

Michael Collins and the Roots of Irish Public Finance

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Abstract

Those who examine Collins and his period as Finance Minister have tended to focus on his achievements in regard to the national loan (McCarthy 1998; O'Carroll 2002) and its lingering legal consequences (McCarthy 2002). This is unsurprising as his fund raising achievements were extraordinary. However, the significance of two other aspects of Collins's period as Minister for Finance is less often articulated. First, is the fact the manner in which Collins's political strength and his personal characteristics help establish the Department of Finance. Second, Collins was the first of a series of individuals with responsibility for the Irish public finances that shared a common set of experiences and values. It is possible to attribute the loosening of fiscal constraints on policymaking to the "changing of the guard".

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INTRODUCTION

Michael Collins was Ireland's Minister for Finance during the critical period from April 1919 through the establishment of the Provisional Government and as such his time in that position is worth studying from a purely historical perspective. There are, however, other important reasons for examining this aspect of Collins's career. As Minister for Finance he was responsible for financing the opposition to Britain via a National Loan and subsequently for negotiating a financial settlement (Article 5) with Britain as part of the Treaty discussions. The consequences of both the National Loan and Article 5 of the Treaty were to linger well past the death of Collins in 1922. As Minister for Finance in the Provisional Government, he presided over the establishment of his department's dominant position in Irish policymaking – the consequences of which can still be felt.

Another reason for studying the period for which Collins was Minister for Finance is that Collins was the first of a number of his 1918 Sinn Fein revolutionary contemporaries to hold the purse strings of the new state. For over forty years, Cosgrave, Blythe, MacEntee, O'Ceallaigh, Aiken, McGilligan and Ryan would in turn come to safeguard the country's financial freedom – having previously been involved in a struggle for political freedom. By virtue of economic circumstance and personal experience these individuals were unlikely to be extravagant with the public purse. The experiences of the political establishment were replicated in those of the two dominant civil servants dealing with financial matters during the first three decades of the State – Joseph Brennan and J.J. McElligott. The shared values and experiences of these individuals served to ensure a greater order to the public finances than might otherwise be the case.

In attempting to understand the importance of Collins's time as Minister for Finance, one must remember that it is very difficult to compare Michael Collins with any of his successors. The revolutionary circumstances under which Collins held the position were unique in an Irish context and extremely rare in an international context – perhaps the closest international comparison can be made with Alexander Hamilton and his role in the American War of Independence with Britain. Therefore, this paper examines Collins, not by comparison with others who held the Finance portfolio, but

in terms of the immediate and subsequent public financial implications of his tenure. And, it demonstrates that it is virtually impossible to understand the first 50 years of the state's public finances without an understanding of the Collins period in Finance.

The three most significant dates for the economic historian examining Collins as a Minister for Finance are his appointment in April 1919, the Treaty of December 1921 and his death in August 1922. This paper is structured with those dates in mind. After a brief biographical sketch in the next section, Section III examines the period from his appointment to the Treaty. Section IV examines the post-Treaty financial role of Collins. The public financial legacy of Collins is examined in Section V.

BIOGRAPHICAL BACKGROUND

Collins was born on the 16th of October 1890 on his family's 80-acre farm at Woodfield, Clonakilty, Co. Cork. He was the last of eight children and arrived when his father was 75 years of age. He went to school in Lisavaire NS. In 1906, at the age of 15, he was successful in the Post Office entrance examination for boy clerks in 1906 and was posted to West Kensington branch of the *Savings Bank* where his sister Johanna (Hannie) was already employed. Although he started an evening course in King's College, London, on Customs & Excise he did not complete the course. In April 1910 he joined Horne & Company (Stockbrokers), Moorgate as a clerk in charge of messengers. At the start of World War I he moved to Whitehall as a Labour Exchange clerk before leaving in April 1915 to join the London office of Guaranty Trust Company of New York (McCarthy 1998:52).

While in London, Collins was introduced to the Irish Republican Brotherhood (IRB) by Sam Maguire, an older Post Office colleague, and swore the oath at Barnsbury Hall, Islington in November 1909. He also acted as Secretary to the Geraldine GAA Club between 1909 and 1915. When conscription was introduced he considered going to his brother Patrick in Chicago. Instead, on the 15th January 1916, he returned to become administrator of the family property account of Count Plunkett at a weekly rate of £1 that he supplemented by part-time work for Craig Gardiner (McCarthy 1998:52-3).

After the Easter Rising Collins was interned. On 1st May 1916 he was entered in the books of Stafford Gaol as Collins, M., 16 Rathdown Road, North Circular Road, Dublin, Irish Prisoner 48F (O'Broin 1979:21).¹ At the end of June he was moved to internment camps in Frongoch, near Bala in north Wales (O'Broin 1979:22). After internment Collins returned to Dublin and on 19th February 1917 he became Secretary of the National Aid Office.

Dail Eireann was formed by Sinn Fein in January 1919, after that party had taken 73 of the 103 seats in the Westminster elections of 1918. The party promised the electorate that they would form a new representative assembly in Ireland. However, only 27 of the 73 Sinn Fein members were at liberty to meet on 21st January 1919, for the first meeting of Dail Eireann, as many of the others were in jail or had fled abroad. Cathal Brugha, who was elected Príomh-Aire at the first meeting of the Dail, was replaced by Eamon De Valera after Collins had organised the latter's escape from Lincoln Jail in the UK. Michael Collins was appointed Minister for Finance at the second meeting of Dail Eireann on 2nd April 1919 – replacing Eoin MacNeill who was nominated Minister at the first meeting on 21st January.

PRE-TREATY FINANCE: CONFLICT AND NEGOTIATIONS WITH BRITAIN

Within days of being appointed Minister for Finance, Collins set about raising the funds necessary if Dail Eireann was to fulfil its stated ambition of providing an alternative government to the British one that was operating from Dublin Castle. The immediate needs were those associated with establishing independence – the military resources of the Irish Volunteers and IRB plus the diplomatic resources of the Irish delegation to the Paris peace conference. These areas of expenditure were to remain the largest during Collins's time in Finance. In 1921, Defence expenditure was £137,483 and Foreign Affairs expenditure was £30,000. Annual expenditure on other areas such as Agriculture, Education and local government averaged around £4,000 each (Carroll 2002:11).

During the early months of 1919 the Dail survived on private donations. For example, Anna O'Rahilly provided £2,000, Sinn Fein gave £1,300 by way of a loan,

¹ He was located in a cell next to J.J.McElligott. McElligott together with Joseph Brennan were to dominate Irish fiscal and monetary administration for the next 30 years.

and the American organisation called the Friends of Irish Freedom started sending money beginning in June with \$100,000 (Carroll 2002:4). However, these funds would not prove sufficient and on April 10th De Valera stated that Collins would be shortly announcing a loan issue on behalf of the Dail. Initially £250,000 was to be sought in Ireland and an equal amount abroad. Collins took responsibility for raising the domestic part of the loan, while De Valera and Harry Boland took responsibility for the American fund raising efforts.

The domestic bonds² were sold in units of £1, £5, £10, £20, £50 and £100. Twenty-five percent was to be paid up front, 25% on 1st August 1919 and the remainder on 1st November 1919. Interest payments were to be made twice-yearly once the Republic had received international recognition (Carroll 2002:6). The American bond-certificates were sold in denominations of \$10, \$25, \$50, \$100 and \$10,000. The purchaser would receive a certificate that could be exchanged at par for a gold bond paying 5% interest one month after the Republic had received international recognition (Carroll 2002:17). The monies collected were made payable to the three Trustees of Dail Eireann – Eamon DeValera, James O’Mara and Bishop Michael Fogarty. While the conditionality of the promises to repay did not deter subscriptions, the establishment and recognition of the Republic combined with the position of the Trustees was to have serious legal consequences for the ownership of the monies.³ After the Treaty split a variety of organisations sought control over the monies both in Ireland and in the America.

Collins set about the logistical task of organising the loan in circumstances that were far from conducive to success. Even the idea of a band of revolutionaries, as distinct from a sovereign government, seeking loans from the general public with a promise of repayment once the Republic was established seems difficult to imagine. As the year progressed the British authorities took greater steps to suppress nationalist activities. They stopped many newspaper advertisements of the loan. Raids were made on the locations where the provisional government were thought to be operating.

² The terms bond, certificate and bonds-certificate are used interchangeably throughout this paper. The reason for the range of terms is that the issue of whether the issuer was sovereign is doubtful in international law. In fact, the term bond-certificate was used in America to circumvent this problem.

³ Officially, the Republic was not established until 1949. However, it could be argued that what was meant was the establishment of a 32-county Republic rather than the 26-county Republic that ultimately was recognised.

Announcements of public meetings to promote or sell the bonds resulted in the arrest of the organisers. People were arrested for possession of the bonds or the prospectus. To compound the problems Collins faced, the Dail was declared an illegal organisation on September 12th 1919. Frank O'Connor captures Collins's application to the task despite the difficulties and strangeness of it all.

“It is characteristic of Collins that from the beginning he does not seem to have thought at all of the impossibilities latent in the scheme; to him it meant exactly what it said, and he tolerated none of the slackness which could, and did so easily arise from its inherent fantasticalness. He was a born improvisator, and from the moment he was appointed Finance Minister the department of Finance began to function; within a few weeks his mighty Loan was under way, and even to-day, when we have forgotten or can no longer imagine the preposterous conditions under which the department worked – censorship, imprisonment, confiscation, murder – one is filled with respect for the variety and thoroughness of the work performed” (O'Connor 1937:86).

Amazingly, “everyone got their receipts” (Coogan 1991:xii).

The difficulties that Collins was operating under would have defeated most individuals. However, Collins was different to most and his exceptional capabilities set him apart as the following quote from J.J. Lee illustrates.

Collins will therefore give rise to sharp differences of opinion however much he is studied, even among genuine seekers after historical truth. There are, however, certain areas of general agreement among his biographers. Few dispute his exceptional energy, exceptional physical courage, exceptional moral courage, exceptional administrative ability, all meshed into a larger than life personality. (Lee 1998:24)

It was just as well Collins possessed these exceptional characteristics because in addition to Finance he held three other important military positions: Adjutant-General, Director of Intelligence and Director of Organisations. And, he used these military positions with their associated resources to ‘protect’ his efforts in Finance. For example, when in March 1920, a British magistrate Alan Bell was getting close to locating some of the proceeds of the loan that were deposited in the Banks, Collins had him taken from a tram in Sandymount Avenue and shot dead. Another example was when British forces raided the Finance offices and arrested Ernest Blythe (a future Minister for Finance), Collins had the responsible detective shot dead – although another contributing factor was that the same detective had picked MacDiarmada out for the firing squad after 1916 (Coogan 1991:117). One other

example is worth noting. On 23rd September 1920, less than 2 months before ‘Bloody Sunday’, many of the British officers that were to be killed on ‘Bloody Sunday’ shot John Lynch from Kilmallock, County Limerick in the Exchange Hotel in Dublin. Lynch was the local Sinn Fein organiser of a loan and was in Dublin to hand over £23,000 in subscriptions to Collins (Coogan 1991:157-8).

The loan campaign was an outstanding success, although at times Collins doubted it saying that he “never imagined there would be so much cowardice, dishonesty, hedging, insincerity, and meanness in the world, as my experience of this work has revealed” (Coogan 1991:127). The uptake of the Loan was helped by the use of high profile public endorsements. In Ireland, Archbishops Harty of Cashel and Walsh of Dublin plus Bishop Fogarty of Killaloe supported the loan (Costello 1997:47 and Carroll 2002:8). At the other side of the Atlantic, “Captain Robert Monieth, of Roger Casement’s Irish Brigade, and Peter Golden, the poet and leader of the Irish Progressive League, were hired as organisers” (Carroll 2002:20). By the end of July 1920, the internal loan had raised £355,000 and the figure rose to £370,165 by September when it closed down. The geographical source of the non-American funds was dominated by the counties of Munster as Table 1 illustrates.

The fundraising efforts by De Valera in America were even more successful in terms of the amount of money raised. A total of \$5,123,640 (just over £1m) bond-certificates were sold in the United States before mid-1921 (Carroll 2002:23). While De Valera’s visit to America was unsuccessful in that it failed to get American diplomatic recognition for the Irish Republic, and it contributed to the split in the Irish-American nationalist movement, it more than achieved its target in terms of fund raising. For this De Valera was primarily responsible. A second bond drive in America in the latter part of 1921 raised only \$622,720 because it was cut short by the Treaty signed in December of that year.

Table 1: First National Loan: Non-American Regional Contributions, £, June-September 1920

	Amount
Connaght	57,797
Munster	171,177
Leinster	87,444
Ulster	41,297
Britain and France	11,647
Cumann na mBan	801
Total	370,163

Source: McCarthy (1998:59)

Collins did not manage to get his hands on all the money raised by DeValera. Just over half of the money was returned to Ireland. The remainder of the subscriptions remained in America in the form of cash, deposits, and American bonds under the nominal control of the Trustees. It was never clear why all the monies were not returned to Ireland immediately. In correspondence with Collins, Harry Boland suggests that there were questions over Collins's ability to safeguard the money from the British. This is surprising given Collins's ruthless defence of the monies as illustrated by the execution of Alan Bell in March of that year. Another possibility for leaving some of the money raised in American was that the Dail approved \$500,000 funding for DeValera to use in the 1920 American Presidential election campaign and a further \$1,000,000 to secure recognition of the Irish Republic (Coogan 1991:191). DeValera failed on both fronts.

Nor was there any serious issue about the manner in which Collins controlled the monies. Collins could usually provide a meticulous set of accounts for the monies under his responsibility.⁴

Between the Truce of 11th July 1921 and the Treaty of 6th of December 1921, an important change occurred in Collins's priorities as Minister for Finance. On July 12th De Valera and three other Ministers went to London to meet the British Prime Minister David Lloyd George. Lloyd George presented a set of proposals including a

⁴ However, there was one occasion that he was not able to do so. In March 1921, Brugha questioned irregularities over arms purchases. Collins was unable to provide the accounts because Tom Cullen had left the paperwork with a friend who's accomodation was subsequently raided (Coogan 1991:174). The dispute between them even hampered the war effort (Coogan 1991:175-6). Brugha continued to refer to the issue throughout 1921 – even when Collins was in London during the Treaty negotiations (Coogan 1991:232).

suggestion that Ireland would bear a proportion of the financial liabilities of the UK, e.g. national debt and war pensions. The Dail rejected the proposals but negotiations resumed again in early October with a different Irish delegation – including Collins.

During the Treaty negotiations, Collins, in his capacity as Minister for Finance, was also responsible for ensuring that Ireland got a good deal on the financial side of any agreement. Collins faced a heavyweight British negotiating team that included many with financial expertise. At various stages, the British team included the Chancellor of the Exchequer (Horne), two previous Chancellors (Lloyd George and Chamberlain) and two future Chancellors (Churchill and Anderson). They also had among their number individuals who had worked in Ireland (Anderson, Cope, Curtis, Fisher and Jones) and were therefore informed on the details of the Irish situation. Collins knew that the Irish lack of expertise in Public Finance would put them at a serious disadvantage in the negotiations. He mentioned his concerns to Patrick McGilligan (a future Minister for Finance) who at the time was Secretary to the Local Government Minister. McGilligan had attended Clongowes College with Joseph Brennan who was in charge of the Finance division of the Chief Secretary's Office at Dublin Castle. McGilligan acted as the go-between for Collins and Brennan. Brennan agreed to aid Collins as he agreed with his assessment that none of the Irish representatives had "any real knowledge of public finance" (O'Broin 1982:99). As a result, Brennan wrote a number of papers for Collins that he passed through McGilligan (O'Broin 1982:99-103).

The financial negotiations part of the Treaty gave Ireland power to establish its own Exchequer. The two key articles from a financial point of view were Articles 5 and 17. Article 5 outlined the need to settle any outstanding financial claims, e.g. a fair and equitable distribution of the national debt, the payment of British war pensions to those residing in Ireland, and compensation for property damaged during the War of Independence. Article 17 gave the Free State the apparatus of the state including a civil service (O'Broin 1982:103-106).

In the early hours of the morning of 6th December 1921, Collins and the other delegates signed the Treaty. The Dail narrowly accepted the Treaty on 9th January

1922. The Treaty was subsequently endorsed by the electorate in the election of 16th June 1922. However, by the end of the month there was a Civil War in progress.

Between the signing of the Treaty and its acceptance by the Dail, Collins moved from third to first in the Sinn Fein hierarchy (Lee 1998). The growth in the stature of Collins in the period 1919-21 arose because of his physical location during the period, his military activities during the period, and his administrative activities as Minister of Finance for Finance during the period – the latter generating as many enemies as admirers (Garvin 1998). The Treaty determined the extent to which Collins could conduct his work both as Chairman and as Minister for Finance in the Provisional Government.

POST-TREATY FINANCE: ESTABLISHING CONTROL

It was during Collins's period as Minister for Finance in the Provisional Government that two tasks crucial to the survival of the new state were begun. First, the pro-Treaty side needed to keep the proceeds of the National Loan out of the hands of the anti-Treaty side in the Civil War. Second, he presided over the establishment of a Department of Finance and its establishment of dominant position via-a-vis other departments.

Of the three National Loan Trustees only Bishop Fogarty was in favour of the Treaty - both DeValera and Stephen O'Mara, who had replaced his brother James as a Trustee, opposed it. In February, the Dail met the three Trustees and Collins agreed with DeValera that the money would not be used for either pro-Treaty or anti-Treaty purposes. Within a week Collins asked James O'Mara to take control of the Irish government's financial interests in America. He, in turn, was replaced in early March by Professor Smiddy of University College Cork. Smiddy found Stephen O'Mara and Gilbert Ward of the New York Loan Office unhelpful. The American monies were under the control of O'Mara, Ward and Garth Healy of the Chicago Loan office. However, Smiddy could not account for all the monies and as a result took legal advice and conveyed his findings to Collins. Collins replied instructing Smiddy to seek an injunction preventing the Trustees or their nominees gaining access to the

American funds. Thus, began a sequence of legal wrangling that was to continue for much of the 1920's.

Collins faced similar problems at home except in this case the monies were finding their way more directly to the anti-Treaty forces. In addition, to preventing the Trustees or their nominees gaining access to the funds by legal right, Collins had to prevent anti-Treaty forces gaining funds by illegal means. As O'Broin puts it a "feature of the campaign to which Collins increasingly was forced to pay attention was the raiding of post offices for money, the widespread commandeering of supplies and the robbing of banks which was justified by the Irregulars on the grounds that Mulcahy, the Minister for Defence, had refused to pay IRA debts" (O'Broin 1982:113). Ironically, Collins found himself in the position the British had found themselves in dealing with him in that he was attempting to stop the anti-Treaty side acquiring funds to continue their opposition to the 'legitimate' government of the day. There were reports that De Valera had access to funds in the American banks and by July 1922 it appeared that the anti-Treaty side were able to "manipulate certain [Irish] banks, bank accounts and government officials to their advantage" (McCarthy 1998:66). The legal and illegal disputes over the funds, raised to finance the pre-Treaty government, were to drag on for the remainder of the 1920's.

It was the success of the pro-Treaty side in keeping the anti-Treaty side from gaining access to the Loan monies that was a determining factor in the outcome of the Civil War.

The Provisional Government was established by the representatives of the Irish constituencies for the period starting 6th December 1921 and was to last until either the constitution of a parliament and government of the Free State or the 6th December 1922 which ever came first. In that provisional government Collins held the post of Chairman and responsibility for Finance. The government was provisional in that it was concerned only with matters of administration and not legislation. However, the lack of legislative power, including the power to tax, allowed Finance to establish control.

“While this [inability to tax] might at first sight appear a rather irksome restriction upon the new Department, it was only temporary and had the advantage of allowing the handful of officials manning the new Department to devote their energies to matters of organisation, staffing and the establishment of proper procedures of financial administration throughout the other departments; to set up, in short, the system of Treasury control, or as it was increasingly to be described henceforth, finance control” (Fanning 1978:44).

If the lack of legislative power gave Finance the time to exert control then the civil war help distract attention away from the manner in which it was doing it. As Fanning says the “new enemy in 1922 was chaos and anarchy, the possible collapse of governmental authority, and all the other fears hinted at by the very name “Irregular”. It was not a time for contemplating the overthrow of an administrative system simply because that system was used by the British. What the government wanted was to prove that they could govern” (1978:58).

There were two other sets of circumstances that helped Finance establish dominance. First, there was the continuity between the department and minister in Dail Eireann and their Provisional Government counterparts. Second, and probably more importantly, the dependance on, and support of, Finance officials by the dominant force of Michael Collins.

In the new department Collins’s covert advisor from the Treaty negotiations, Joseph Brennan, became Comptroller and Auditor General on 2nd February 1922 and within a short space of time succeeded William O’Brien as secretary at Finance. Brennan was an important addition to the apparatus of government as “O’Brien had to rely on Brennan, as indeed Collins did to an even greater degree, to do the essential work.” (O’Broin 1982:106). Brennan found it a pleasure to work with Collins as he “accepted advice and gave the go-ahead” (O’Broin 1982:115). The importance of Brennan, and his good relations with Collins, cannot be overstated as the Department of Finance had immediate problems with staffing.

THE FINANCIAL LEGACY OF MICHAEL COLLINS

The financial legacy of Michael Collins can be examined under three headings. First, there were the implications of his death for the subsequent treatment of his work in Finance. Second, there was need for the new state to finalise the terms of the financial agreement with Britain under Article 5 of the Treaty. Third, there was the continuing battle between the pro-Treaty and anti-Treaty forces to gain control of the National Loan funds in Irish and American financial institutions.

Governance with and without Collins

Regan (1999) suggests that Collins's death sped up "the process of democratisation within the regime and the movement toward government by an executive council rather than by a single executive mind. In a brittle moment of crisis, power and leadership moved effortlessly from one man to many ministers through the election of Cosgrave" (1999:81). The tendency towards centralisation of political power in the person of Collins, as possibly sought by Collins, is expressed by Collins's less than critical biographer Frank O'Connor.

"One evening they were wrestling in Devlin's, and Boland got the worst of it. He stood back with a strange look at Collins. 'I see it now,' he said. 'You want to be a dictator.' It was a remarkable idea; psychologically, it seems to me to have been prophetic" (O'Connor 1937:260)

It is, therefore, ironic that the Department of Finance should gain in strength from Collins's death. But this is what happened for two reasons. On one hand, his replacement W.T. Cosgrave held the same two positions until September 1923 thereby ensuring the continued pre-eminence of the department. On the other hand, the government was in the hands of Collins's supporters who were not likely to question his legacy to the department.

"Given Collins's immense standing with his colleagues in government and the trauma of his death, it was unthinkable that they should subsequently have questioned the financial and administrative policies which he had supported and which the officials of Finance had already begun to implement. What was true of ministers was true also of a Dail composed largely of Collins's supporters and friends. Waging and winning the civil war and ensuring the survival of the new state absorbed all their energy and attention. There was neither time nor opportunity critically to examine the many proposals brought forward by Finance throughout 1922. If there was no civil war, it is conceivable that ministers might have contemplated major administrative reforms and questioned, perhaps, the administrative model bequeathed them by the British" (Fanning 1978:57).

It was just as well that Collins's death served to put Finance on a stronger and more independent footing because it needed it to deal with the thorny issues of the financial agreement with Britain (consequent on the Treaty) and its efforts to establish ownership of the proceeds of the National Loan.

The Financial Agreements with Britain

During the Treaty negotiations the British were concerned with the Irish contribution to the National debt as it stood at the time while Collins wanted "the whole ground of liability past and present to be discussed" (Fanning 1978:120). As a result, it was agreed to let the details be sorted out after the main Treaty negotiations. The sorting-out of these details took place over three financial agreements in the early 1920's: the agreement of 12th February 1923; the agreement of 3rd December 1925, and; the agreement of the 9th March 1926.

The agreement of **12th February 1923** "is the most obscure and controversial of the three Anglo-Irish financial agreements" (Fanning 1978:138). The Irish government were keen to keep the agreement secret as indicated by their representations to the Treasury and the fact that the agreement was not published until Fianna Fail came to power in 1932. The issues of the Railways and the Pensions were the main items covered, although another major issue also referred to which demand the attention of Finance during 1922-3 was the "question of liability for compensation for property damaged and injuries suffered during the war of 1919-21" (Fanning 1978:139). The Compensation Commission was established to address the issue of claims against insurance companies. The result was that the "Minister of Finance agreed to pay Lloyds £233,600, in return for credit for the payment of awards of nearly £358,000; in effect, Lloyds surrendered over £124,000, plus £16,500 which they had agreed to pay in cases then outstanding" (Fanning 1978:143). Once the insurance issue was dealt with the issue of British liability could be dealt with by the Commission. However, this problem was to be a protracted one with major difficulties on the issue of martial law. It was ultimately resolved with the British making a £900,000 payment after the intervention of Cosgrove.

On the 16th May 1924 a conference in London on financial issues raised “a major stumbling-block in the negotiation leading to the ultimate financial settlement: the question of the attribution of income tax arising out of land purchase annuities, local loan advances and British payments of salaries and pensions in the Free State” (Fanning 1978:145). It was eventually ‘resolved’ in July 1925 when the Irish agreed payments to be offset by British waiving claims arising from the Railways and the munitions.

The agreement of **3rd December 1925** was the most significant agreement. In the meantime the issue of Irish contribution to the UK public debt, arising out of Article 5 of the Treaty, started to become contentious. The Irish initially had adopted delaying tactics and then focused on political objections to the payment rather than arguing over a specific amount. Fanning noted that the Treasury had estimated the Irish liability at 1.5% of debt and pensions as of December 1921 (£117.5m and £12.75m respectively). With compound interest changes of £27.5m the total sum in 1925 was £157.75m. However, a ‘leak’ of the Boundary Commission report in November 1925 changed everything with the British willing to compromise on the debt in return for acceptance of the border. The agreement of **19th March 1926** tidied up the remaining issues.

The Consequences of the National Loan

While the Irish Free State government had passed ‘The Dail Eireann Loans and Funds Act, 1924’ providing for the repayment of internal and external loans, the Act was overtaken by events in the legal arena. Because of its purpose and organisation the National Loan gave rise to a number of problems. As explained earlier, subscriptions were sought with a promised repayment once the Republic was recognised internationally. As the Republic was not established did the pro-Treaty side have a right of access to the monies? This question was to be the subject of legal dispute in the Irish and American courts.

The Irish case went to trial in the High Court in Dublin during July 1924. The republican anti-Treaty side argued that the Free State government was not the successor of the first Dail Eireann but got its legitimacy from the Crown. They also argued that the replacement of DeValera and O’Mara as Trustees was illegal.

However, their arguments were unsuccessful and they subsequently lost their appeal to the Supreme Court.

The Irish Free State government were hopeful that the Irish judgement might influence proceedings in the American Courts. The American case was complicated by the intervention of bondholder's committees seeking to lay claim to the monies. The judgement of May 1927 presented the Irish Free State and the Republicans with a dilemma. While agreeing with the republican side that a Republic was never established, and that the Irish Free State government was the successor to the British government and not the Dail, Judge Peters also concluded that DeValera and O'Mara had no right to the funds. The Bondholders Committees were granted their rights to the funds.

Despite legal opinion that the judgement was an error, the Irish Free State did not pursue the issue for a number of reasons. First, by 1927 the original injunction had succeeded in keeping the monies out of the hands of anti-Treaty forces. Second, there would have been the costs of the appeal. Third, the ruling meant they were free from obligation to repay monies spent before 1922. Nor did the republicans pursue the judgement because if they were successful it would have meant they were only able to spend the monies for the purpose for which it was originally intended. However, by 1927 DeValera had changed the direction of his opposition to the government to one of electoral opposition. In addition, he was to seek financial support from the bondholders for the Irish Press newspaper. In such a limbo ended the legacy of Collins's National Loan.

CONCLUSIONS

The Irish State is less than 100 years old. Partially as a legacy of British rule, the Department of Finance has been the dominant department in policymaking during that period. This did not have to be the case. The revolutionaries could have dismantled everything British including its administrative structure. That they did not is due to a number of reasons. First, there was fatigue. Sinn Fein had just completed a military struggle with the British. To undertake the enormous task of reorganising the administrative did not seem that urgent. Second, the financial administrative structure

had recently been overhauled by the British in an attempt to placate the Irish. Finally, there was Michael Collins.

Collins appreciated the British financial system from his time spent working in London. This experience no doubt contributed to him being nominated Minister for Finance in Dail Eireann. The force of his personality combined with the importance of his financial and military activities contributed to his growing stature, and that of his department, during the subsequent 30 months. After the Treaty, Collins became both Chairman and Minister for Finance in the Provisional Government – further strengthening the position of Finance. Even his death in August 1922 helped Finance to secure its pre-eminent position. His followers in government were unlikely to propose any moves against Finance in case it was seen as disrespectful to his memory. In addition, the fact that his successor also became Chairman and Minister for Finance gave the department a seal of approval that was independent of Collins.

The importance of Collins in establishing the Department of Finance has been clear since 1978 when Ronan Fanning wrote his outstanding history of that department. In recent years the Collins story has received renewed interest – in no small part aided by the Neil Jordan film. Those who examine Collins and his period as Finance Minister have tended to focus on his achievements in regard to the national loan (McCarthy 1998; O’Carroll 2002) and its lingering legal consequences (McCarthy 2002). This is unsurprising as his fund raising achievements were extraordinary.

An aspect of Collins’s period as Minister for Finance, the significance of which is rarely articulated, is that Collins was the first of a series of individuals with responsibility for the Irish public finances that shared a common set of experiences and values. Until 1965, with the exception of Gerard Sweetman who was 10 years of age in 1918, every Minister for Finance had a Sinn Fein background. The politicians were supported for much of this period by the dominant figures in the civil service – Joseph Brennan and J.J. McElligott. The fiscal conservatism of the people holding the office diminished with the passage of time, e.g. it would be fair to say that the northerners, Blythe and MacEntee, were the most conservative. It was only after the last of the “revolutionaries” left office in 1965 did the government plan a current budget deficit.

The importance of the shared experiences and beliefs of Collins and his Sinn Fein contemporaries should not be dismissed likely. It is one of the reasons anyone seeking an understanding of Irish public finance must study the period during which Michael Collins was Minister for Finance.

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