“A Dreadful Pressure for Money”: the Bank Charter Act 1844 and Bankers (Ireland) Act 1845 in the Context of the Great Irish Famine

Declan Curran

DCU Business School, Dublin City University

The Bank Charter Act 1844, extended to Ireland via the Bankers (Ireland) Act 1845, established a highly restrictive monetary regime in Britain and Ireland, in which currency circulation was to be determined by a mechanistic rule-based approach rather than by bank discretion. This paper analyses the functioning of the Irish banking system during the Great Irish Famine (1845-1850) in the context of this rigid monetary regime, focusing in particular on the role of the government chartered bank, Bank of Ireland. The analysis is based on archival material from the Bank of Ireland Court of Directors, as well as quantitative data detailing note issue by Irish banks. This paper contends that while Bank of Ireland was focal point of the Irish banking system during the famine years, it perceived itself at this time primarily as a commercial bank operating within the prevailing monetary regime rather than as a central bank-type entity. Indeed, subsequent characterizations of Bank of Ireland as a “de facto” Irish central bank during the 1840s run the risk of overestimating the level of institutional agency possessed by Bank of Ireland within the wider monetary regime during the famine years.

Introduction

The Bank Charter Act 1844 is regarded as the most significant piece of British banking legislation of the nineteenth century. Its implementation in Britain in 1844, and extension to Ireland via the Bankers (Ireland) Act 1845, established a highly restrictive monetary regime in Britain and Ireland, in which currency circulation was to be determined by a mechanistic rule-based approach rather than bank
This restrictive monetary regime formed part of the Irish institutional and economic landscape on the eve of the Irish famine. While the regulations surrounding joint-stock banking and currency issue may have been far removed from everyday life of those hardest hit by the famine onslaught—those landless labourers and cottiers operating largely in a barter economy, in which rent for a plot of land to grow potatoes was paid in terms of days worked for the landowner—matters of banking and currency were not divorced from the economic and social distress of those hardest hit by the famine conditions. Indeed, this is illustrated by the difficulties encountered by public works initiatives in 1846 in maintaining an adequate supply of silver with which to pay wages to those dependent on these relief efforts for survival.

One forceful argument against the implementation of the Bank Charter Act 1844 was the unwieldiness of a restrictive monetary regime in a time of crisis. The crux of previous episodes of British financial distress, such as those experienced in 1825 and 1836, had been the strains placed on the specie reserves of the Bank of England, as gold outflows arising from unexpected bad harvests or speculative investment threatened the Bank’s ability to meet its obligation to ensure convertibility of bank notes to gold at a fixed price and engendered a lack of public confidence in the soundness of bank notes issued by banks other than the government chartered Bank of England. Indeed, the financial crisis of 1825 was only ameliorated by the Bank of England being authorized by the British Treasury to dramatically increase its supply of bank notes.

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1 In order to regulate the issue of bank notes in Britain, the Bank Charter Act 1844 stipulated that the Bank of England was to be split in two, with an Issue Department which would circulate a fixed maximum of notes (£14 million) against securities and any further issue backed by bullion, and a Banking Department which would continue to operate as a commercial entity; no new banks of issue were to be allowed; and existing banks were to have their maximum issue fixed at their existing levels. When the Bankers (Ireland) Act 1845 extended this legislation to Ireland, the six Irish banks of issue were authorized to issue notes to an authorized limit with further notes issues required to be back by gold. Clapham, 1944, 179–183; Collins, 1988, 30; Barrow, 1975, 73.

2 See Read, 2016, for a discussion of this restrictive monetary regime in the context of Britain’s overarching macroeconomic policy approach of the 1840s, which sought to maintain: (i) a fixed convertible currency, with banknote supply restricted to a multiple of gold reserves; (ii) free capital and trade flows; and (iii) an independent monetary and fiscal policy. As Read notes, this policy approach inevitably encountered what economists Mundell and Fleming would later characterise as a “macro-economic policy trilemma”: these three policy objectives could not be pursued simultaneously in a time of financial pressure. The deterioration in 1846 of Britain’s terms of trade, as costly imports were required to offset the failed potato harvest, along with the end of the railway investment boom and ongoing government expenditure directed towards Irish famine relief led to a diminution of the Bank of England’s gold reserve and exerted pressure on the fixed exchange rate regime. Financial crises ensued in April and October 1847, culminating in a temporary suspension of the 1844 Bank Charter Act on 25 October 1847. Dornbusch & Frenkel, 1984, 236; Fleming, 1962, 369–379; Mundell, 1963, 475–485; Read, 2016, 411–434.

3 Regional and social differences in pre-famine agricultural commercialisation are detailed by Ó Gráda, who points firstly to the west of the country as undertaking less commercial farming, due to farm sizes being smallest and dependence on the potato as a subsistence crop being greatest, and secondly to smallholders and labourers nationwide undertaking less commercial farming, partly because they consumed the subsistence potato crop produced on their plot of land and paid their rent mostly in labour. Ó Gráda, 1988, 51.

4 Hall, 1949, 218.


6 Dimsdale & Hotson, 2014, 33.
level of note issue in order to assuage panic amongst the general public.\textsuperscript{7} The Bank Charter Act 1844 would remove the discretion of the Bank of England to increase the amount of currency in circulation in times of economic stress – a limitation which the deficient potato harvest of 1845 would place under severe scrutiny, as it necessitated an importation of grain which would trigger an unanticipated outflow of gold from the British financial system.\textsuperscript{8}

The extension of the Bank Charter Act to Ireland in 1845 had far-reaching implications for the Irish banking system: it removed the Bank of Ireland’s monopoly over the issuing of notes with a 50 mile radius of Dublin; the right of note issue was to operate on the same basis across the six existing Irish banks of issue; the Act prohibited the entry of new note-issuing banks into the Irish banking system; it placed an upper limit on the note issue of Irish banks that could be backed by government securities; it fundamentally altered the position of Ireland’s government chartered bank, Bank of Ireland, within the Irish banking system; and it furthered an ongoing process which saw the Irish banking system increasingly subsumed into a wider banking system, centred around the Bank of England.

The onset of famine resulted in very different consequences for Irish banking than it did for the wider Bank of England-centred system. As anticipated by the \textit{Bankers’ Magazine}, the worsening British trade imbalance and the substantial diminution of Bank of England gold reserves triggered by the famine conditions would inevitably reveal the impolicy of rigid monetary policy in the face of harvest failure:

\begin{quote}
We repeat, however, for the twentieth time at least, that the most competent judges are decidedly of the opinion, that when a drain of specie reaches that point \textsuperscript{7} where insufficient gold was at hand to support the issuing of currency in excess of the £14 million securities-backed note circulation permitted by the Bank Charter Act 1844\textsuperscript{8}, Sir Robert Peel’s banking law will never work in practice, and that its temporary suspension must be the inevitable result.\textsuperscript{9}
\end{quote}

The problem facing Irish banking, however, was entirely different: rather than the monetary asphyxiation thrust upon the Bank of England, Ireland was afflicted by a debilitating economic marasmus.\textsuperscript{10} The currency circulating in Ireland contracted from £7,404,366 to £3,833,072 from January 1846 to August 1849, an unprecedented diminution of circulating medium which, as the \textit{Dublin University Magazine} lamented, was not due to monetary or commercial crisis but rather the stagnation of all Irish enterprise and industry in the face of famine conditions: “it is because there is nothing to sell, and nobody to buy, that the wants of Ireland,

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\textsuperscript{7} Clapham, 1944, 98–103; Fetter, 1965, 112–114.  
\textsuperscript{8} \textit{Bankers’ Magazine}, Oct. 1847, 484.  
\textsuperscript{9} \textit{Bankers’ Magazine}, Feb. 1847, 265.  
\textsuperscript{10} Anon., 1849, 374.
\end{flushright}
in respect to currency, and therefore our supply of currency have diminished one-half.”\textsuperscript{11}

In the early months of the famine banks did not encounter financial distress, as corn prices remained high and public works projects supported currency circulation and transactions.\textsuperscript{12} However, as noted by W.N Hancock, Professor of Political Economy in Dublin University (now Trinity College Dublin), the deficient potato harvest devastated the rural barter economy and led to a scramble for notes of small denomination and silver coin:

In consequence of the potatoe [sic] failure, the system of barter which had previously prevailed in Ireland became no longer possible, and a currency was wanted to supply its place; as the transactions which had thus been previously carried on by barter were of small amount, and as the only legal currency for small payments in Ireland is silver, a demand was immediately created for silver coin.\textsuperscript{13}

The process by which silver coin was drained from circulation was succinctly captured by the \textit{Dublin University Magazine}:

this silver coin has been extorted from the industrious classes by the severest pressure. [...] The £400,000 in silver coin, which has forced its way into the banks, and now lies there a dead and unprofitable weight, is withdrawn from the circulation of the country. [...] Thus it was that the silver coin, which had been, in more prosperous times, kept in circulation in the country was forced upon the banks.\textsuperscript{14}

Despite their opposition to the monetary regime enshrined in the Bank Charter Act 1844 and Bankers (Ireland) Act 1845, Hancock and the Dublin University Magazine acknowledged that the Irish economic malaise did not arise from inflexible monetary rules:

There is not a bank of issue in Ireland at this moment which could not issue, with perfect safety and profit, double the amount of its present issue, if they could only find in the country customers whose legitimate transactions could accept it. [...] The diminishing amount of money in circulation in Ireland is, therefore, quite independent of any effect produced by the laws under which our currency system is now regulated.\textsuperscript{15}

It is in this context that this paper analyses the functioning of the Irish banking system during the Great Irish Famine (1845-1850), through the lens of the government chartered bank, Bank of Ireland.

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\textsuperscript{11} Anon., 1849, 373. \\
\textsuperscript{12} See footnote 71, below. \\
\textsuperscript{13} Bankers’ Magazine, Aug. 1847, 345. \\
\textsuperscript{14} Anon., 1849, 380. \\
\textsuperscript{15} Anon., 1849, 374. \\
\end{flushleft}
Based on an analysis of archival Bank of Ireland Court of Directors’ Minutes from 1844-1854, as well as bank-level note issue statistics published in the *Bankers’ Magazine* from January 1846 onwards, two findings emerge that offer insights into the nature of Bank of Ireland’s role within the Irish Banking system: (i) while fulfilling public duties as and when they arose was a prerequisite to it receiving its government charter, correspondence between the Bank’s directors and the British Treasury prior to the implementation of the Bankers (Ireland) Act 1845 indicate that the Bank of Ireland perceived itself at this time primarily as a commercial bank operating within the prevailing monetary regime rather than as a central bank-type entity; and (ii) while Bank of Ireland assumed a number of responsibilities commonly associated with Central Banks, such as lender of last resort in times of bank failures, Bank of Ireland’s systemic initiatives were primarily ones which aimed to facilitate transactions between itself and other Irish commercial banks. To illustrate the partial nature of Bank of Ireland’s systemic involvement in the Irish banking system, this paper points to Bank of Ireland’s policy towards note issue during the famine years. Once it adjusted to the requirements of Bankers (Ireland) Act 1845, Bank of Ireland’s note issue did not approach the limit authorized by the Act until economic activity recovered in the years after the famine. In this regard, Bank of Ireland’s monetary stance was in keeping with that of the other Irish commercial banks during the famine-era: its note issue responded to the level of Irish commercial activity and the availability of profitable opportunities to extend credit. Indeed, it could be argued that by preventing a Bank of Ireland monopoly of note issue, the 1845 Act ultimately stymied any future metamorphosis of Bank of Ireland into a fully-fledged central bank.

Taken as a whole, this paper argues that modern-day characterizations of Bank of Ireland as a “de facto” central bank during the famine years run the risk of overstating the influence of Bank of Ireland within the monetary regime as a whole and of overestimating the level of institutional agency that Bank of Ireland possessed in terms of Irish famine-era monetary and economic policy.

**Bank of Ireland and the Irish Banking System in the Advent of Bank Charter Act**

Established through legislative charter in 1783, Bank of Ireland fulfilled the role of banker to the government: it administered the lodgement of all public monies, received all revenue payments, managed the national debt, and provided short-term advances to the Irish exchequer. The legislation establishing Bank of Ireland stipulated that no other body exceeding six persons could issue bills or notes payable, thereby granting Bank of Ireland an unrivalled position of strength in the Irish banking system. Bank of Ireland’s capital arrangements also afforded it a level

of government support unavailable to other commercial banks: it has legislative approval to raise capital of £600,000 which it then advanced to the government as a loan with interest to be paid by an annuity of £24,000.\textsuperscript{17} In what was a precursor to the 1826 Banking Co-partnership Act’s curtailment of Bank of England privileges, legislation introduced in 1821 permitted the formation of banks with more than six partners beyond a radius of fifty (Irish) miles of Dublin. The Irish Banking Act of 1824 repealed earlier legislation which had required the names of all partners to appear on bank notes and had debared any banker from engaging in import or export trade.\textsuperscript{18}

These legislative changes ushered in an era of Irish joint-stock banking, as evidenced by the founding of Hibernia Bank (1824), Northern Bank (1825), Provincial Bank of Ireland (1825), The Belfast Banking Company (1827), National Commercial Bank of Ireland (1834), the short-lived Agricultural and Commercial Bank (1834), and The Royal Bank of Ireland (1836). The spread of branch banking nationwide ensued, as the newly formed joint stock banks established 173 branches between them between 1824 and 1845.\textsuperscript{19} By 1845 the Irish banking system comprised of 10 Irish joint stock banks and two independent branches of the National Bank (Carrick-On-Suir and Clonmel), and only four private banks (compared to 22 private banks in 1820).\textsuperscript{20}

This rapid expansion of the Irish banking system ground to a halt with the 1845 Bankers’ Act (Ireland), which extended the 1844 Bank Charter Act to Ireland. Once the 1844 Act was introduced in Britain, it was not possible to allow Bank of Ireland to have discretion over note issue within the same monetary system.\textsuperscript{21} The 1845 Act removed the Bank of Ireland’s Dublin-centred note issuing privileges, with all joint stock banks existing at that time now allowed to issue notes within the Dublin region.\textsuperscript{22} Note issue in Ireland was now limited to a fiduciary issue based on the existing circulation of the Joint Stock banks, with any additional issue required to be backed by bullion. In this regard, the note issue of Bank of Ireland was now subject to the same criteria as the other Irish banks of issue.\textsuperscript{23} The legislation also

\textsuperscript{17} Barrow, 1975, 3.
\textsuperscript{18} Barrow, 1975, 64.
\textsuperscript{19} Barrow, 1975, 220.
\textsuperscript{20} Collins, 1988, 52–53, Table 2.4; savings banks, targeting small savers, and loan fund banks, which provision of small investment loans, typically of a few pounds, to traders, crafts people, and smallholders, also formed part of the pre-famine Irish banking system. As Ó Gráda notes, both were hit hard by the famine: total balances in Ireland’s savings banks fell from £2.92 million in 1845 to £1.33 million in 1848, while the aggregate value of loan funds fell from £1.87 million in 1845 to £0.72 million in 1848. Ó Gráda, 1999, 149–156. See also: McLaughlin, 2014, 569–591; Ó Gráda, 2009, 21–36.
\textsuperscript{21} As the Chancellor of Exchequer noted in a letter to the Bank of Ireland in April 1845: “it was not judged advisable to subject banks in Scotland or Ireland to a different scale from that applied to Banks in England”; Bank of Ireland [BOI], Minutes of the Court of Directors [MCD], 23 Apr. 1845.
\textsuperscript{22} McGowan, 1990, 14.
\textsuperscript{23} Letter from the Chancellor of Exchequer to the Bank of Ireland on 22 April 1845: “in the amendment which it is proposed to make to the law affecting banking in Ireland, it is not intended to make any distinction to the regulations that are applicable to the circulation of the Bank of Ireland and which will apply to that of the other banks in Ireland”. BOI, MCD, 23 Apr. 1845.
deterred the entry of new joint stock companies into the Irish banking system, as note issue was only permitted by those joint stock banks already in existence when the legislation was introduced in 1845. McGowan argues that these legislative changes weakened the position of the Bank of Ireland as an emerging Irish central bank while strengthening the central position of the Bank of England over the monetary system as a whole. On the other hand, Hall, official biographer of Bank of Ireland, and MacDonagh both contend that that the 1845 Act extended Bank of Ireland’s functioning as a central banking institution, as Bank of Ireland’s leadership role amongst Irish joint stock banks became more formal and specific. McDonagh cites, by way of example, Bank of Ireland’ development of a clearing house for note exchange between Irish banks; its allocation of stock of coin to each of the provincial capitals with local agents given discretion in advancing specie for short periods to other banks; and, newly freed from interest rate restrictions, the expansion of its role as “bankers’ bank”. Bank of Ireland had already established itself as a lender of last resort, albeit a reluctant one, in exceptional circumstances. Munn traces Bank of Ireland’s activity in this regard to the crisis of 1814, when three Dublin bankers (Robert Shaw and Co., Alexander and Co., and Ball and Co.,) were provided with special drawing facilities on the understanding that further assistance would not be forthcoming. However, Bank of Ireland was required to take on the mantel of lender of last resort once again in 1820, when rising agricultural prices eroded public confidence in Irish banks. The Bank provided assistance to all Dublin banks and a number of country banks, though it could not prevent the wave of country bank closures which ensued. Further instances of Bank of Ireland’s preparedness to grant accommodation to all other Irish banks can be seen in 1833 (co-operation with Provincial bank), 1836 (Provincial, Agricultural and Commercial, Ulster, Hibernian, Belfast, and National banks), and 1839 (Provincial, National, and Royal Irish banks).

The banking architecture that had emerged in the United Kingdom by the nineteenth century comprised of three distinct banking systems – in England and Wales, in Scotland, and in Ireland – with separate institutional and legal developments. However, as Collins notes, “commercial ties between the three countries in the form of inter-bank agencies and accounts in London helped provide important institutional links across money markets”, and Barrow points to market operations undertaken by Bank of Ireland, such as discounting London commercial bills and keeping surplus specie reserves on deposit with the Bank of

24 McGowan, 1990, 35.
25 McDonagh, 1983, 34.
27 Ó Gráda, 1995, 56.
28 Within a two week period in May–June 1820, seven of the fourteen banks servicing the southern counties of Ireland had folded. Barrow, 1975, 17–9; Collins, 1988, 12.
England, as facilitating close links between the English and Irish money supply. The 1800 Act of Union, in transferring the Irish seat of Government from Dublin to London, led to a shift in the financial centre of power for the Irish banking system. The amalgamation of Irish and British exchequers and public debt in 1817, and of Irish and British currencies in 1826, bound Irish banking tightly to a wider British banking framework in which the Bank of England was the central actor. Indeed, McDonagh paints a particularly stark picture of this evolving banking landscape: “Bank of England now dominated the combined national finances, and Ireland was reduced to a branch office of the British treasury”.

Notwithstanding this amalgamation of both exchequers and currencies, Bank of Ireland has been characterized by Munn as having emerged in the early decades of the nineteenth century as the de facto Irish central bank. Munn points to three aspects of Bank of Ireland’s role within the Irish banking system as being indicative of what he considers to be de facto central bank status: (i) Bank of Ireland’s fulfilment of a lender of last resort function for other Irish banks when the need arose; (ii) its role as the “bankers’ bank” within the Irish system, a role which despite initial reluctance it assumed to a greater extent after the introduction of the 1845 Act; and (iii) its role as “government bank”, which stemmed from its government charter. Ó Gráda characterizes Bank of Ireland’s role in the Irish nineteenth century banking system as being that of a quasi-central bank, rather than de facto central bank, based on the fact that while Bank of Ireland was the acknowledged lender of last resort for Irish banks, it was also their commercial rival. This characterization arguably better reflects both the partial nature of Bank of Ireland’s central banking functions and the fact that Bank of Ireland faced potential conflicts of interest between its public duties and commercial interests. Elsewhere, Ó Gráda also refers to Bank of Ireland in the early nineteenth century as a proto-central Bank, due to its emergence of as lender of last resort within the system. However, the 1845 Act can be seen to stymie any future metamorphosis of Bank of Ireland into a fully-fledged central bank, as its prospects of attaining a monopoly over note issue were effectively extinguished. As Hall notes, while the the English Act was designed so that the issue of notes in England and Wales would ultimately pass

32 McDonagh, 1983, 31.
33 Munn, 1983, 19–32.
34 Munn notes that Bank of Ireland’s reluctance to lend to other banks can, in part, be attributed to the fact that prior to 1845 it was bound its charter to adhere to a maximum interest rate of 5%. Other factors cited are the relative smallness of the Dublin money market, and Bank of Ireland’s view that in the normal course of business banks should depend upon their own resources; Munn, 1983, 27–8.
36 Ó Gráda, 1995, 145.
into the hands of the Bank of England, Bank of Ireland note-issuing operations were regulated on the same basis as the other Irish banks of issue.\textsuperscript{37}

\section*{Bank of Ireland and the Imminent Bankers (Ireland) Act 1845}

The minutes of the Bank of Ireland Court of Directors meetings in the months preceding the introduction of the Bankers (Ireland) Act 1845 provide a unique insight into the bank’s perception of both its own role in the Irish banking system and its concerns regarding the imminent legislation. Analysis of Court of Directors’ minutes reveals that the kernel of the bank’s argument against the Bankers (Ireland) Act was that of defence of its commercial interests against competitive forces. The consequences of the imminent banking regulations for the Irish economy or monetary system as a whole are alluded to but do not feature prominently in the discussions and correspondence of the directors. The Court of Directors’ minutes of this period also reveal that Bank of Ireland perceived itself first and foremost as a commercial entity. As discussed below, Bank of Ireland characterised the distinction between itself and the other commercial banks in terms of its sound management of government funds and substantial capital base, rather than in terms of any claim that it provided central banking functions for the other Irish commercial banks or for the Irish monetary system as a whole.

The drafting of the Bankers (Ireland) Act 1845 coincided with discussions regarding the renewal of Bank of Ireland’s government charter. These discussions had been initiated in February 1844 when a Bank of Ireland deputation travelled to London to meet the Chancellor of the Exchequer.\textsuperscript{38} Further meetings ensued in April 1845 when Bank of Ireland representatives travelled to London at the behest of the Prime Minister, Robert Peel.\textsuperscript{39} On the issue of renewing the bank’s government charter, it became clear that this renewal would involve a curtailment of the note issue monopoly within a 50 mile radius of Dublin that the bank had enjoyed since 1821. On April 21\textsuperscript{st} 1845, Bank of Ireland governor, Thomas Crosswaite reported back to his fellow directors that Peel was “quite decidedly against the continuance of our privileged distance”.\textsuperscript{40} The meeting also served as a first briefing by Peel to Bank of Ireland regarding his intended Bankers (Ireland) Act.\textsuperscript{41}

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\item \textsuperscript{37} Hall, 1949, 211.
\item \textsuperscript{38} BOI, MCD, 30 Apr. 1844; Hall, 1949, 201.
\item \textsuperscript{39} BOI, MCD, 23 Apr. 1845.
\item \textsuperscript{40} BOI, MCD, 23 Apr. 1845.
\item \textsuperscript{41} The proposed legislation and removal of Bank of Ireland privileges were further detailed in a letter from the Chancellor of Exchequer to Bank of Ireland dated 22 April 1845; in which the Chancellor provided assurances to the bank that “the withdrawal of this privilege shall in no degree affect the relations between the Bank of Ireland to the Government. We propose that the Bank of Ireland should still continue as at present the banker of the State”; BOI, MCD, 23 Apr. 1845.
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Bank of Ireland reluctantly assented to curtailment of its privileges as part of the renewal of its government charter, with Crosswaithe appealing to his fellow directors to "[forward] any objections which they deem advisable", before adding "we can only add that we do not think better terms can be obtained". His fellow directors also appeared to recognise the political expediency of accepting Peel’s terms: "we do not consider it necessary to trouble you or our friends with any further, than that we are satisfied that you have done as much for our establishment as could be expected". However, as the Bankers (Ireland) Act was still at a formative stage, Bank of Ireland was invited to outline its concerns regarding the prospective legislation. The Court of Directors’ minutes from May-June 1845 document these concerns and offer insights into Bank of Ireland’s perception of its role within the Irish banking system.

Bank of Ireland’s initial response to the proposed reforms reflected the bank’s focal position in the Irish system and indicated the bank’s recognition that stability of the banking sector as a whole was a prerequisite for its own wellbeing. The minutes of the Court of Directors record the bank’s initial concerns regarding the proposed reforms, as stated in a letter dated 24 April 1845 from the London deputation (Thomas Crosswaithe; Thomas Wilson; and George Carr) to the Chancellor (Henry Goulbourne). The deputation state that they “are of the opinion that sufficient checks not provided against the dangers of over issue in the country”, arguing that if banks were permitted to issue a proposed legalized circulation of £6,272,000 not backed by gold, and as those banks also held gold in the region of £1,700,000, total Irish note issue could reach £8,000,000 without those banks being required to obtain any additional specie. Bank of Ireland viewed this proportion of gold to note issue as being too low and "liable to abuse, and may give rise to serious consequences". This issue of ease of note creation among Irish banks is also alluded to in a letter of 23rd May 1845 by George Carr to the Chancellor of the Exchequer, calling for more stringent rules to be put in place.

Systemic banking sector concerns are also evident in a letter dated May 10th 1845 from the Governor to Carr in London, which was written in anticipation of draft of the Bankers (Ireland) Act, instructing him to consult with the banks legal advisor [Mr. Fairfields] “and lose no time in making any remarks which occur to you or him”. The letter ends with one guiding principle for Carr in his inspection of the imminent draft legislation: “at all events no increase in the number of banks of issue

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42 BOI, MCD, 23 Apr. 1845.
43 BOI, MCD, 23 Apr. 1845.
44 BOI, MCD, 30 Apr. 1845. (Letter from Chancellor of the Exchequer to Bank of Ireland).
45 BOI, MCD, 30 Apr. 1845.
46 BOI, MCD, 30 Apr. 1845.
47 BOI, MCD, 30 Apr. 1845.
48 BOI, MCD, 19 Jun. 1845.
49 BOI, MCD, 10 May 1845.
will be sanctioned”. This instruction appears to set out in no uncertain terms the position of Bank of Ireland with respect to reform of the Irish banking system, and is suggestive of commercial rather than public considerations.50

While issues regarding the soundness of note circulation and the prudence of competitor banks arguably pertain to both commercial and public domains, the bank’s additional objections to the proposed legislation resided very much within the commercial realm. One such issue revolved around the publication of accounts. Bank of Ireland strongly objected to proposals that the Act require it to publish financial information of a similar level of detail as that required from the Bank of England, arguing that as it “no longer has any peculiar control over note issue”, it should only be required to publish the same information as other banks of issue.51

A further commercial concern which arose during the 1845 Act’s passage through parliament was that of mortgage lending. Bank of Ireland’s original charter prohibited the bank lending on the security of land. At the second reading of the bill on 12 June 1845, a motion was tabled by Dundalk MP Thomas Redington proposing that Bank of Ireland should be allowed to lend on mortgage in a similar manner to other commercial banks. However, the Chancellor of the Exchequer strongly opposed this motion, arguing that a government chartered bank should not be exposed to the financial risk that could arise from this type of lending.52 In a subsequent letter to the Chancellor of the Exchequer, Carr appears to concede the argument regarding mortgage lending (“we reluctantly yield to your judgment on this point”), while continuing to protest against the proposals regarding the publication of financial information.53

Bank of Ireland also moved to protect its existing arrangements regarding interest income arising from its management of government funds, objecting to a clause in the legislation which appeared to allow for the interest rate receivable to be reduced.54 This issue of management of public monies came to the fore again in June 1845. A letter dated 13th June 1845 from Carr to the Chancellor of the Exchequer sees Carr remonstrating against a proposal made by the Chancellor to allow banks other than Bank of Ireland receive public monies.55

Carr’s protestation against any diminution of Bank of Ireland’s responsibilities in terms of managing public funds provides an insight into how Bank of Ireland perceived its role within the Irish banking system. Carr describes Bank of Ireland as “the great chartered bank of the country with a large paid up capital placed in the hands of the Government”. In emphasising the bank’s ability to “secure[s] the

50 BOI, MCD, 10 May 1845.
51 BOI, MCD, 30 Apr. 1845.
52 Hansard, 12 Jun. 1845, cc. 437–9; Hall, 1949, 206.
53 BOI, MCD, 10 Jun. 1845. In 1864 Bank of Ireland was eventually granted the power to extend credit secured by mortgage. McGowan, 1990, 15.
54 BOI, MCD, 17, 24 May 1845.
55 BOI, MCD, 14 Jun. 1845.
payment of those deposits beyond the possibility of loss from adverse times or mismanagement”, Carr’s argument contrasts the strength of Bank of Ireland as a commercial entity to weaknesses inherent in other Irish banks: “the small paid up capital of the other banks, all retained in their own hands; very limited amount of government or other immediately available securities compared with the extent of their circulation and deposit liabilities”. Notable here is Carr’s characterization of Bank of Ireland as the sole government approved commercial bank, rather than as an institution of systemic importance to the banking system as a whole. Carr’s defence of Bank of Ireland’s position was met with approval by Crosswaithe, who conveyed “the satisfaction of the court with the prompt and very efficient manner in which you resisted the proposal to remove any of the public business from the Bank of Ireland.”

**Bank of Ireland Functions during the Famine Years**

This section explores the extent of Bank of Ireland’s central banking functions during the famine years, by contrasting its inter-bank endeavors in this period with its activities in the sphere of note issue. While the former lend themselves to the idea that Bank of Ireland had emerged as a central bank of sorts, the latter appear to be primarily concerned with facilitating smooth inter-bank transactions rather than an on-going macro-level involvement in monetary policy.

The Bankers (Ireland) Act 1845 received royal assent on 21\(^{st}\) July 1845 and came into force on 6\(^{th}\) December 1845. In anticipation of the implementation of the Act, Bank of Ireland sought to ensure that additional supplies of gold and silver coin would be provided by the Bank of England and the Royal Mint. Bank of Ireland initiated this process on 31\(^{st}\) July 1845 via a letter to the Chancellor of the Exchequer, with correspondence continuing throughout the following months. While Hall characterizes this process as one where “the Directors decided that the silver coinage should be considerably augmented”, this appears to overstate the influence of Bank of Ireland in this instance. The correspondence between the two parties depicts the situation as one where Bank of Ireland briefed the Chancellor regarding “the necessity which will exist on and after the 6\(^{th}\) December next for a very considerable augmentation to the amount of silver coin in circulation in this country to meet the want of the public consequent on the withdrawal of all bank notes for fractional parts of a pound”, with the Chancellor responding that he “had anticipated an increased demand for silver in Ireland and that the Mint

56 BOI, MCD, 14 Jun. 1845.
57 BOI, MCD, 14 Jun. 1845.
59 BOI, MCD, 31 Jul. 1845.
was employed in an extensive coinage of silver, with a view to meet it”. The onus was then on Bank of Ireland to ensure that their request for additional coinage was met in a timely manner: “As the period is fast approaching when that supply will be required, our Court have requested me to beg you will be kind enough to give me some idea of the probable period when its delivery in this country may be expected.”

On September 23rd, Bank of Ireland estimated that, in addition to the £125,000 it had imported in the preceding months for its own needs, a further £300,000 would be required to meet the want of silver in Irish circulation. The Bank’s justification for this exigency acknowledges the impact of legislative change on Irish demand for silver coin but otherwise appears to be somewhat ambiguous, given the unfolding events surrounding the deficient potato crop: “there are complaints of a want of silver in Ireland consequent it is supposed on the full employment of the working classes, and there will be a considerable sum required on the withdrawal of all bank notes containing fractional parts of pound”.

On 28th October, Bank of Ireland requested an additional £125,000 in silver coin (“The suppression of the notes for the fractional part of one pound renders it necessary to provide a considerable quantity of silver”), as well as £200,000 in gold. The latter request was made in the context of adjustment to the imminent legislative changes: “Although at present we anticipate no difficulty in the working of the Banking Bill in Ireland, yet at the period when the act comes into operation is fast approaching, we should like [...] to make such arrangements with your bank as might [facilitate] the obtaining gold, if under any unforeseen emergency such should be required.” The Governor of the Bank of England stated his willingness to accommodate the Bank of Ireland in these requests, with the seamless introduction of the legislation appearing to be paramount: “it is scarcely necessary for me to state that every facility which the Bank of England can legitimately grant to the Bank of Ireland in carrying out the new Irish Bank Bill, will be readily afforded.”

On 24th November Bank of Ireland requested that a further £200,000 of gold be made available, with their correspondence suggesting that deteriorating local conditions, rather than contingency in the face of legislative change, were coming to the fore: “we had hoped we were sufficiently provided with specie to meet the operation of [the] Banking act, but the demands on us for our notes, from a variety of causes, are such that I feel we shall be obliged to import a further amount of Gold to the extent at present of £200,000. [...] One of the causes I allude to is the existence at

60 BOI, MCD, 17 Sep. 1845.
61 BOI, MCD, 17 Sep. 1845.
62 BOI, MCD, 23 Sep. 1845.
63 BOI, MCD, 28 Oct. 1845.
64 BOI, MCD, 28 Oct. 1845.
65 BOI, MCD, 31 Oct. 1845.
present of a run on the savings banks here, which may continue and extend.”

The Bank also refers to the tendency of the public to “hoard our notes.”

Despite this indication of financial stress in November 1845, Irish commercial banks did not encounter significant difficulties in 1845 or 1846. In testimony before the Committee on Commercial Distress on 27th June 1848, Robert Murray, General Manager of Provincial Bank, notes that it was not until the 1846 potato crop failed that “very great apprehensions were entertained”, with “the demand for money for the supply of food [becoming] very large during the months of November and December 1846”. Murray attributed the banks’ vigour despite the deteriorating conditions in large part to government expenditure on public relief works:

The issue of the banks in Ireland was kept up in 1846 almost entirely by the Government expenditure; there was less produce, the growth of Ireland, to sell in 1846 than in 1847, but yet the issue kept up, both of bank notes and of silver in the hands of the lower orders, and in 1847 it was very much diminished in amount by reason of the discontinuance of that expenditure, and the country was thrown upon its own resources.

In its capacity of banker to the state, Bank of Ireland was designated by the British Treasury as agent for the Board of Public Works in the handling of relief funds. The minutes of the Court of Directors record a letter from Charles Trevelyan dated 4th September 1846, in which the Treasury consigning £80,000 in silver coins to Ireland via the steamship Comet “in order to enable the Bank of Ireland to continue to afford to the Board of Public Works in Ireland the assistance which has hitherto been given by that establishment in the payment of the men employed up on relief works”. In November 1846 Bank of Ireland advised the Treasury that demand for silver coin “on account of the Board of Public works have been so great as nearly to exhaust that supply in some and greatly exceed it at others of the various places at which it was deposited and also a very large sum of the ordinary supply kept by the bank at other locations for the general wants of the country […] I am now advised by the Board of Works that an immediate supply of £50,000 is required and a further supply of £50,000 will most probably be also required”. By the month of January 1847, a total sum of £1,000,000 had been sent from London, with the need for further funds anticipated. Bank of Ireland for its part was anxious to ensure that it would not be charged commission by the Bank of England for this non-commercial transfer of funds, and its representations to the Bank of

66 BOI, MCD, 24 Nov. 1845
67 BOI, MCD, 24 Nov. 1845.
68 Committee on Commercial Distress, 1848, qq. 6669, 6672.
69 Committee on Commercial Distress, 1848, q. 6669.
70 BOI, MCD, 4 Sep. 1846.
71 BOI, MCD, 17 Nov. 1846.
72 BOI, MCD, 23 Jan. 1847.
England on the matter in January 1847 the bank was keen to downplay its role in
the process:

That as a Government operation originating in England from Public Revenue lodged in
the Bank [of England] there, the transmission of these monies as a matter of account
between the two Banks may be looked on rather as a transaction of the Bank of England
than of the Bank of Ireland.\textsuperscript{73}

Bank of Ireland undertook two further initiatives in the wake of the 1845 Act
which were of significance for the Irish banking system as a whole. Firstly, the
establishment of a note clearing system in November 1845 saw Bank of Ireland
place on formal footing the note exchange facilities that it had previously been
providing for other Irish joint-stock banks.\textsuperscript{74} Secondly, Bank of Ireland extended its
role as “bankers’ bank” to the Irish joint-stock banks.\textsuperscript{75} The two Dublin-based non-
issuing joint stock Banks (Hibernian Bank and Royal Bank), who had agreed to
issue Bank of Ireland notes exclusively, were afforded overdraft facilities at 2 per
cent below the usual overdraft rate.\textsuperscript{76} The three joint stock banks of issue whose
head offices were situated in the North of Ireland (the Northern, Belfast and Ulster
Banks) were also accommodated with overdraft facilities up to a limit of £150,000
on the deposit of bills or other securities, at the current rate charged by the Bank
of England.\textsuperscript{77}

Munn characterizes these Bank of Ireland initiatives as the adoption of a co-
operative response to the curtailment of its monopoly position under new legislation.\textsuperscript{78}
Both Hall and McGowan refer to these initiatives as indications of Bank of Ireland’s
leadership amongst the Irish joint-stock banks, with the former noting the changing
relationship between the Irish joint stock banks subsequent to the 1845 Act: “its
[Bank of Ireland] leadership of the Irish banks became more formal and specific”.\textsuperscript{79}
These commentators tend to discuss the Bank’s growing dominance among Irish
joint-stock banks in terms of an extension of its role as a central bank. While Bank
of Ireland was in a position to exert its influence over the other Irish joint-stock
banks, it is also important to recognize the limit of the Bank’s focal role within
the Irish banking system. Given the fact that the Irish currency resided within a
wider monetary union, as well as the restrictive nature of the Bank Charter and
Bankers (Ireland) Acts, the constraints on Bank of Ireland’s systemic influence are

\textsuperscript{73} BOI, MCD, 23 Jan. 1847.
\textsuperscript{74} BOI, MCD, 5 Nov. 1845. For details regarding the workings of the exchange, see McDonagh,
1983, 36. Munn notes that Irish note clearing arrangements were based on the Scottish model and
were twenty years ahead of a similar initiative in England. Munn, 1983, 31.
\textsuperscript{75} The 1845 Act abolished the 5% ceiling on the interest rate that Bank of Ireland could charge on
\textsuperscript{76} Hall, 1949, 212–4; McDonagh, 1983, 36.
\textsuperscript{77} Hall, 1949, 212–4; McDonagh, 1983, 36.
\textsuperscript{78} Munn, 1983, 31.
\textsuperscript{79} McDonagh, 1983, 36.
discernable in relation to note issue during the famine years. As outlined below, the Bank’s approach to note issue appears to adhere to a commercial banking rationale rather than that of a macro-level central banking entity.

Irish banking activity and currency circulation remained robust in 1845 and 1846 despite the onset of famine conditions, as temporary public relief measures and high grain prices supported ongoing commercial activity. As illustrated in Figures 1 and 2 below, total Irish note issue remained above the limit (£6,354,494) authorized by the Bankers (Ireland) Act until May 1847. The circulating medium then contracted rapidly: by September 1849 it had diminished by over one third, and note issue levels did not approach the authorized limit again until 1853. In his testimony before the Committee on Commercial Distress, Robert Murry (Provincial Bank) attributed the currency contraction to the debilitating effects of harvest failure on trade and commercial activities:

The greater portion of the produce of Ireland is provisions, and there was, comparatively speaking, none to sell; that which produced circulation in Ireland had almost ceased to exist for such a purpose; the provisions grown in the country during the year 1846 and during the last year were altogether wanted for the sustentation of the people of the country; they were not to be exported; the people consumed the whole, and they had nothing to sell; they could not both eat and sell it; therefore, that which had produced circulation before had disappeared, and could not be brought to market.

Further insight into famine-era changes in both the note issue and specie holdings of Irish banks can be seen in Figures 3 and 4. While note issue remained above the authorized limit in 1845 and 1846, banks were required to back this excess note issue with gold holdings. However, once note issue began to diminish in 1847, banks reduced their gold holdings. The pattern of notes issued under £5 is also indicative of the diminution of trade related to agriculture, as notes of small denominations were of particular importance in agricultural trade. The increase of silver holdings among the Irish banks illustrates a phenomenon alluded to earlier: as failure of the potato crop impeded the workings of the rural barter economy, silver coin was “abstracted out of the hands of the lower orders, with whom silver circulates to a large extent; in consequence of the severe and continued pressure

80 Hall, 1949, 218.
81 As Murry noted in his evidence before the Committee: “the price of corn and produce of every kind not only ranged high in 1845 and 1846, but the issue during those years, particularly in the months of November, December, January and February, got considerably in excess of the permitted issue, consequently the banks were called upon to keep an excess of gold at the head offices over the permitted circulation”. Committee on Commercial Distress, 1848, q. 6691.
82 Gilbart sets out what he considered to have been the key features of Irish currency circulation at the time. According to Gilbart, the annual changes in the Irish circulation were governed chiefly by the quality of the harvest and the prices of agricultural products. Circulation was traditionally at its lowest point in August and September prior to the harvest, and then rose rapidly until January, after which point it gradually declined. Notes of the smallest denomination experienced the most significant increase, as these were extensively used in the purchase and sale of agricultural produce; Gilbart, 1852, 307–326.
upon them, it was wrung out of their little hoards and keeping places, and placed in the hands of the banks.\textsuperscript{83}

The rationale of commercial banks for contracting their note issue was, in Murray's view, one of lack of profitable opportunities. When asked if the diminution in the amount of money employed in discounts had arisen from a diminution of the demand for it, or as a result of the diminution of the credit of individuals, Murray's response indicated that by 1847 Irish commercial activity had ground to a halt:

Both causes operated; where parties failed, your business was merely to wind up their accounts as soon as you could; and there was also a want of commodities upon which to advance money; there were not the commodities to buy and sell in Ireland, which gave illegitimate rise to commercial transactions, and consequently there was a great decrease of commercial bills from the commencement of the year 1847 to the present date [June 1848]; that has existed and still continues.\textsuperscript{84}

When Bank of Ireland's note issue is examined during the famine years, as well as pre- and post-famine, it is seen to behave in a manner very similar to that of the note issuing Irish joint stock banks. Table 1 summarizes the correlation coefficients of monthly note issue growth rates between Bank of Ireland and the other Irish note-issuing banks from April 1843 to December 1854. Bank of Ireland monthly note issue growth appears to be highly correlated with that of the other banks in question [0.48-0.83], particularly with that of Provincial Bank [0.83].

Bank of Ireland does not appear to lead other Irish banks, aside from the three northern Irish banks that it accommodated with overdraft facilities. As illustrated by Provincial Bank's 1-month lead correlation coefficient [0.28], the note issue growth of other Irish banks for a given month is not highly correlated with Bank of Ireland note issue growth of the previous month. If anything, there is an indication that Bank of Ireland's note issue growth tended to lag one month behind that of its competitor, Provincial Bank [0.54].\textsuperscript{85} Indeed, Gilbart notes that the note-issuing joint-stock banks whose branches were chiefly located in agricultural districts tended to expand circulation more rapidly in response to the harvest season than Bank of Ireland, whose branch network was predominantly located in large towns.\textsuperscript{86}

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\begin{itemize}
\item \textsuperscript{83} Committee on Commercial Distress, 1848, q. 6607.
\item \textsuperscript{84} Committee on Commercial Distress, 1848, q. 6761.
\item \textsuperscript{85} Gilbart, 1852, 308.
\item \textsuperscript{86} By 1845, Provincial Bank had opened 38 branches nationwide (including head offices), with 25 branches located in towns recorded in 1841 census as have population of less than 10,000). Bank of Ireland, in comparison, had established 24 branches nationwide by 1845, of which seven were in towns of population less than 10,000. See Barrow, 1975, 215–219 (App. 3).
\end{itemize}
\end{small}
A further insight into the mindset of commercial banks in the initial years of the famine is provided by Murray’s description of Provincial Bank’s discount rate policy. Provincial bank feared exposure to the risks inherent in grain speculation and sought to limit this activity by reducing discounting facilities and increasing discount rates:

There was a strong impression, from the large supplies of food that must be imported into Ireland, in consequence of the failure of the potato crop, money must become scarce, and that therefore it was necessary to increase the value of it, in order to prevent over-speculation in food; and it was deemed necessary, in the months of November and December, to look very cautiously to all transactions, and, upon particular transactions, to increase the rate of discount, though there was no increased rate of interest generally, till the 26th of January, 1847.\(^{87}\)

Bank of Ireland’s discount rate for Irish bills can be seen to have moved in a similar fashion: the rate was initially increased to 5% on 5\(^{th}\) November 1845, at which it stayed until 27\(^{th}\) January 1847 when it was raised to the same level of the Provincial rate (5\(\frac{1}{2}\)%). The banks continued to raise their interest rates in tandem throughout 1847, reaching a peak of 8% in October 1847 at the height of the British financial crisis.\(^{88}\)

Although succinct relative to that of Robert Murray, the testimony of Bank of Ireland governor John McDonnell before the Committee on Commercial Distress provides insight into bank’s views regarding circulation during the famine years. When asked if he was aware of any want of circulation in Ireland, McDonnell’s response (“I think not, I am not aware of any complaint of that sort”\(^{89}\)) is supportive of the view set out in greater detail by Robert Murray (above) that circulation levels were a reflection of the diminished level of trade undertaken in Ireland during the famine years. Indeed, when Murray was asked if during the commercial distress of 1847 he felt a want of circulation, his answer was a terse “None”.\(^{90}\)

\(^{87}\) Committee on Commercial Distress, 1848, q. 6672.


\(^{89}\) Committee on Commercial Distress, 1848, q. 6616.

\(^{90}\) Committee on Commercial Distress, 1848, q. 6698.
More generally, on the impact of the Bankers (Ireland) Act 1845 on Bank of Ireland, McDonnell did acknowledge a role for Bank of Ireland in influencing Irish currency circulation, but argued that this role had been diminished by the removal of the bank’s monopoly on note issue within the 50-mile radius of Dublin; “under the former state of things the Bank had the power, if too full a circulation took place, in some degree of checking it; that power was taken from them, and I think in that way it [the Act of 1845] operated injuriously”. While appealing to a circumscribed ability to discharge public duty may have had a strategic dimension in this instance, it nonetheless serves as a reminder that while a number of Bank of Ireland’s systemic functions within the Irish context expanded in the aftermath of the 1845 Act, the Act crucially did not envisage Bank of Ireland developing a note-issue monopoly along the lines of that envisaged for the Bank of England.

Despite this, McDonnell was firmly of the view that the 1845 Act did not inhibit the practical workings of Bank of Ireland during the famine years: “The Act of 1845 regulated the Irish banks and the Scotch banks; I think it had very little effect in Ireland, and no injurious effect I should say. […] My impression is that it afforded greater protection to the general credit of the country, and prevented much of the misery and ruin which would have resulted if banking had been ad libitum, as it was before.” The prohibition on the new banks of issue entering the Irish banking system appears to have been a particularly welcome development for Bank of Ireland: “Banking before that time had not been, I think, managed with the care, or based on the capital, that ought to form the basis of banking, and banks were formed that never ought to have been permitted to issue paper; the Acts of 1844 and 1845 put a stop to that.”

**Conclusion**

The difficulty in assessing the functioning of central banks in former times stems from the heterogeneity of their origins and development. As the Bank of International Settlements (BIS) have noted in a recent study, the earliest progenitor central banks were the dominant commercial issuers of banknotes and bankers to the government – with the former, frequently bestowed via government privilege, providing these banks with sufficient scale to support government banking requirements. While monetary stability was crucial to these banks, this was motivated by their desire to ensure their own liquidity rather than by wider macroeconomic concerns. The development of lender of last resort functions and informal banking supervision

91 Committee on Commercial Distress, 1848, q. 6618.
92 Committee on Commercial Distress, 1848, qq. 6612, 6644.
93 Committee on Commercial Distress, 1848, q. 6613.
95 BIS, 2009, 19.
were also driven by commercial self-interest rather than by a public-good objective. As long as mechanical standards of convertibility, such as the gold standard, remained in place, central bank discretion in terms of monetary policy and currency management was greatly circumscribed.

While modern-day definitions of central bank functions encompass a wide range of monetary policy and regulatory functions, central banking in the mid-nineteenth century was still at a formative stage.\(^96\) Indeed, the Bank Charter Act 1844 and the mechanistic monetary regime which it implemented represented a legislative initiative to fundamentally alter the early development of one of the most influential central banks of that time, the Bank of England. The *ad hoc* development of central banks from commercial entities to public institutions is neatly captured by Andreadës in his biography of the Bank of England: "in 1844 people were very far from anticipating [...] that the Bank would cease to be a bank of discount and would become the guardian of the cash reserve for the commercial world."\(^97\)

This institutional ambiguity also applied to nineteenth century Bank of Ireland within the Irish banking system, and was complicated yet further by the gravitational pull exerted on the bank by the Bank of England and British Treasury. As discussed above, the government-sponsored Bank of Ireland was called upon to both fulfil routine public duties, such as the collection of public monies, and to execute exceptional interventions on behalf of the government, such as facilitating the introduction of the new banking legislation, the transmission of relief funds, and alleviation of banking crises. Bank of Ireland was also keen to maintain its dominant position among the Irish joint-stock banks, and indeed when the Bankers (Ireland) Act 1845 altered the Irish banking landscape, Bank of Ireland moved to extend and make more formal the exchange and overdraft facilities it afforded to the other Irish joint-stock banks.

This chapter argues however, that while Bank of Ireland fulfilled a leadership role amongst other Irish joint-stock banks, it is important to appreciate the limits of Bank of Ireland's influence within a monetary system that by the mid-nineteenth century has become increasingly centered around the Bank of England. Given the fact that the Irish currency formed part of a wider monetary union, as well as the restrictive nature of the Bank Charter and Bankers (Ireland) Acts, the constraints on Bank of Ireland's systemic influence are discernable in relation to note issue during the famine years. With the Bank Charter Act 1844 envisaging a monetary system in which currency circulation would regulated in a mechanistic fashion via the Bank of England, it was inevitable that Bank of Ireland's discretion in relation to note issue would be greatly circumscribed. As mentioned earlier, the Bankers (Ireland) Act 1845 may have ultimately stymied any future metamorphosis of Bank of Ireland into a fully-fledged central bank by preventing a Bank of Ireland monopoly of note issue and holding all Irish note-issuing joint stock banks to the same criteria regarding

\(^96\) Archer & Moser-Boehm, 2014, 7–8.
\(^97\) Andreadës, 1924, 246.
authorized note issue and gold-back note issue beyond the authorized limit. In any event, Bank of Ireland does not appear to have played an active ongoing macro-level role in monitoring or directing monetary conditions in Ireland in the years after 1845. Bank of Ireland’s monetary stance appears to have been in keeping with that of the other Irish commercial banks during the famine-era: its note issue responded to the level of Irish commercial activity and the availability of profitable opportunities to extend credit.

As this chapter shows, fundamentally Bank of Ireland perceived itself at this time primarily as a commercial bank operating within the prevailing monetary regime rather than as a central bank-type entity. Correspondence between the bank’s directors and the British Treasury prior to the implementation of the Bankers (Ireland) Act 1845 sees the bank define itself in terms of its performance in handling government monies and its substantial capital base rather than in terms of its systemic import within the Irish banking system. Fulfilling public duties as and when they arose was a prerequisite to it receiving its government charter, and the inter-bank initiatives it undertook from 1845 onwards were primarily focused on facilitating smoother transactions between Irish joint stock banks as well as enhancing its own dominant position among these joint stock banks.

Understanding the role of Bank of Ireland within the Irish banking system on the eve of the famine is significant as it provides an insight into the Irish institutional landscape at this critical juncture in Irish history. The onset of the famine had deleterious effects on Irish economic and commercial activity, as evidenced by the dramatic contraction of Irish currency circulation from 1847 until the early 1850s. Rather than subscribing to a broad brush depiction of Bank of Ireland as a central banking entity at this time, a more detailed exploration of its role and functions during the famine years indicates that it was not endowed with the institutional agency required to assume an active role in directing Irish monetary affairs at this time. Indeed, it may be that the strength of its inter-bank leadership within the Irish context at that time obscures our view of Bank of Ireland’s limited ability to exert influence across a wider monetary system centered around the Bank of England.

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**Figure 1: Average monthly note issue (Bank of Ireland and total Irish), April 1843–Dec 1854**

Source: *Bankers’ Magazine*, various issues.
Figure 2: Average monthly note issue by Irish joint-stock banks, April 1843–Dec 1854

Source: Bankers’ Magazine, various issues.

Figure 3: Average monthly Irish note issue by note type, Jan 1846–May 1848

Source: Second Report of the Committee on Commercial Distress 1848, Q. 6691.
Figure 4: Average monthly gold and silver holding of Irish banks, January 1846–May 1848

Source: Second Report of the Committee on Commercial Distress 1848, Q. 6691.