\(^3^3\) For the Economist, the appointment of a US chairman was an ‘unusual feature’ of a banking inquiry located firmly within the Bank of England’s area of influence.\(^3^4\) It was in this context that Henry Parker-Willis arrived in Dublin in early 1926.

\(^{3^1}\) Ibid., p. 322.
\(^{3^2}\) Ibid., pp. 324–5.
\(^{3^3}\) Irish Times, 9 Mar. 1926.
\(^{3^4}\) Economist, 6 Feb. 1926.
It was a broader Anglo-American vision for central banking that prospered during the 1920s. Montagu Norman (governor of the Bank of England), with the support of Benjamin Strong (governor of the New York Reserve Bank), succeeded in using the structures of the League of Nations to promote the establishment of independent, note-issuing central banks in a variety of European states. However, this shared vision of central banking could not prevent the emergence of real Anglo-American economic rivalry in the 1920s.

Within Central and South America, the dominant influence of the US economist and ‘money doctor’ Professor Edwin Kemmerer of Princeton University ensured the development of Anglo-American styled central banking institutions. A monetary conservative, Kemmerer believed in the gold standard and the perils of inflation. Kemmerer, along with Professor O.M.W. Sprague of Harvard and Parker-Willis, played a key role in the formulation of the 1913 Act.

Even within the British dominions, the Bank of England’s influence was dependent on broader US considerations. Limited Threadneedle Street influence in Canada was a direct result of greater US economic infiltration after 1918. By the late 1920s, Canadian banking reserves were held in New York rather than London. Notwithstanding Norman’s longer-term objectives for Canada – he elevated a Canadian banker to the Bank of England’s court of directors in 1921 – it was Canadian self-interest which eventually dictated Ottawa’s move to central banking by the mid-1930s.

The increasingly nationalist aspirations of individual dominions also undermined automatic British primacy in dominion monetary affairs. South Africa deliberately sought to minimize official British opinion in their banking commission of 1924. Kemmerer and the Dutch economist Professor Gerald Vissering (president of the Dutch Central Bank) were employed to prove that South Africa could survive monetarily in a non-imperial setting. Notwithstanding his orthodox belief in the gold standard and fiscal rectitude, Kemmerer’s foray into the British dominions was deeply resented by the Bank of England.

---

35 Eric Helleiner, *The making of national money: territorial currencies in historical perspective* (New York, NY, 2003), p. 147, cites Austria (1923), Hungary (1924), Danzig (1924), Bulgaria (1926), Greece (1927), and Estonia (1926–7) as examples.


39 Ibid., p. 354.

40 Ibid., p. 131.

The South African example provided a template for the Irish Free State. Following the ending of the Irish Civil War in 1923, the new Irish administration, guided by Brennan, moved cautiously to alter existing banking and currency arrangements.43 In April 1925, the Irish Minister of Finance (1923–32) Ernest Blythe, who generally followed Brennan’s advice on monetary matters, informed the banks that he proposed to establish a banking commission to review existing legal provisions.44

Notwithstanding a clear reliance on British economic structures, the subsequent banking commission was to have orthodox foreign experts, although they were to be strictly of a non-British variety. The desire to appoint non-British experts was not an Irish challenge to the monetary hegemony of the Bank of England. Dublin was not Pretoria. South Africa, although remaining dependent on London for capital transactions in the 1920s, allowed nationalist forces to shape their approach to monetary policy. Pretoria’s decision to return to gold ahead of Britain was deliberately designed to highlight South Africa’s ability to survive outside the imperial club.45 However, in Ireland, alteration of the parity sterling link remained anathema to Irish policy-makers.

Brennan’s internationalist preferences were made clear to the Irish Banks Standing Committee (IBSC) in April 1925:

The outside bankers to serve on the Committee ought to be non-British authorities. He said this not on account of anti-British bias, but he thought that they could obtain the services of some of those able foreign financiers, who had taken part in the monetary conferences under the auspices of the Leagues of Nations in Brussels and at Genoa.46

Brennan presented a short-list of six potential outside experts to the IBSC. In addition to Kemmerer, Parker-Willis, Vissering, and Sprague the list also included C. A. B. Campion (in the process of retiring from the Commonwealth Bank of Australia) and Professor A. C. Pigou of the University of Cambridge. The banks subsequently chose the conservative Pigou and Campion as their preferred appointees.47

The process for choosing Campion highlights that, in this case at least, Brennan was able to select the person he wanted without risking condemnation from the IBSC. Brennan had previously instructed James MacNeill (Irish high commissioner in London) to the preference of finding a dominion banker,

---

44 Moynihan, *Central banking*, p. 38.
46 Minutes of the Irish banks standing committee (IBSC), 30 Apr. 1925 (Allied Irish Bank (AIB), Munster and Leinster bank papers, 08.006). The IBSC was the body established by all the Irish commercial banks in 1920 to control competition, set charges, and agree interest rates.
47 Department of Finance memoranda, 24 July and 11 Aug. 1925 (National Archives of Ireland (NAI), Finance papers, 9/46/25).
preferably from the Commonwealth Bank of Australia. Brennan noted that such a person ‘would have direct experience of recent Australian solutions of some of the same problems as confronts ourselves’. Viewed from the IBSC’s perspective, Campion’s selection, in addition to the IBSC’s four direct representatives, gave the banks a ‘banking’ majority on the commission.

Also in June 1925, Brennan instructed MacNeill to obtain the official South African opinion of both Kemmerer and Vissering. Simultaneously, when charging Professor T. A. Smiddy (Irish high commissioner in Washington and formerly Professor of Economics in University College Cork) with providing information on possible US experts, Brennan had already highlighted the names of Kemmerer and Parker-Willis. Pigou was not seriously considered as a candidate owing to his established position within the British establishment (as Professor of Political Economy in the University of Cambridge).

Smiddy’s investigations in the US – including correspondence with Professor Irving Fisher of Yale and Crissenger – led him personally to recommend Kemmerer. However, Smiddy did not agree with Crissenger’s depiction of Parker-Willis as an expert who ‘adheres too strongly to his own views and renders teamwork difficult’. Smiddy was correct in attributing Crissenger’s poor opinion of Parker-Willis to the latter’s on-going criticisms of the decisions of the Federal Reserve Board. Parker-Willis had already by 1925 developed as a key critic of the operation of the Fed system. The position was subsequently offered, and accepted, by Parker-Willis, who signalled his availability to travel to Ireland in January 1926.

Parker-Willis fulfilled Brennan’s desire for an outside expert with wider international experience. He had spent time studying in both Germany and Austria prior to 1914. He reported on economic developments in China and Japan as a special correspondent for several US newspapers. Academically, Parker-Willis was appointed Professor of Banking in Columbia University in 1917 after previously holding roles in Washington Lee University and George Washington University. Parker-Willis, based on his record of opposing government

49 The Irish bank members were Andrew Jameson (Bank of Ireland), J. J. O’Connell (National Bank), Francis J. Lillis (Munster and Leinster Bank), and R. K. L Galloway (Ulster Bank). In addition to C. A. B. Campion, the remaining members were Lionel Smith-Gordon (Industrial Trust Company of Ireland) and J. J. McElligott who acted as Brennan’s deputy up to 1927 and later as his successor in both the Department of Finance and the Central Bank of Ireland.
50 Department of Finance memorandum, 22 June 1925 (NAI, Finance papers, 9/46/25).
51 Department of Finance memorandum, 16 May 1925 (University College Dublin Archives (UCDA), Ernest Blythe papers, 24/97a).
52 T. A. Smiddy to Joseph Brennan, 4 June 1925 (UCDA, Blythe papers, 24/97a).
54 Note marked ‘URGENT’ from Department of External Affairs to the Department of Finance, 15 Sept. 1925 (NAI, Finance papers, 9/46/25).
55 Henry Parker-Willis, Federal Reserve system (Chicago, IL, 1920), p. 4.
influence in day-to-day monetary policy operations, was also consistent with Brennan’s policy of seeking to preserve the dominant position of the commercial banks in the Irish economy.

III

Even before leaving for Dublin, Parker-Willis sought advice as to whether the terms of reference permitted consideration of broader issues such as the establishment of new banking institutions. Blythe, guided by Brennan, subsequently provided a clear indication that issues such as central banking were within the ambit of the commission’s gaze.

Parker-Willis also provided a detailed list of material required in advance of the banking commission commencing its work. He was eager to ensure that ‘arrangements be as fully made as may be in advance of my coming so that I may begin work without delay and prosecute it steadily’. The material requested included banking statistics, national trade statistics, relevant banking charters, and note circulation statistics. Regarding the commercial banks, Parker-Willis requested deposit and advance data disaggregated between the Irish Free State and Northern Ireland.

The requests from Parker-Willis had a direct impact on the approach taken by Blythe and Brennan with the commercial banks. Within two weeks of receiving the request, Brennan had written to the banks seeking statistical information on their businesses within the Irish Free State. Brennan informed Blythe that ‘further information, however, will be required but I thought it well not to make too big a demand at the outset’. Brennan was understandably eager to avoid a full-scale confrontation with the banks before the commission had even commenced its work.

Brennan and Blythe’s approach to the issue of central banking was both flexible and non-ideological, Blythe having informed the banks in May 1925 that the question of central banking was: ‘Too abstruse for him, it was not mentioned in the terms of reference, but it was the sort of thing he had heard canvassed around…if in their report there was no mention of a Central Bank, as far as the Government was concerned the matter would be dropped.’

For the Irish banks, Brennan’s initial request for statistical information coincided with the IBSC organizing concerted opposition to the Statistics Bill then passing through the Irish houses of parliament. Although only designed to provide a legal basis for future official censuses, the IBSC were perturbed by confirmation of large withdrawals resulting from customer fears of government

---

57 Moynihan, Central banking, p. 50.
58 Parker-Willis to Smiddy, 28 Dec. 1925.
60 Joseph Brennan to Ernest Blythe, 13 Jan. 1926 (NAI, Finance papers, 9/47/25).
61 Minutes of the IBSC, 8 May 1926 (AIB, Munster and Leinster bank papers, o8.006).
supervision. However, a Senate sub-committee including Sir Thomas Esmonde (National Bank), Sir John Keane, and Andrew Jameson (both former governors of the Bank of Ireland) ensured that the final version of the bill did not allow for the inspection of individual bank accounts.

Despite the confrontation over the Statistics Bill, the banks did supply Brennan with information on assets and liabilities relating to their Irish Free State businesses. However, the information provided was, where possible, limited in the extreme. The Provincial Bank noted that ‘the figures in the main cover the business of the whole Bank, as it is not practicable to segregate them except in regard to Deposits and Advances where the totals are actual’.

Parker-Willis was instrumental in seeking to widen the level of statistical data provided by the Irish banks. He was responsible for drafting the questionnaire sent from the banking commission to the IBSC in October 1926. This two-page document sought to elicit a level of information from the commercial banks not previously provided to any state body. In addition to further data on deposits and advances, the questionnaire sought information including, but not limited to, the quantum of loans provided across broad market segments, information on the occupations of borrowers, the number of depositors disaggregated by account type, and information on the duration of all loans and bills.

The response of the Bank of Ireland was indicative of the overall level of information provided by the other banks. Data was provided on investments and advances, but the vast majority of remaining queries went unanswered. However, viewed in a broader context, the circulation of Parker-Willis’s questionnaire marked the beginning of a gradual process of greater state supervision of the activities of the Irish commercial banks. This process also reflected the Bank of Ireland’s struggle, as Ireland’s oldest, largest, and most important commercial bank, to come to terms with the realities of Irish monetary independence, a viewpoint shared with the other traditionally unionist, and solidly Protestant, Irish commercial banks.

Parker-Willis viewed the questionnaire as an important step in seeking to promote a greater understanding of the Irish commercial banks. Parker-Willis was a pragmatist who took the view that:

The questionnaire…was sent in the hope that it might produce some results, and hardly in the expectation that it would bring in all that was asked for. Yet in framing it I did not think we should be warranted in asking for less than we really

---

62 Minutes of the IBSC, 16 Feb. 1926 (AIB, Munster and Leinster bank papers, 08.007).
63 Memorandum, 10 Mar. 1926 (NAI, attorney general papers, 14/91/1).
64 Provincial Bank to Department of Finance, 2 Feb. 1926 (NAI, Finance papers, 9/47/25).
66 Bank of Ireland to Banking Commission, 6 Nov. 1926 (NLI, Joseph Brennan papers, MS 26/236).
needed and hence my effort to include matters that I thought were reasonable to be requested even if not likely to be furnished.  

As the issue of the banking questionnaires highlights, the return of Parker-Willis to the US in July 1926 did not preclude him from continuing to finalize the banking commission’s reports or from advising the Department of Finance. The first interim report concerning banking and currency was dated 16 April 1926. The remaining interim reports on agricultural credit, long-term business credit, and public finance were completed by the time of Parker-Willis’s return to the US. The final reports of the commission were not signed until 31 January 1927 with a minority report by J.J. McElligott (Brennan’s equally orthodox assistant in the Department of Finance 1923–7 and later his successor 1927–53) dated 23 March 1927.

The delay of over eight months in the finalization of the interim reports was due to the Department of Finance wishing to complete a draft of the Currency Bill before agreeing the final banking commission reports. The Currency Bill was subsequently introduced into the Irish parliament on 30 March 1927.

The purpose of this article is not to provide a detailed examination of the conclusions of the interim or final reports of the banking commission. The findings of the commission have been extensively addressed within the existing historiography. However, it is important to highlight that the key institutional provisions of both reports were provided for in the Currency Act 1927. The banking commission proposed an Irish Free State currency at par with sterling. A central bank was not recommended due to the lack of a domestic money market and the level of economic dependency on Great Britain.

Within the financial establishment the reports of the banking commission were viewed as a ‘sound and calculated’ series of measures designed to ‘inspire confidence in the business communities’. Professor George O’Brien of the Department of Political Economy and National Economics in University College Dublin viewed the final report as ‘a document of unusual lucidity, clearness and conviction’. The response of the British financial press was equally positive. The Financial Times viewed the final report as ensuring no breach would occur between the Irish and British currency, trade, and banking systems.

The passage of the Currency Bill through the legislature coincided with McElligott’s attempts to gain the support of Parker-Willis for the conclusions

---

68 Henry Parker-Willis to J.J. McElligott, 3 Nov. 1926 (NAI, Finance papers, 9/47/25).
69 Moynihan, Central banking, pp. 41–2.
70 Ibid., p. 72.
72 Economist, 5 Feb. 1927.
of his minority report. McElligott’s reservations on the final report of the banking commission related to specific banking issues. These issues included the interest differential between Ireland and UK banks, the over-concentration of branch banking, and the need to consider again in the medium term the issue of central banking.75

Parker-Willis refused to provide any official comment on McElligott’s reservations and sought to remind him that it represented an ‘individual and independent expression of opinion with which the commission had nothing to do’.76 McElligott sought to justify his actions to Parker-Willis noting that most of the issues had been raised informally during the proceedings of the banking commission. McElligott further sought to directly blame the banks for these issues not being fully discussed given their limited response to the banking commission’s questionnaire. McElligott lamented that ‘if such replies had been satisfactory my attitude might have been altered’.77

Brennan also became involved in attempting to reconcile Parker-Willis and McElligott. Brennan explained to Parker-Willis that the ‘frequent and well-recognized practice’ of minority reports did not detract from the overall findings of the commission.78 Subsequent to this letter, Parker-Willis sought to assure McElligott that ‘the position I have taken is not at all due to essential differences of view on the matter covered in your report but relates entirely to procedure’.79

IV

The completion and subsequent enactment of the Currency Act in 1927 was directly influenced by Parker-Willis. The primary sources illustrate that he continued to act as a key adviser to Brennan and McElligott on currency issues up to the end of 1927. In July 1926 – the month he returned to the US – he prepared a draft Currency Bill based on the findings of the first interim report of the banking commission. This draft was subsequently forwarded by Brennan to the attorney general to act as the basis for the work of the parliamentary draughtsman.80

The draft prepared by Parker-Willis was entitled ‘An Act to Provide a Uniform Currency in Saorstat Eireann (Irish Free State) and for Other Purposes’. This

75 Final Reports of the Banking Commission (Dublin, 1927), pp. 61–5.
76 Henry Parker-Willis to J. J. McElligott, 12 Apr. 1927 (NAI, Department of Foreign Affairs papers, 1/GR/299/2).
77 J. J. McElligott to Henry Parker-Willis, 14 Apr. 1927 (NAI, Department of Foreign Affairs papers, 1/GR/299/2).
78 Joseph Brennan to Henry Parker-Willis, 9 Apr. 1927 (NLI, Joseph Brennan papers, MS 26/18).
79 Henry Parker-Willis to J. J. McElligott, 6 May 1927 (NLI, Joseph Brennan papers, MS 26/18).
80 Joseph Brennan to John Costello (attorney general), 28 July 1927 (NAI, attorney general papers, 2002/14/675).
formed the basis of the Currency Act passed by the Irish houses of parliament in 1927. In October 1926, McElligott also sought Parker-Willis’s advice on ten specific provisions contained in the draft bill. These queries included items relating to the membership of the proposed currency commission, technical issues regarding the legal tender note issue, the financing of the reserve fund and the taxing of the note issues.  

The response of Parker-Willis to the issue of currency commission membership highlights the direct influence of his Fed experience. Asked by McElligott if the government should be members and own shares in the currency commission, Parker-Willis viewed government share ownership as inappropriate given that the banks ‘will be called upon to pay the cost of getting the new Board on its feet’. Parker-Willis further noted that:

This is the plan that we followed in organising the Reserve Banks here. The United States government, as you know, appoints three directors but the banks furnish the capital stock and elect six directors. You will find this phase of the matter quite fully discussed in my volume entitled ‘Federal Reserve Banking Practice’ (of which I think Mr. Brennan has a copy) and that mode of procedure I think is the desirable one.

Parker-Willis, perhaps surprised by Dublin’s attachment to his original draft, was also keen to emphasize that ‘my draft bill is a draft and is merely intended as an aid’ (original emphasis). He further advised that a level of ambiguity was required in the legislation in order to allow the currency commission themselves to define detailed regulations following its establishment. This advice was subsequently followed in Dublin, with a comprehensive set of regulations enacted after the currency commission had commenced operations.

Parker-Willis viewed that no legislation could adequately address all the issues facing a new monetary institution. Flexibility was required in order to allow operational realities inform institutional issues. He believed that ‘Experience has shown me that it is better to have some latitude in working out any important new piece of administration than to try to do things exactly accurate in advance, notwithstanding that the necessary experience is needed, yet cannot be made available.’

Parker-Willis was so important to the drafting process that Brennan travelled to New York in late February/early March 1927 to confer with him regarding the Currency and Agricultural Credit Bills. Before leaving for the US, Brennan had asked Blythe for permission to retire from the civil service.

---

82 Henry Parker-Willis to J. J. McElligott, 3 Nov. 1926 (NLI, Joseph Brennan papers, MS 26/234).
83 Ibid.
84 Ibid.
85 Ibid.
86 Joseph Brennan to Henry Parker-Willis, 2 Feb. 1927 (NLI, Joseph Brennan papers, MS 26/241).
owing to their often strained relationship.\textsuperscript{87} Blythe’s desire that the Currency Bill be completed before Brennan’s resignation came into effect was also a key driver in Brennan’s trip to the US.\textsuperscript{88} Tragically for Brennan, his time in the US coincided with the death of his only son in Ireland.\textsuperscript{89}

The passage of the Currency Bill through the Irish houses of parliament has been comprehensively addressed in the exiting historiography.\textsuperscript{90} In particular, the opposition of ‘senators who were associated with banking’ – including Jameson – has been well documented.\textsuperscript{91} Within the Senate, there were claims that the Currency Bill would lead to a departure from sound banking principles and facilitate a wave of unsound loans. However, despite such opposition, the amendments agreed did not alter the underlying institutional structure proposed. The Senate may have played a significant role in several money bills during the 1920s, but in the case of the Currency Bill, it was Parker-Willis’s vision which remained intact.\textsuperscript{92}

Consistent with the commercial banks’ position on the earlier Statistics Bill, it was the proposed power of the currency commission to inspect the banks’ financial records that most concerned the IBSC. Blythe and Brennan were directly pressured by the banks to revise the relevant provisions of the draft bill (draft section thirty-five) as ‘the modification of the two sub-sections meant the success or failure of the Bill’.\textsuperscript{93} Brennan, while agreeing that the right to examine individual accounts would be limited to the chair of the currency commission or a designated official, stood firm on the absolute requirement for currency commission supervision:

If they had set up a Central Bank issuing its own notes these notes would have been issued against assets in its own control; the Commission would discharge the function of a Central Bank and could only allow the issue of notes against assets over which it had a similar control. Such similar control could only be obtained if it had full facilities for obtaining first-hand information.\textsuperscript{94}

Brennan’s insistence on currency commission supervision was consistent with Parker-Willis’s advice to Blythe that such provisions were ‘not greater than are granted elsewhere (in similar circumstances)’\textsuperscript{95} Parker-Willis judged this point to be so important that he advised Brennan ‘without these data I do not see how you are going to succeed in carrying out some of the other

\begin{thebibliography}{10}
\bibitem{87} Leon Ó Broin, \textit{No man’s man: a bibliographical memoir of Joseph Brennan} (Dublin, 1982), p. 137.
\bibitem{88} Fanning, \textit{Department of Finance}, p. 189.
\bibitem{89} Parker-Willis to McElligott, 6 May 1927.
\bibitem{90} Moynihan, \textit{Central banking}, pp. 72–90.
\bibitem{91} Ibid., p. 83.
\bibitem{93} Minutes of the IBSC, 27 Apr. 1926 (Royal Bank of Scotland, Ulster bank papers, 361).
\bibitem{94} Ibid.
\bibitem{95} Henry Parker-Willis to Ernest Blythe, 13 July 1927 (NLI, Joseph Brennan papers, MS 26/245).
\end{thebibliography}
provisions of the Act’. Brennan took advantage of a Parker-Willis visit to London in August to gain a final meeting with him in Dublin. Brennan was ‘anxious to take advantage of your coming visit...to confer with you about the terms of the Memorandum and Articles’. The Currency Act subsequently became law on 20 August 1927. Overall, Parker-Willis was satisfied that ‘the Bill, as now formulated, complies with the spirit of the Commission’s Report; and I believe, it embodies a workable scheme for its application in practice’.

V

Consistent with the first interim and final report of the commission, the Currency Act provided for a new legal tender standard of value known as the *Saorstat* (Free State) pound. The parity link between the Irish pound and sterling, introduced in 1927, was to last until Ireland joined the European monetary system, without Britain, in 1979. Institutionally, the act set out very detailed provisions providing for the establishment of a currency commission. The purpose of the currency commission was to ‘fulfil the functions assigned to it by this Act’, primarily to provide for legal tender notes and to substitute consolidated bank notes for notes issued by the individual banks. The desire to introduce centrally issued bank notes reflected the ‘exceptionally confused’ currency arrangements existing in the Irish Free State after 1921. This was a situation characterized by British coin, British treasury notes, Bank of England notes, and Irish bank notes all circulating in the economy. However, neither the Bank of England nor Irish bank notes were officially recognized as legal tender.

The currency commission was empowered to provide its own offices, appoint employees, and set their remuneration (excluding pensions and allowances) without ministerial approval. Established as a ‘body corporate with perpetual succession and an official seal’, the currency commission was a wholly independent body.

Of the currency commission’s seven commissioners, three were appointed by the commercial banks and three by the minister for finance. These six commissioners elected a chairman. However, two of the ministerial appointments were limited to persons of experience in ‘business, industry and trade and are not in

---

96 Henry Parker-Willis to Joseph Brennan, 11 June 1927 (NLI, Joseph Brennan papers, MS 26/245).
97 Joseph Brennan to Henry Parker-Willis, 3 Aug. 1927 (NLI, Joseph Brennan papers, MS 26/18).
98 Parker-Willis to Blythe, 13 July 1927.
99 Currency Act 1927 (no. 32 of 1927), Dublin, section 4 (1).
100 Currency Act 1927, sections 14–38.
101 Currency Act 1927, section 14 (1).
103 Currency Act 1927, section 31 (1–4).
104 Currency Act 1927, section 14 (2).
the permanent service of the state’.\textsuperscript{105} The third ministerial appointment could, at the discretion of the minister, be a permanent state official. The chairman was elected for a renewable five-year term with the other commissioners initially elected or nominated on staggered terms of one to three years. The standard term of office for ordinary commissioners was three years.\textsuperscript{106} The concept of independence was the key principle underlying the currency commission system. The Department of Finance considered that ‘the composition of the Commission and the tenure of office of the members have been designed to secure that the Commission shall be free from political or Ministerial control’.\textsuperscript{107}

The non-political nature of the currency commission was explicitly provided for in sections sixteen to twenty-one of the act which set out a ‘carefully defined and regulated’ set of rules for the removal, disqualification or dismissal of both the chairman and the ordinary commissioners.\textsuperscript{108} These rules included the prohibition on every commissioner – including the chairman – being a member of the houses of parliament, holding a directorship in any bank and on holding shares in any bank carrying out business in the Irish Free State. In at least one instance, the latter provision resulted in severe financial hardship for an ordinary commissioner.\textsuperscript{109}

The position of chairman was insulated from outside political pressure by section fifteen of the act which provided that his remuneration and allowances be determined by the ordinary commissioners and not the minister for finance. These provisions gave legislative force to Parker-Willis’s belief that the independence of the chairman could be safeguarded by being ‘a well salaried man of unquestioned probity’.\textsuperscript{110} In terms of political accountability, section thirty-five of the Currency Act provided for an annual report to be transmitted to both the comptroller and auditor general and the minister for finance.

Notwithstanding the opposition of the commercial banks during the legislative process, the act, through section thirty-seven, obliged the banks to

Afford the Chairman or a permanent officer of the Commission specially authorised in that behalf in writing by the Chairman such access to the books and records of the bank to which such requisition is made as the Commission may consider necessary or desirable for the due discharge of its functions under this Act.

\textsuperscript{105} Currency Act 1927, section 26 (1).
\textsuperscript{106} Currency Act 1927, sections 15 (2) and 19 (1–3).
\textsuperscript{107} Department of Finance memorandum, 25 Feb. 1929 (UCDA, Blythe papers, 24/298).
\textsuperscript{108} F. G. Hall, Bank of Ireland, 1787–1946 (Dublin, 1949). p. 358.
\textsuperscript{109} L. C. Cuffe to Joseph Brennan, 12 Aug. 1929 (NLI, Joseph Brennan papers, MS 26/26). Cuffe was a well-known Dublin businessman elected to the Currency Commission at its inception in 1927. He was forced to sell, at a considerable loss, his entire portfolio of bank shares on his election to the Currency Commission.
\textsuperscript{110} First interim report of the Banking Commission (Dublin, 1926), section 11.
With regard to the note issue, the Currency Act refined the provisions of the first interim report. Section fifty-two of the Currency Act limited the total amount of consolidated bank notes to ‘the total amount of the liquid sound advances by such Banks to persons in Saorstat Eireann proved to the satisfaction of the Currency Commission to exist at that time’. Consistent with the banking commission, the design of the consolidated note issue marked a ‘compromise between the old bank note system and the central bank idea’.1\(^{111}\)

Overall, the Currency Act ensured that while the currency commission had control over the management of the Irish currency, issues relating to the control of banking remained firmly within the grasp of the commercial banks. The currency commission was classified as ‘having the duties and responsibilities, without the powers, of a central bank’.1\(^{112}\) However, the Currency Act – as correctly identified by the Department of Finance – also provided for a wider, less explicit role for the currency commission in influencing banking policy: ‘The composition of the Commission and the experience it will acquire from its work gives its opinion considerable weight among the Irish banks and its views would not be lightly ignored by the banks in any matter affecting the credit policy of the latter.’1\(^{113}\)

VI

The Currency Act followed the precedent of the 1913 Act in providing an institutional arrangement to deal with specific national monetary issues. In the US, the Fed was established on a regional basis to provide greater liquidity and elasticity to the banking system. In Ireland, the currency commission centralized the issue, management and control of acceptable forms of legal tender.

Both pieces of legislation were pragmatic measures designed to support indigenous industries and trade. They were also monetarily conservative and served to develop, rather than fundamentally alter, existing monetary arrangements. As noted, Parker-Willis viewed the Fed system as an evolution of existing structures rather than an entirely new system. The 1913 Act also reaffirmed the fundamental role of the gold standard in the US monetary system.1\(^{114}\)

In an Irish context, the acknowledgement in section six of the banking commission’s first interim report that the Irish Free State ‘is now, and will undoubtedly long continue to be, an integral part of the economic system at the head of which stands Great Britain’ precluded any movement away from either the gold standard or the parity sterling link. It also limited the potential for establishing a
central bank and side-lined those, such as McElligott, who favoured such a move.

Parker-Willis’s design for both the currency commission and the Fed were for systems of ‘banking self-organisation and self-supervision with moderate Government participation’.

In the US, this design was only partially achieved due to the compromises necessary to ensure legislative acceptance. Parker-Willis’s increasing disillusionment with the management of the Fed system post-1920 centred on political influence in banking decisions.

Based on this experience, Parker-Willis sought to ensure that the currency commission was from the outset a non-political and independent body. The very detailed and lengthy provisions in the Currency Act regarding the institutional design of the currency commission were designed to prevent the abuse of political power evident in the Fed system. A significantly greater level of operational and political independence was subsequently vested in the currency commission when compared to the US model.

As previously noted, of the six ordinary commissioners only one was potentially a permanent state official under the currency commission model. Unlike in the Fed, where the chairman of each of the reserve banks was required to be a political appointee, the Irish model provided for a chairman elected by the other commissioners. In effect, the Currency Act strengthened the currency commission against the creeping advance of political influence. As identified by Parker-Willis, such influence in the US system resulted in the Fed quickly becoming subservient to established Treasury Department interests.

The consolidated bank note system set out in the Currency Act closely mirrored the note issuing provisions provided under the Fed model. Both were based on Parker-Willis’s adherence to the real bills doctrine. The 1913 Act introduced the Federal Reserve banknote and allowed reserve banks to issue currency notes based on commercial paper or bills discounted.

The Currency Act allowed the currency commission to supply notes to the commercial banks based on liquid sound advances. Both models placed private sector business transactions at the core of ensuring liquidity in the banking system.

Overall, the institutional provisions of the Currency Act highlight clear similarities with the 1913 Act in terms of organizational structure and design. It has been observed that the currency commission model embodied ‘an American solution to the constitution of the governing Commission’. However, this is only partially correct. While the currency commission did provide for a level of banking self-management consistent with the 1913 Act, it also provided significantly less political supervision. Therefore, the ‘American solution’, as identified by Honohan, related not to the actual provisions of the 1913 Act, but

---

118 Honohan, ‘Currency board or central bank’, p. 45.
rather to the need to remedy the defects in the Fed system identified by Parker-Willis in the 1920s.

In effect, the institutional provisions of the currency commission model reflected an evolution in the battle of control between government and bankers for monetary authority. It reflected Parker-Willis’s preference for increased banking influence based on more than a decade of operational Fed experience. It is not a coincidence that Parker-Willis’s Irish experience coincided with his clearest criticisms of the Fed. It also, at least in part, fitted in perfectly with the conservative financial policies of both the Irish Free State government and the Irish commercial banks. As correctly noted at the time, the Currency Act was a compromise designed to ensure stability in a newly emergent nation-state.

VII

Parker-Willis played a significantly more important role in the development of Irish monetary institutions than is currently recognized. Even before arriving in Ireland in early 1926, Parker-Willis provided the impetus to Brennan to approach the commercial banks regarding their provision of statistical information. Consistent with Brennan’s approach, Parker-Willis did not hold a doctrinaire position on the requirement for a central bank. Rather, he was a pro-business pragmatist who viewed that Ireland’s trade dependence on Great Britain rendered any move away from the sterling parity link as an error of monetary policy. Parker-Willis viewed stability – both in terms of currency and banking – as the guarantor of future economic growth in the Irish Free State.

Unconnected to the banks or a rigid doctrine of central banking, Parker-Willis viewed the banking system from a commercial viewpoint. Consistent with the real bills doctrine, he viewed commercial banking as ‘the process by which the activities of industry were carried out’. He also understood the requirement to gain the support of the Bank of England for his institutional reforms. While Jameson and others sought the solace of Threadneedle Street following the publishing of the first interim report, Parker-Willis had already secured the ‘co-operation’ of both the Bank of England and the British treasury in two ‘unofficial and private’ meetings recorded only in Montagu Norman’s diary. Viewed in a broader context, Parker-Willis’s work on the 1913 Act provided him with the key skills necessary for his work in Ireland; awareness of

120 Economist, 31 Dec. 1927.
121 Irish Times, 10 June 1926.
122 Diary of Montagu Norman, 7 and 12 Apr. 1926 (Bank of England archives, Montagu Norman papers, ADM 34/13). The former meeting was also attended by C. A. B. Campion (member of Irish Banking Commission 1926) and the latter by Sir Otto Niemeyer (treasury official and later adviser to the governors of the Bank of England 1927–38). Further analysis
broader economic and political realities, understanding of the need for compromise, and an ability not to be swayed by outside interest groups. Parker-Willis refused McElligott’s request to concur in his minority report. Similarly, he provided support to Brennan and Blythe against the banks in the latter’s attempts to limit the powers of the currency commission to inspect the accounts of the commercial banks.

Parker-Willis acted as a key adviser to Brennan and McElligott on the Currency Bill in the July 1926 – August 1927 period. During this time, he was actively consulted by authorities in Dublin on the development of the draft Currency Bill he had provided to Brennan in July 1926. This draft formed the basis of the Currency Act adopted by the Irish parliament in August 1927. Parker-Willis’s advice was deemed so important as to necessitate a trip to New York by Brennan in early 1927.

Cormac O’Gráda viewed the provisions of the banking commission as ‘orthodox and conservative’. Following this narrative, the Currency Act was a success for the banks (especially Bank of Ireland) in preventing the establishment of a central bank and retaining government business. The 1920s, after all, were a period of ‘careful adaption’ to the monetary needs of the new state. The Currency Act was destined to be conservative due to its composition and ‘the tenderness of Irish public opinion on the subject of money’.

However, this assessment fails to acknowledge the wider influence of Parker-Willis’s experience upon either the banking commission or the Currency Act. The Irish banks did fight off the calls for the establishment of a central bank. But the experience of the Fed had shown Parker-Willis that it was not the overall powers afforded to a monetary authority that was truly important. Rather, it was how those powers were utilized which characterized success or failure. By basing the limited powers of the currency commission around the key principles of independence, accountability, and banking self-management Parker-Willis ensured the defects apparent in the operation of the Fed system would not be repeated in Ireland. In that context at least, Parker-Willis had learned his lesson well.

of Parker-Willis’s role may be provided in relevant treasury files which were not viewed as part of this research.

124 Moynihan, Central banking, pp. 68–9.