

Industrial Finance in Independent Ireland:
The Trade Loans (Guarantee) Acts, 1924-1939

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Abstract:

This thesis examines and analyses the first industrial policy initiative undertaken in independent Ireland. The Trade Loans (Guarantee) Act, 1924, allowed the state to guarantee loans borrowed by firms for their business development, and thereby aimed to promote industrial employment.

The thesis describes the background and development of the scheme up to 1940. Industrial finance encountered a difficult start in 1924-5. The problem was solved first by direct state involvement, followed by a public-private remedy which was unsuccessful. Industrial finance was then reviewed in 1932-3 resulting in significant amendments to the legislation. In addition, the ICC was established as a state initiative to provide industrial financing services.

I describe the operation of the scheme and I construct a database from the published archival and administrative records. The database contains records of 108 firms with loans approved to the value of £1,473,250. By interrogating the database, I show the distinctive features of the firms and their locations, the financing institutions from which they borrowed, and the employment generated during the term of the loans. I also show that a quarter of the loans defaulted costing the state over £330,000.

I conclude that the loan guarantee scheme went through an experimental pilot phase under Cumann na nGaedheal followed by a development phase under Fianna Fáil with a three-fold increase in the number of loans approved. Furthermore, there was a corresponding development in the state's involvement in providing industrial finance with the eventual establishment of the ICC. I conclude that this was an Irish solution to the so-called Macmillan Gap – the particular problem of raising long-term finance for small enterprises.

Finally, I conclude that the loan guarantee scheme made a greater contribution to the development of industrial finance than its modest and short-term contribution to new employment.

Declaration:

I, Frank Conlan, declare that the Thesis is all my own work and that I have not obtained a degree in this University or elsewhere on the basis of this work.

Frank Conlan

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Abbreviations

Abbreviation	Description
ACC	Agricultural Credit Corporation Limited
BP	Blythe Papers UCDA)
CEC	Cabinet Economic Committee
CIBCC	Commission of Inquiry into Banking, Currency and Credit
CIF	Committee on Industrial Finance
CRO	Companies Registration Office
CGS	Credit Guarantee Scheme
DÉD	Dáil Éireann Debates
DATI	Department of Agriculture and Technical Instruction
FIC	Fiscal Inquiry Committee
FGP	Frank Gallagher Papers
HC deb	House of Commons debates
ICFC	Industrial and Commercial Finance Corporation Ltd. (UK)
ICC	Industrial Credit Company Limited
IRC	Industrial Research Council
ITCI	Industrial Trust Company of Ireland Limited
IIRS	Institute for Industrial Research and Standards
IPSAS	International Public Sector Accounting Standards
IBOA	Irish Bank Officials Association
IBSC	Irish Banks Standing Committee
ICOS	Irish Co-operative Organisation Society
IP	Irish Press
IT	Irish Times
JBP	Joseph Brennan Papers (NLI)
McGP	McGilligan Papers (UCDA)
MLF	Microenterprise Loan Fund
NAI	National Archives of Ireland
NLI	National Library of Ireland
OLRS	Oireachtas Library and Research Service
OECD	Organisation for Economic Co-operation and Development
ODNB	Oxford Dictionary of National Biography
PRONI	Public Records Office of Northern Ireland
SÉD	Seanad Éireann Debates
SMEs	Small and Medium Enterprises
SBCI	Strategic Bank Corporation of Ireland
TNA	The National Archives, Kew, London
TFA	Trade Facilities Act (UK)
TDB	Turf Development Board
UNIDO	United Nations Industrial Development Organisation
UCDA	University College Dublin Archives
WIT	Weekly Irish Times

Chapter 1 : Introduction and Summary

The immediate aftermath of political Independence was an unsettled period in world trade and in the economy of Britain on which Ireland was still dependent. The new Department of Industry and Commerce had no blueprint to address unemployment; the rhetoric of Arthur Griffith had not been translated into industrial policies. The Fiscal Inquiry Committee (1923) did not recommend recourse to protective tariffs as a means of supporting industry, and following this outcome, the Trade Loans (Guarantee) Bill 1924 was proposed “for an experimental period”.

The loan guarantee scheme was first proposed to the Executive Council in October 1923. The resulting legislation was passed by both houses of the Oireachtas ten months later, in spite of strong opposition from the Department of Finance. The major influence on the legislation was the Trade Facilities Act, passed in Britain in 1921 to address widespread industrial unemployment resulting from the post-war slump in world trade. In Ireland, the Trade Loans (Guarantee) Act, 1924, was aimed at generating industrial employment to counterbalance the dependence on agriculture. Both measures provided for the state to guarantee funds borrowed by firms.

J.M. Keynes described the Trade Facilities Act in Britain in 1924 in the following terms:

... the assistance given is limited to helping the borrower to borrow more cheaply than he would otherwise - say, at 5 per cent, instead of 6 or 6½ percent. This is all there is in it. It is a modest subsidy. It is not a risk sharing or risk-shouldering scheme. It helps private enterprise to carry through projects which private enterprise undertakes unaided, but which are just at the margin of profit.¹

The Trade Loans (Guarantee) Act did not operate in the same manner in Ireland because of differences in the final legislation, the different stage of industrial development, and the lack of access to the necessary industrial finance in Ireland.

This thesis evaluates the evolution, operation and impact of this loans guarantee scheme from its beginning up to 1940. The work draws on data from a range of archival sources, such as published reports and material from administrative records. During the period 1924-1940 the scheme approved guarantees for 108 firms, a total of 125 loan proposals, with an aggregate value of £1,473,250. The scheme had a number of features making it suitable for analysis using a database approach.

¹ Keynes (1972) p. 231-32, letter to the *Nation and Atheneum*, 7 June 1924.

Chapter two describes the background to the emergence of the scheme. The Department of Industry and Commerce was newly established since independence and sought unsuccessfully for some measures of tariff protection for Irish industry in submissions to the Fiscal Inquiry Committee (FIC). At the same time, the Commission on Agriculture (1923) cited the British Trade Facilities Act when it recommended that “the credit resources of the state should be placed” at the disposal of private capital in support of the Dressed Meat Industry.² This suggestion was also favoured by the Minister for Agriculture in correspondence with the Minister for Industry and Commerce.³ These factors prompted the Department of Industry and Commerce to propose an adaptation of the British legislation for Irish circumstances. A further modification was later added to accommodate the outcome of the Commission on Prices, which also reported in 1923.⁴

The chapter shows how the loan guarantee scheme began operating in spite of the unexpected refusal of the commercial banks to provide credit, even with a state guarantee. This resulted in the state-owned National Land Bank being the only lender to the scheme in the first year. I show how the Government agreed to invest share capital in a trust company, the Industrial Trust Company of Ireland Ltd. (ITCI), which was set up as a private sector initiative to enable the scheme to work.⁵ This situation was endorsed when the Banking Commission of 1926 recommended a new approach to providing industrial credit through the ITCI which was by then already registered.

The chapter describes how the operation of the scheme in the early years was limited by the prohibition in the legislation from giving guarantees on loans for working capital. Efforts to circumvent the exclusion were investigated by the Comptroller and Auditor General and discussed by the Dáil Public Accounts Committee. The Department of Industry and Commerce defended their actions successfully before the committee and was supported by the advice of the Attorney General.

However, it will be shown that the loan guarantee scheme stagnated from 1927 onwards. This may have been due in part to the inability of the scheme to accommodate the need for working capital facilities, or to the lack of an active role on the part of the banks. In June 1929, Minister Patrick McGilligan expressed the view that access to finance was not the main cause for the lack of progress. Nevertheless, the scheme was renewed each year, in spite of the declining number of successful applicants. Between July 1929 and October 1932 there were no further applications approved.

² Commission on Agriculture (1923), Main Report, paras. 79-82, 50-52; Minority Report paras. 48-51, 87-8.

³ UCDA, McGP, P35b/2 p.7 (undated) ca. 1923.

⁴ Commission on Prices (1923).

⁵ Industrial Trust Company of Ireland Limited (Acquisition of Capital) Act, 1926.

The scheme did not imitate the British Trade Facilities Act which was aimed at pump-priming established industrial activity with fresh capital. In Ireland, the anticipated start-up of new industrial activity on a more modest scale did not materialise. Effectively, the first phase of the scheme was a failed experiment.

Chapter three describes the changes to the scheme following Fianna Fáil's election at the beginning of 1932. In May of that year, the government received a proposal from John Colbert, chairman of the Agricultural Credit Corporation (ACC), recommending the extension of the powers of that organisation to provide industrial finance. An interdepartmental committee was given the task of reviewing the implementation of the proposal and was allowed the "liberty to submit alternative proposals".⁶ When the report was presented in March 1933, the Cabinet agreed to incorporate the committee's recommendations in an amended Trade Loans Act. In the course of the cabinet discussion following the committee's report, Seán Lemass set out for his Cabinet colleagues his ideas on the different levels of financing needs in industry and how they should be served. He recommended the establishment of the Industrial Credit Corporation for this purpose.

The chapter shows how the implementation of the 1933 Act marked the beginning of a second phase of the loan guarantee scheme under the amended Act. The prohibition on working capital was ended, a lower eligibility threshold for borrowers was introduced, and the validity of the Act was extended to five years, instead of an annual renewal. The new Act provided that the scheme applied to "manufacturing undertakings", with a definition of that term. In addition, a further amendment to the scheme followed in 1934 to include housing developments within its scope. This was done by defining house building as a manufacturing activity.

The chapter identifies from the records the two events which improved access to finance for industry. First, the Irish Banks Standing Committee agreed with the Department of Finance that the banks would provide loans more readily to clients benefitting from the government's guarantee scheme. The second was the establishment in 1933 of the Industrial Credit Company for the purpose of providing industrial financing services, including making loans available to industrial enterprises. On the negative side, the ITCI was in difficulties and went into voluntary liquidation in September 1933. I argue, therefore, that the Cabinet decision to continue the guarantee scheme with significant changes marked a new phase in the operation of the scheme because of the nature and extent of the changes. I therefore treat the period up to the implementation of the 1933 amending legislation as phase I and period thereafter as phase II.

⁶ Committee on industrial finance (1933) terms of reference.

The scheme then provided access to finance for new firms established under the self-sufficiency policies of the 1930s and also some firms established to meet the sub-supply needs of the housing initiatives of the period. Most of the firms' products were protected by tariffs or quota restrictions.

The chapter draws on the review of the operation of the loan guarantee scheme by the Commission of Inquiry into Banking, Currency and Credit (CIBCC) which was established in 1934 and reported in August 1938. The government allowed 1933 legislation to lapse after its five-year term expired in June 1938, pending considerations of the Commission's report. Contrary to the recommendation of the Commission that the scheme should be discontinued, a bill was introduced to the Dáil for its renewal in December 1938 and it was passed into law in March 1939 for a further term of five years. No significant amendments were made in the renewed legislation, but the Department of Industry and Commerce agreed with the Department of Finance a more rigid adherence to a set of guidelines for the future operation of the scheme. The records show that there was a three-fold increase in the number of loans approved in phase II of the scheme. However, the number of firms benefitting from the scheme had already reached a peak in 1936 and thereafter the number of loans approved declined. That decline continued after the renewal of the Act in 1939.

Chapter four examines the features of the loan guarantee scheme which make it suitable for analysis using a database approach. These features include the consistency of procedures which operated and the records laid before the Oireachtas documenting the decisions reached during the period 1924-1940 (and later). These records provide the data for constructing the database which are used to analyse different aspects of the scheme and its impact.

The scheme followed broadly the procedure which was established in the British Act of 1921.⁷ This entailed the initial stages of an application for a guarantee and an assessment procedure resulting in either approval or rejection. A key aspect adopted from the British schemes was the requirement to report regularly to the Oireachtas the approval of guarantees and the costs to the Central Fund when guarantees were required to be honoured. The reports and annual statements generated for this purpose are primary sources of data. Further data is available from records generated when loans were guaranteed; for example, loan agreements including the details of the lending institutions.

The chapter describes these primary sources and the contribution of their records as data sources for the database. The data extracted from these records fall under two main categories. The first of these is data relating to the firms involved, including their names and locations, as well as business

⁷ Trade Facilities Act, 1921 (11 & 12 Geo. 5.) Ch. 65.

activities and company registration details. The second category is the set of records and data relating to 'events'. These are decisions related to individual loans. There are different types of events. The event which applies to all firms in the database is their first approval for a loan guarantee. Decisions to guarantee loans were reported quarterly to the Oireachtas. The data in the report include details such as the amount of the loan, interest rate and the proposed term. A number of firms applied for, and were approved for additional loans. These events were also reported quarterly with similar details. Another type of event occurred when a firm defaulted on a loan (or loans). These events were reported annually to the Oireachtas in annual statements which provide the relevant data. These loan default events correspond with the year-end reporting of the state's contingent liability arising from the scheme. A final set of data, recording the employment impact of the scheme, have been sourced from departmental administrative records.

The chapter describes the administrative procedures followed in the operation of the scheme and the types of records generated from that process. In summary, there were 108 firms approved for guarantees during the period from 1925 until 1940. These firms were involved in 131 individual loan approval decisions (events).

The database is constructed using MySQL which is database management software. The data was first organised into a series of data tables using Microsoft Excel. The data tables have the appropriate coding to meet the software's requirements. The tables contain records in each row and the attributes of the records are presented in the columns of the tables. The database can be queried to provide structured answers in the form of output tables which are considered in the following chapter.

Chapter five surveys the key features and patterns which the database can demonstrate. A thematic approach is taken under the three main headings of firms, finance, and employment impact. The results are presented in tabular form with explanatory comments. The scheme reached a turning point with the introduction of the amendments to the legislation which was passed in 1933. The period up to this implementation is designated as phase I of the scheme, and thereafter as phase II. The banks agreed at the end of 1932, within fixed terms, to support the loan guarantee scheme. The implementation of that agreement coincides with the beginning of phase II.

Limited data is available on employment; nevertheless, general conclusions are drawn about the impact of the scheme. Comments are made on individual tables, drawing also on the matrix of events and the activities of the firms, as shown by the database and other primary sources

consulted. The peak of employment attributed to the scheme was in 1936 when 66 firms had loans remaining under guarantee. The aggregate employment in those firms was then 5,790.

A summary of loans guaranteed in the period 1925-40 is shown in Table 1-1.

Table 1-1: Summary of loans guaranteed, 1925-40

	Amount
	£
Gross amount of first loans approved	1,391,250
Additional loans approved	82,000
Gross amount of principal approved for guarantee	1,473,250
Loan agreements not concluded or otherwise withdrawn	(74,500)
Reductions in the amount of loan principal	(32,539)
Net total of loan principal borrowed	1,366,211

The chapter describes how the renewal of the legislation in 1939 did not change the scope of the scheme significantly compared with the amendment in 1933. I draw the conclusion that the scheme reached its peak in 1936-7 and was in a mature and declining phase beyond that date.

Chapter six reviews the loan guarantee scheme from the evidence generated by the database and synthesises conclusions drawing on related literature. Overall, I conclude that the development of the guarantee scheme brings into focus the evolution of industrial finance in Ireland at this early stage of industrial development. Previous chapters have described the period 1924-40 in terms of two phases. In this chapter the database and contemporary records make it possible to distinguish between the operational features and the outcome of the scheme during each of the two phases. Earlier records also show how the transition between the two phases was a catalyst for change in industrial financing.

A key conclusion is that the loan guarantee scheme was instrumental in highlighting the need for, and bringing about new financing channels for industrial credit. This result was more significant than the modest achievements towards its original goal of generating greater industrial employment.

The poor performance of the scheme in phase I can be attributed to the lack of preparation and the consequent difficulties in resolving the key issue of access to industrial finance. By contrast, phase II began with the recognition of the need for, and the later establishment of, a designated specialised institution for industrial finance, the ICC. Lemass had gathered experience of the scheme before his appointment as Minister for Industry and Commerce and that familiarity enabled him to include it within his policies for manufacturing industry.

Literature provides support to explain the series of events in the early years of the scheme when it was necessary to turn to the state-owned National Land Bank, and in turn the public-private ITCI.⁸ The change came about shortly after the Macmillan report diagnosed the so-called Macmillan gap, – the particular problem of raising long-term finance for small enterprises. However, there is no evidence that the sequence of changes in Ireland in 1932-3 was influenced by that report. The solution found in Ireland with the establishment of the ICC, a state sponsored initiative, was different from the eventual, and later, solution in Britain where a more complex set of outcomes took longer to reach, and the British solution was largely within the private sector.⁹

I conclude that the modest achievements of the scheme were due to its nature as a measure aimed at supporting individual industrial initiatives or manufacturers, rather than a programme for particular sectors of industry. Essentially, it was a pump-priming measure which assumed that the momentum, once gathered by the individual firms, would be maintained. The analysis shows, however, that a significant number of firms defaulted on their loans which I interpret as not achieving the necessary momentum to sustain the business. In addition, a disproportionate number of firms with multiple loans were in the default category. This leads to the conclusion that the insufficient scrutiny of the applications allowed doubtful cases to pass.

The Department of Finance expressed reservations about the operation of the scheme when its renewal was under discussion in 1938-9. The conclusion from the database examination is that their criticism was justified. Further research is needed to make a judgement on the subsequent years up to 1954, when the scheme ceased.

Chapter seven deals with my final conclusions which cover three broad areas derived in the first place from the systematic examination using the database, and in addition, the wider sources available in the archive material, published records of the scheme and in related literature.

A first conclusion is that we can identify two distinct periods in the scheme. The early period under Cumann na nGaedheal can be characterised as an experimental phase. The database analysis shows that, before Fianna Fáil came to office, the scheme had only modest achievements to show; the number of firms availing of the scheme was small; a significant proportion was engaged in rescuing or restarting previous enterprises; a higher proportion of those approved for guarantee withdrew and did not proceed, and in the final years, approvals dried up completely. This period served as a pilot phase after which the experiment could have been either abandoned, or modified.

⁸ Colbert (1938), Lee (1969), McGowan (1988-9), Ó Gráda (1994).

⁹ Frost (1954), Thomas (1978), Kindleberger (1984).

The second period, phase II, can be characterised as a development stage when there was a threefold increase in the number of loans approved. This is largely due to the protection given by tariffs and quotas introduced as part of the self-sufficiency policies. In addition, there was easier and more attractive access to finance. The commercial banks had agreed to lend in the case of state guaranteed loans at an agreed rate of interest below the normal bank lending rate. Other factors included Lemass's experience of the scheme since his entry to the Dáil in 1927 and his dominant role in determining Fianna Fáil's economic policy, especially his emphasis on manufacturing industry.

The second conclusion resulting from my analysis of the database is that there was an evolution of industrial finance coinciding with the development of the loan guarantee scheme. The early state involvement in financing the scheme in 1925 through the National Land Bank was an unplanned participation hastily rescued by the private sector establishment of the ITCI in which the state took a minority shareholding. A major cause of the scheme's poor performance in phase one was due to the unattractive interest rate charged, in contrast with the "modest subsidy"¹⁰ applicable in the Trade Facilities Act in Britain. When Lemass was appointed Minister in 1932, he used the scheme to encourage the establishment of new manufacturing firms, and to assist established firms. He recommended that "the state must step in" to establish the ICC and thereby consolidated the state's involvement in specialist financial services.

The third conclusion concerns some inconsistencies and contradictions in the operation of the scheme particularly in the second phase. One example is the amendment to the legislation which allowed the minister to grant loans with conditions to be agreed with his counterpart in Finance. Yet, when the occasion arose (in the case of the Peat Fuel Company¹¹), a different course was taken and grants-in-aid were paid with conditions attached. There is also the curious parallel development of the state sponsored Turf Development Board which was registered in the same month as the Peat Fuel Company.

During both phases of the scheme, directors were appointed by the government to the boards of private firms. The purpose of these appointments remains unclear, and there is only one case of a report from these directors in the exercise of their role. Lemass was also ambiguous about the role of the private sector in the hasty amendment of the scheme in 1934 which redefined house building as a "manufacturing activity".¹²

¹⁰ Keynes, *op. cit.*

¹¹ A company case note on the Peat Fuel Company is included in Appendix III.

¹² There is a company case note in Appendix III on the Irish Homes Company, for whose proposal the amendment was necessary.

The practice of giving state guarantees did not die out with the demise of the loan guarantee scheme. On the contrary, the State Guarantees Act, 1954, was not a logical development of a state industrial policy, but rather a measure to rectify the practices which developed during the “Emergency” period when a number of state sponsored supply companies were given guarantees for their trading activities.

The loan guarantee scheme was an exceptional measure in 1924. Its direct impact was marginal even in the short term, but the procedure of the state providing guarantees continued for decades and survives in different forms to the present.¹³ Further research is needed to paint a complete picture including the other important aspects of development, those of technical progress and expansion of trade.

Appendices:

Three appendices are attached to complete the Thesis.

Appendix I supplements the set of tables and figures in Chapter 4. They include extracts from the completed data tables for firms and for events. Tables are also included for full sets of primary codes for the sectors and for the purposes for which the loans were borrowed.

Appendix II contains a set of tables and figures supplementing those in Chapter 5. They are categorised in the three groups of firms, finance and employment. The appendix also contains tables of government appointed directors and receivers appointed to companies with loan guarantees.

Appendix III contains company case notes on seven companies which demonstrate the diversity of different aspects of the how the loan guarantee scheme was applied. The companies range from cases which did not proceed after approval, to cases with different additional funding histories; some were successful and others less so.

¹³ The Credit Guarantee Act, 2012 and the Credit Guarantee (Amendment) Act, 2016.

Chapter 2 : Origins and early development of the loan guarantee scheme

2.1 Introduction

This chapter describes the origins and the early stage development of the loan guarantee scheme beginning with the proposal which was first recommended to the Executive Council in October 1923. The resulting legislation was passed by both houses of the Oireachtas ten months later, in spite of strong opposition from the Department of Finance. The major influence on the legislation was the Trade Facilities Act passed in Britain in 1921 to address widespread industrial unemployment, whereas in Ireland, the Trade Loans (Guarantee) Act, 1924, was aimed at generating new industrial employment. Both measures provided for the state to guarantee loans borrowed by firms for the purpose.

The chapter then describes the background to the emergence of a loan guarantee scheme. A critical feature was the central role played by the newly established Department of Industry and Commerce which proposed the scheme. The department had been unsuccessful in advocating some measures of tariff protection for Irish industry in its submissions to the Fiscal Inquiry Committee (FIC) . At the same time, the Commission on Agriculture (CoA) cited the British act when it recommended that “the credit resources of the state should be placed” at the disposal of private capital in support of the Dressed Meat Industry¹⁴, a proposal also favoured by the Minister for Agriculture.¹⁵ These factors prompted the Department of Industry and Commerce to propose an adaptation of the British legislation for Irish circumstances. A further modification was later added to accommodate the outcome of the Commission on Prices, which also reported in 1923.¹⁶

The chapter argues that the scheme required an exceptional method of funding loans from its beginning. This became apparent when the banks refused to provide credit, even with a state guarantee. This resulted in the state-owned National Land Bank being the only provider of credit to the scheme in the first year. The government quickly agreed to invest share capital in a trust company, the Industrial Trust Company of Ireland Ltd. (ITCI), which was set up as a private sector initiative to enable the scheme to work.¹⁷ This situation was consolidated in the subsequent recommendations of the Banking Commission of 1926.¹⁸ The commission recommended a new

¹⁴ Commission on Agriculture (1923), Main Report, paras. 79-82, 50-52; Minority Report paras. 48-51, 87-8.

¹⁵ UCDA, McGP, P35b/2 p.7 (undated) ca. 1923.

¹⁶ Commission on Prices (1923).

¹⁷ Industrial Trust Company of Ireland Limited (Acquisition of Capital) Act, 1926; No. 7 of 1926.

¹⁸ Banking Commission (1926) third interim report, pp.34-5.

approach to providing industrial credit through the ITCI which was by then already registered and established.

The chapter furthermore shows how the operation of the scheme in the early years was limited by the prohibition in the legislation to guarantee working capital loans. Efforts to circumvent the exclusion were investigated by the Comptroller and Auditor General. His report, in turn, was discussed by the Dáil Public Accounts Committee. The Department of Industry and Commerce defended their actions successfully before the committee and was supported by the advice received from the Attorney General. In spite of the consensus reached at the Banking Commission, the loan guarantee scheme effectively stagnated from 1927 onwards. This may be due in part to the inability of the scheme to accommodate the need for working capital facilities, or to the lack of an active role on the part of the commercial banks. In June 1929, Minister Patrick McGilligan expressed the view that access to finance was not the main cause for the lack of progress. Nevertheless, the scheme was renewed each year, in spite of the declining number of successful applicants. Between July 1929 and October 1932 there were no further applications approved.

The chapter concludes by arguing that the period up to 1932 represented a pilot phase of the scheme which should be treated as Phase I. The scheme continued to be renewed annually and this made it possible to review the question of industrial finance in the circumstances facing the new government elected in that year. The scheme did not achieve what had been expected, but there had been considerable change since the act was introduced, not least a clearer focus on access to industrial finance as a potential hindrance to the development of small industry. The Macmillan Committee (1931) diagnosed this problem in British industry when it identified the so-called Macmillan gap. The problem in Ireland was of a similar nature but on a different scale.

2.2 The Department of Industry and Commerce

A Department of Industry and Commerce did not exist before Independence. The formation of a new department therefore had a different set of roots from those of the other two major departments, that of Agriculture and of Finance. Both of these departments had established structures from which to draw the necessary human resources in the transformation after Independence. Finance had a well-established role in the Castle administration which transferred physically to Merrion Street, notwithstanding some constraints in recruiting “suitably qualified and experienced civil servants to man the new department”.¹⁹ Joseph Brennan transferred from the Chief Secretary’s office in the Castle to the department of Finance in February 1922. He succeeded

¹⁹ Described in Fanning (1978) *Finance* pp.40-1.

William O'Brien as secretary a year later.²⁰ He entered the service in London in 1911 and was the epitome of the 'elite' entrants to the first division of the civil service described by Daly.²¹ In the case of agriculture, land agitation and the call for Home Rule had brought about changes in the administration of the agricultural sector. McDowell's description of the government departments functioning in Ireland up to 1914 provides the following picture of the roots of the department of agriculture:

...important schemes for agricultural development and agrarian reform were administered by three great Irish departments, the board of works, the land commission, and the congested districts board. (McDowell, 1964, viii),

These discrete functional units continued after Independence, until reforming legislation was enacted. On the other hand, "... there was little industrial development" and there was no particular department of administration dealing with that subject.

The Department of Agriculture and Technical Instruction (DATI) was established as an Irish department in 1899. The department grew to be "easily the largest of the Irish government departments" with a staff of over 700 by 1907.²² DATI introduced a structure for education and vocational training for primary producers, including fisheries. In the industrial sphere, however, there was no equivalent state intervention. The wider task of dealing with urban employment evolved from the responsibilities of the board of trade. This was one of the United Kingdom departments functioning in Ireland.²³ The board appointed a registrar of companies in Dublin in 1862 and was given the power to open labour exchanges throughout the United Kingdom in 1909. By 1914 there were twenty-one of these exchanges in Ireland. The Ministry of Labour established an Irish department in 1918, to which responsibility for the Factory Inspectorate and all labour exchanges was then transferred. Gordon Campbell, later appointed to head the new Department of Industry and Commerce, was appointed its first secretary.

The Department of Industry and Commerce was an amalgamation of various strands and did not take its final shape until the third Dáil in September 1922.²⁴ These strands included the legacy of the Castle administration (Irish Government Departments and United Kingdom Departments functioning in Ireland, to use McDowell's designations²⁵). The Board of Trade was at the core, but it also included

²⁰ Fanning (1978) *Finance* p.60.

²¹ Daly (1994) *Irish nationalist elite*, p.290.

²² McDowell (1964) *Irish Administration* p.226 fn.1.

²³ *Ibid.* Appendix III p.299.

²⁴ There is no official history of the Department of Industry and Commerce in the manner of Fanning (1978) for Finance, Daly (1997) for Environment and both Hoctor (1971) and Daly (2002) for Agriculture.

²⁵ McDowell (1964) *Irish administration*, Appendices II & III, pp.297-9.

the Irish Branch of the Ministry of Labour, the Factory Inspectorate, the Electricity Commissioners, and the Registrars of Companies, Business names, and Shipping.

The first Dáil in 1919 established Ministries for Labour, Industry, Trade and Commerce, and Economic Affairs. These were brought together when in September 1922 Joseph McGrath was appointed the first Minister for Industry and Commerce. This combination of responsibilities was the final step in the transition of the pre-independence structures of employment exchanges and the factory inspectorate of the old Ministry of Labour into the new Department. Campbell, who was appointed the first secretary, had trained as an engineer and later a lawyer in London before joining the Ministry of Munitions in 1915. There he developed an expertise in dealing with wage settlements.²⁶ He transferred to the Ministry of Labour in 1918 and, when the Ministry set up a separate department in Ireland, he was appointed its first secretary.²⁷ He moved back to Dublin in 1922 when he was appointed secretary of the new Department of Industry and Commerce.

The staffing of the Department of Industry and Commerce included fewer than five per cent of those named by Maguire as transferring from the Dáil Éireann civil service.²⁸ These, in turn, were a very small proportion of the 20,415 civil servants who transferred at 1 April 1922 as reported in the Brennan Commission's report.²⁹ Among those who transferred into the new department were Robert Ferguson and Thomas Barrington. Ferguson joined the Irish Branch of the Ministry of Labour in his native Belfast in 1920 and Barrington, who transferred from DATI, joined the service in 1901 and specialised in studying the changing nature of the agricultural sector from 1900 onwards.³⁰

Campbell's position in the Ministry of Labour gave him access to the reports of the growing unemployment problems throughout Britain in 1920. He therefore had direct experience of the evolving crisis in unemployment in Britain and the steps taken to deal with the situation, ultimately with the Trade Facilities Act, 1921. Detailed weekly reports were prepared by the Ministry of Labour for the Cabinet from the autumn of that year. Ireland was not included in the reports but it is likely that sectors reported upon, such as shipbuilding and ship-repairing, general engineering, textiles and clothing would have been equally affected in the northern counties as was reported from the various regions of England, Scotland and Wales. A summarised version of these reports was

²⁶ See biography by Dempsey (2009d).

²⁷ IT, 1 Mar. 1919.

²⁸ Maguire (2008) *The civil service 1912-38*, Appendix: pp.230-6. These included three individuals from the Department of Labour and eight from the Directory of Trade and Commerce.

²⁹ Commission of inquiry into the civil service (1936) Table (b) Appendix III, p. 196.

³⁰ Biography by Dempsey (2009a).

circulated in the “Labour Gazette”.³¹ However, the scale of the unemployment problem is recorded in the special weekly reports to the Cabinet by the Ministry of Labour. These show that total unemployment rose from 318,096 on 27 August 1920 to a peak of 2,170,397 on 1 July 1921.³²

The culmination of the crisis in unemployment was reached in the autumn of 1921 when the cabinet met in special session in Inverness, Scotland, to deal with the situation. The outcome of that meeting resulted in a proposal which was discussed with industrial and financial interests, and from which the Trade Facilities Act, 1921, was drafted.³³ The Act was passed by Westminster, came into operation on 10 November 1921, and terminated on 9 November 1922. The succeeding legislation, the Trade Facilities and Loans Guarantee Act 1922, did not apply to Ireland. Separate legislation was introduced in Northern Ireland at the instigation of Lord Pirrie, chairman of Harland and Wolff – the Government of Northern Ireland (Loan Guarantee) Act, 1922.³⁴ Both Campbell and Ferguson in Industry and Commerce would therefore have been familiar with the thrust of the initiatives in London and Belfast to deal with unemployment.

2.3 The emergence of a loan guarantee scheme

There was limited scope for industrial development after independence when a border separated the main industrial areas in the northeast from the remainder of the country. According to Girvin, “the Free State had one of the smallest industrial workforces in Europe”.³⁵ In the 1926 Census of Population, Northern Ireland recorded over 35 per cent of its population in industry, whereas the remainder of the country had less than half that proportion (14 per cent).³⁶ The concentration of industrial activity in the northeast is underlined by the distribution of the Ministry of Labour’s employment exchanges in 1922: 25 per cent of the exchanges were in County Antrim, whereas 15 counties had no exchanges, all but two in the south. This asymmetric distribution of industrial activity was at the root of the challenges confronting the new department. Some background to that situation is covered in a range of literature.³⁷ Nevertheless, the policy adopted by the Cumann na nGaedheal government prioritised the role of agriculture in the economy built on the free trade arrangements with Britain.

³¹ In the NLI catalogue up to 1921/in TNA, Kew from 1893-1952, ref. LAB 17/500.

³² TNA, CAB/24/126, and CAB /24/128, *Special weekly reports on unemployment*.

³³ Peden (1993) *The road to and from Gairloch*.

³⁴ PRONI, FIN 30/D/72 *Administration of the scheme 1922-33*.

³⁵ Girvin (1989) *Between two worlds* pp.14-5.

³⁶ Johnson (1985) *interwar economy* p.20.

³⁷ Ó Gráda (1994) *New economic history*, Ch. 13, Honohan and Walsh (2002) *Catching up*, and Bielenberg and Ryan (2013) *Economic history since Independence*, Ch. 4.

Industrial development was subordinated to these aims. This can be seen in the outcome of the Commission on Agriculture, established late in 1922, and the work of the Fiscal Inquiry Committee, from the following year. These had been preceded by the Commission of Inquiry into the Resources and Industries of Ireland which was established by the first Dáil in 1919 and reported on the extent of the resources but no specific actions followed from the work. The Commission on Agriculture produced a number of interim reports, and a final report published in April 1924. It contained sections of industrial interest on the dressed meat industry, alternative employment in rural areas, such as forestry and the development of the bogs as a fuel resource, and other innovative crops as industrial raw materials. In the minority report by Duffy and Johnson, particular mention was made of the dressed meat industry and the potential of using the Trade Facilities Act, 1921, as a model to provide support. They recommended its application for the “establishment of the dressed meat industry on a large scale”.³⁸ This proposal was endorsed by comments from the Minister for Agriculture with regard to the reopening the Drogheda Fresh Meat factory.³⁹

These supporting endorsements for government action to aid the meat processing industry was offset by the outcome of the Fiscal Inquiry Committee which was progressing over the same period. The committee was set up “to secure a disinterested, balanced and exhaustive analysis of a complex problem. The Committee is not expected to advocate policy.”⁴⁰ It operated by inviting interested parties from industry and agriculture to present evidence. Campbell and his minister, McGrath, maintained that a balance was needed between employment in agriculture and industry. Lemass expressed the same sentiment in the Dáil in 1929.⁴¹ Ferguson, from the department, made a presentation to the committee strongly supporting tariff protection for some industries so that they might eventually reach a level of efficiency to trade in a free market. However, the committee chaired by J.J. McElligott, assistant secretary in the department of finance, and otherwise composed of academics, was not disposed to recommending protective tariffs.

Meenan lists five main headings under which the committee examined the long-term prospects of Irish industry. First among these was the issue of “the supply of capital”.⁴²

Capital for the promotion of industrial enterprise is not readily obtainable in Ireland. ... The Committee is aware that the policy of Irish banks has been to

³⁸ Commission on Agriculture (1923) Minority Report, p. 87.

³⁹ UCDA, McGP, P35b/2, ca. 1923, Agricultural policy. The paper is undated, but the references in it suggest that it was influenced by the work proceeding at the Commission on Agriculture, i.e. during 1923/4.

⁴⁰ DÉD, Cosgrave, 15 June 1923, v.3 no.28 c.2024.

⁴¹ DÉD, Lemass, 13 Jun. 1929, Vote 56 – Industry and Commerce, Vol. 30 No. 11 c. 1336.

⁴² Meenan (1970) *Irish Economy* p.145.

afford sufficient credit to well established enterprises. Indeed it seems that in this matter they have gone as far as the limits of safety will allow.⁴³

By inference, the committee identified the problem for the not so “well established enterprises”, but did not propose a solution. The committee also rejected the “infant industry” argument for protective measures on the basis that there were very few new industries starting up and “very few Irish industries are in the infantile stage”.⁴⁴ Again, the potential for new enterprises was not considered.

Opinions were expressed both for and against the committee’s final report. For example, Charles Oldham, then professor of National Economics in UCD and an admirer of Arthur Griffith, was prepared to accept the conclusion of the committee.

The great value of the Fiscal Inquiry has been its clear, concrete demonstration that industrial development in the Free State cannot be “fostered” by import duties; that Protection in that form would not here be helpful for development, but harmful: for it would kill our healthy industries more certainly than it could cure our infirm and inefficient ones.⁴⁵

On the other hand, the proponents of a protectionist policy were disappointed:

To many who were hopeful that the ushering in of the new state meant a giving to the people of powers not only to determine the political trend of their national life but also the course of its economic development, the findings of the committee sounded almost like the death knell of such hope of a progressive future for the Saorstát.⁴⁶

Decades later, O’Brien, a member the Fiscal Inquiry Committee, reflected on the conservative stance adopted in the report and considered it a missed opportunity.

The purpose of the Fiscal Inquiry Committee was to investigate the effects of the existing fiscal system and of any changes that might be made therein ...

Although the Report was, as required by the terms of reference, confined to facts, it struck a note of caution about the effect of protective tariffs for industry ...

It is not unreasonable to suggest that the Report would have carried more weight if instead of throwing cold water on every proposal for protection, it had taken notice of the strong, almost irresistible, claim for protection that was prevalent and had discussed how the costs of such protection could be minimized.⁴⁷

This outcome of the committee’s work was a disappointment for Industry and Commerce. Some form of protection had been anticipated, but not a total rejection.

⁴³ Fiscal Inquiry Committee (1923) para. 74.

⁴⁴ Fiscal Inquiry Committee (1923) para. 96.

⁴⁵ Oldham (1924) *Fiscal Inquiry Committee* p.5.

⁴⁶ Milroy (1924) *Protection*, Foreword.

⁴⁷ O'Brien (1962) *Ireland 1912-1962* p. 14.

Notwithstanding the recommendation of the committee, some 'experimental tariffs' were introduced in the budget of 1924. These were closely monitored by the departmental officials as was the balance between tariffs and quotas on some products, as described by Ferguson (1944).

During the period from the beginning of 1922, Irish newspapers reported regularly on the progress of the Trade Facilities Act 1921 in Britain and the Loan Guarantee Act 1922 in Northern Ireland.⁴⁸ It is reasonable to infer that these reports, as well as similar reports in the British financial pages, prompted a proposal to take a similar course in Ireland. The records do not suggest that there was any forward planning, and it was in these circumstances that the loan guarantee scheme was proposed as a step to encourage industrial development.

2.4 An "Industrial Loans Guarantee Bill"

Campbell prepared a proposal for the introduction of a loan guarantee measure in Ireland which was circulated to the Executive Council of the Government at the end of October 1923.⁴⁹ He expressed the view that

... the mere passing of legislation for power to guarantee would be a tonic and if the Act were administered strictly for an experimental period reliable information could be obtained as to the possibility of helping industrial development while strictly limiting the public liability.⁵⁰

He noted that the Trade Facilities Act 1921, which was passed by Westminster, came into operation on 10 November 1921. The Act was valid for a period of twelve months and its renewal, the Trade Facilities and Loans Guarantee Act, 1922, which followed

... did not apply to the Saorstát. Accordingly, there was no legislation in force in this country under which industry and commerce might be assisted by any government guarantee in respect of the payment of loans.

Daly (1984) cites from the records of the department that a number of firms contacted the department to find out if similar facilities as those available to industry in Britain were available to Irish firms.⁵¹ It is not clear whether any Irish firms sought assistance directly under the British Trade Facilities Act. It would appear unlikely in view of the scale and nature of the projects which that

⁴⁸ Irish Times, Irish Independent, Freemans Journal, Irish Examiner and Belfast Newsletter from the Irish Newspaper Archive.

⁴⁹ The Final Report of the Fiscal Inquiry Committee was dated 1 Nov. 1923.

⁵⁰ NAI, TAOIS/S/3373, *Trade Loans Act, 1924*, Campbell to the Executive Council, 30 Oct. 1923.

⁵¹ The Industry and Commerce file I/58 1/D is cited by Daly (1984) with this information in fn. 4 p.74; there are fourteen later citations of the same file. Records were then in the archives of the department in Kildare Street, Dublin. Files relating to the Trade Loans (Guarantee) Acts have been transferred to the NAI since that citation. However, the file is not now registered in the NAI and may still reside in the archives of some other successor to the department. Correspondence with the Department of Jobs, Enterprise and Innovation and with the National Archives has led to the conclusion that the file is now lost.

legislation was intended to encourage.⁵² A direct application from Ireland would need government approval. Furthermore, a significant proportion of the capital equipment needed be manufactured in Britain, thus generating employment there. The Treasury view in London was that:

... loans spent in the Irish Free State will naturally be outside the scope of the Act, as the Free State is no longer for this purpose part of the United Kingdom.⁵³

Campbell cited a number of reasons for the lack of progress in supporting industrial enterprise, these included “pessimistic advice given by leading chartered accountants in Dublin” and also the excessive cost of capital on the London money market for underwriting any industrial proposition in Ireland. He was in favour of government intervention to demonstrate leadership so that the initiative would be taken up by industrialists. Therefore he proposed a loan guarantee scheme similar to the one operating in Britain. The view from the department, also expressed by the minister, McGrath, was that government intervention was necessary to promote more industrial activity.⁵⁴

Following the exchange of views, a draft “Industrial Loans (Guarantee) Bill” was prepared for circulation on 8 January 1924 to the Executive Council “on the lines of the British Trade Facilities Acts” avoiding the use of the term “Trade Facilities Bill” for the reason that the alternative proposed title “indicated its purpose better”. It followed the structure and wording of the British prototype, the Trade Facilities Act 1921, with the following changes:

1. The Minister of Industry and Commerce replaced the Treasury as having the power, with the agreement of the Minister of Finance, to guarantee loans which fulfilled the criteria set out in the proposed legislation.
2. No limit was proposed for the “aggregate capital amount” of loans which might be guaranteed similar to S. 1 (2) of the British act. This was probably for two reasons. In the first place, the Department of Industry and Commerce had no role in specifying the level of contingent liability which might be involved, and secondly, the objections of the Department of Finance to the proposed measure had not been overcome.
3. The Bill proposed a procedure for reporting to the Oireachtas on guarantees given similar to that adopted in Westminster. This included reporting on repayments to the exchequer in the case of loan guarantees having to be paid.
4. Time Limit/sunset clause: There was no indication in this first draft of a time limit on the legislation similar to the limit set in sub-section 1 (2) of the 1921 Act, setting a limit of twelve months on its operation.

The legislation was renewed annually in Britain up to 1926.

⁵²In the course of researching the background to the British legislation at the UK National Archives, Kew (TNA), no references to Irish applicants have been discovered; nor references to British applicants seeking to embark on projects in Ireland.

⁵³ TNA, T160/144, Treasury memo 4 Jan. 1923.

⁵⁴ See Girvin (1989) *Between two worlds*, pp.25-6.

Brennan in the Department of Finance expressed his opposition to the use of this model in his memorandum to the Executive Council⁵⁵. His view was that the British legislation was designed to “meet the difficulties in which British manufacturing industry was placed by the breakdown of the export trade to countries disorganised by the war” and his opposition was based on the fact that the Irish circumstances were quite different. The range of “capital undertakings” covered by the guarantees, he pointed out, were in relation to export trade in capital projects, and he instanced “£2,000,000 for a pulp and paper mill and power station in Newfoundland; £1,500,000 for building a railway in Sudan, £850,000 for a hydro-electric scheme in India.” He was therefore familiar with the use the British Government was making of their legislation to address their unemployment situation. Furthermore, his view was that Irish manufacturing industry was too insignificant to avail of such a guarantee scheme and following the recent success of the National Loan, the banks would be in a better position to “grant accommodation to commerce than they have been in the recent past”.

Campbell responded on the following day that while Britain exported a much larger proportion of manufactured goods, “the object served by the Trade Facilities Acts are much the same whether the trade to be stimulated is an export trade or an internal trade”. In addition, while the banks were no more inclined to accommodate industry than they had been, he felt that they were more likely to give industry some consideration “when the Government has set an example in that direction”. He repeated the view that firms of accountants were very pessimistic about the future for industrial ventures in Ireland and that “nothing will promote the necessary confidence as rapidly and effectively as an exhibition of it by the Government itself”.

From this correspondence it is clear that neither Brennan nor Campbell had discussed the possibility of such a scheme with the banks. The success of the first National Loan in 1923 was a major achievement due to the efforts of Brennan and McElligott who was invited to join the Department of Finance at the beginning of that year.⁵⁶ However, their reception by the banks, as recounted by Fanning (1983b) had been none too cordial. Brennan had responsibility for the task of dealing with national finances in the exceptional circumstances immediately after independence. The shortfall between revenue and expenditure required borrowings which the banks were initially unwilling to give without a British government guarantee. In addition, there was a need for longer term borrowing to meet exceptional items such as reconstruction, claims for compensation and the unresolved issues of liability with Britain arising from the Treaty. Both Brennan and McElligott were

⁵⁵ NAI, TAOIS/S/3373, *Trade Loans Act, 1924*, Brennan to Exec. Council, 11 Dec. 1923.

⁵⁶ McElligott had first joined the civil service in 1913 but was dismissed in 1916 for his part in the Rising. Biography by Cromien (2009). He returned to Ireland in 1923 having worked as a financial journalist, and eventually the managing editor of *The Statist*, a London financial weekly. He was succeeded in that position by John Colbert who was later to return to Ireland to manage the Agricultural Credit Corporation (in 1927), and following that the Industrial Credit Company (in 1933). Biography by Dempsey (2009c).

occupied with this task during 1923 and were reporting directly to the Executive Council. Following several meetings with the banks and the stock exchange, and consultations with the Treasury in London, the first National Loan of £10,000,000 was floated in December 1923. It was oversubscribed and did not require the underwriting which had eventually been agreed by the banks. This was a remarkable achievement particularly so soon after the ending of the Civil War. It might also have been interpreted as a turning point in the attitude of the banks. It was a defining event in establishing the authority and competence of Brennan and McElligott in the eyes of the financial community.

The banks, however, were not disposed to taking risks with the deposits entrusted to them by Irish savers. Their strong Unionist tradition and London orientation made it unlikely that they would be receptive to a loan scheme in the private sector. Assuming that the deposits of Irish savers were held on the London money market,⁵⁷ they were therefore well aware of the volume of loan stock guaranteed by the Treasury which was offered to the market by the British Trade Facilities Acts during this period.

Neither Brennan nor Campbell made reference to the legislation introduced in Northern Ireland – the Government of Northern Ireland (Loans Guarantee) Act 1922. This was mainly aimed at assistance for the shipbuilding industry in Belfast and had been introduced through the intervention of Lord Pirrie, Chairman of the Harland and Wolff Company. If the Northern Ireland measures are taken into consideration in addition to those already referred to by Brennan, then the position at the end of 1923 included a further ten projects under the Northern Ireland Act with a contingent liability on the UK exchequer of £3,747,000. Eight of these projects were based on shipbuilding proposals and the remaining two were a housing project in Coalisland and a small electricity project in Dunmurray.⁵⁸ Loans borrowed from the Irish Banks in three of these projects in Northern Ireland amounted to £428,115. In Northern Ireland the Ministry of Finance was a negotiating partner with the borrowers in the loans approved. The loan guarantee scheme was administered in the Ministry by George Duggan who had been a colleague of Brennan's in the Finance Division in Dublin Castle and who opted to transfer to the new administration in Belfast. There are no records of formal contacts between Dublin and London or Belfast during the preparation of the loan guarantee legislation about its content or operation. However, there are indications of informal contacts after

⁵⁷ Ó Gráda (1994) *Ireland: New Economic History* pp.365-6.

⁵⁸ PRONI, FIN 30/D/72, Statement A in the Report "Notes on the Administration of the Loans Guarantee Acts (Northern Ireland) 1922 – 1933".

the legislation was passed.⁵⁹ Brennan wrote to A.P. Waterfield⁶⁰ in the Treasury seeking his confirmation on a question which arose in relation to the operation of the act.

Even at this early stage, before the legislation had been drafted, a difference emerged between the proposed legislation and the British prototype and this was contained in the proposed Section 1 of the legislation. The Minister for Industry and Commerce should base his decisions, in concurrence with the Ministry of Finance, on the recommendation of an advisory committee. This was different from the British practice where the advisory committee was independent, but in regular consultation with the Treasury. This difference of approach was the source of tension between the two departments during the drafting of the scheme. A further difference was the role of the Minister. In the British scheme, there was no direct ministerial involvement in the decision; the Trade Facilities Advisory Committee made a recommendation which the Treasury approved and funding was arranged through the Bank of England.⁶¹

The Executive Council meeting of 8 January 1924 postponed any further consideration of the measure and at their next meeting two days later agreed “to postpone consideration of this Bill until the Minister of Finance and the Minister of Industry and Commerce had conferred on certain points arising out of the Bill”.⁶²

During February 1924 there was disagreement between the Minister for Finance, Ernest Blythe, who appears to have been willing to consider the proposal positively and the secretary of his Department, Brennan, who put forward his arguments opposing the proposal in a memorandum:

It is useless wasting time on details until a decision is first reached on the main question of principle involved, that is, whether some legislative provision should be made in this country whereby State credit would be placed at the disposal of private industrial or public utility enterprises on certain conditions.⁶³

He attributed the demand for the legislation not to any “definite experience of actual need” but to the fact that legislation of this nature was “operative in England”. The position of Irish manufacturing industry was not comparable with that of Great Britain and he claimed that the state

⁵⁹ The Department of Industry and Commerce file on draft agreements (NAI, INDC/IND/24/20) contains a copy of a pro-forma agreement from the legal advisors to the London Trade Facilities Advisory Committee, Linklater and Paines.

⁶⁰ Alexander Percival Waterfield was the last representative of the Treasury in the Dublin Castle administration. He returned to London at the end of 1922. Brennan reported to him in the Dublin Castle administration.

⁶¹ TNA, T160/783/F3861, Trade Facilities Advisory Committee, Treasury Minute of Procedures, Treasury Minute 8 Nov 1921. A separate procedure was adopted for “small proposition” considered to be too small for public issues of loan stock.

⁶² NAI, S/3373 *Trade Loans Guarantee Act, 1924*.

⁶³ NLI, JBP, MS 26,214 Memorandum Brennan to Blythe 29 Feb 1924. Ernest Blythe was appointed Minister of Finance following the election of the 4th Dáil in August 1923. W.T. Cosgrave had held the portfolio for the period following the death of Michael Collins.

was already giving “more than a corresponding measure of assistance to our chief industry (i.e., agriculture) ... in such a matter as Land Purchase”. No evidence had been produced that there were undertakings capable of benefitting from such a measure in dealing with unemployment and, if such legislation were passed, the Government might find itself “driven to allow guarantees in unsuitable cases rather than be placed in the embarrassing situation of making no use of the powers which it will have sought and obtained”. However, he seems to have accepted the inevitability of the some form of legislative measure being drafted with the suggestions that it should be “an essential condition of any guarantee that the purpose in view should be calculated to promote employment in Saorstát Éireann”. In addition, “... the amount to be guaranteed, if the Bill is to proceed, ought to be restricted to the lowest possible. I would suggest half a million.” In addition, with regard to the Advisory Committee, he felt the Department of Finance should have the final veto on any proposal, even if recommended by the Advisory Committee. “It will not be easy to find here the type of independent person with good financial knowledge that the Treasury Committee have available”. Finally, Brennan argued that the scheme proposed was essentially financial and therefore the control and administration should be exercised by the Department of Finance.

In March 1924 Joseph McGrath, Minister for Industry and Commerce, resigned in connection with the Curragh Mutiny of army officers.⁶⁴ His replacement as Minister was Patrick McGilligan,⁶⁵ who was elected to the Dáil in a bye-election during the previous November. He served as Minister until the change of government in 1932, and following the assassination of O’Higgins was given the additional portfolio of External Affairs in October 1927.

The departure of McGrath weakened Campbell’s position in his attempt to establish a more active role for Industry and Commerce with respect to the dominant role of Agriculture. Campbell’s view was that

Agriculture offers no prospect of being able to absorb any substantial number of workers, the main hope of diminishing unemployment lies in a considerable expansion of private industry.⁶⁶

McGrath had supported this approach and had recommended to his cabinet colleagues that a programme of industrialisation was needed to reduce the dependence on agriculture which meant that “all the eggs were in one basket ... the bottom of which is by no means secure”. According to Girvin (1989), neither McGrath nor McGilligan were ideologically committed to either protection or

⁶⁴ Valiulis (1977) *Curragh Mutiny*, Valiulis (1988) *After the revolution*.

⁶⁵ McGilligan was a contemporary of Brennan’s in Clongowes Wood College and used that contact during the Treaty negotiations at a time when Brennan was a Finance officer in Dublin Castle (1977, Ó Broin, 1982).

⁶⁶ NAI, F22/11/24, *Tariff Proposal for the Saorstát*: memorandum 29 Feb. 1924. Quoted by (Daly, 1992 p. 25).

free trade, but recognised the limitations of the situation and the need for Industry and Commerce to adopt a “self-consciously developmental approach to policy making”.⁶⁷

The departure of McGrath from Industry and Commerce may explain the more engaged role of Blythe in the final the preparation of the legislation, instead of McGilligan, whose Department proposed the Bill. It may also have been his acceptance of Brennan’s argument that the legislation was a financial measure which could have an impact on the exchequer. It was Blythe therefore who conferred with the parliamentary draughtsman and gave instructions for the Bill. The series of events recounted by Finn (2008) in which he concluded that the legislation was “prepared in less than 24 hours” are accurate insofar as the work of the parliamentary draftsman is concerned.⁶⁸ The Bill presented to the Dáil contained a number of additions to the original proposal drafted by Campbell nearly eight months earlier.

2.4.1 Working capital and the prices of essential commodities

The Bill as laid before the Dáil contained some additional detail, such as a time limit of twelve months and a limit of £750,000 on the state’s liability for the aggregate amount of loans guaranteed. The Bill also contained two departures from the British model and from the original proposal; the first was an explicit prohibition on loans for working capital, and the second a provision to support projects aimed at reducing the cost of “essential commodities”. The first of these was a confirmation of the British practice; the second was an invitation to engage in a cooperative approach to the production, distribution and provision of essential supplies.

Campbell had argued the case for working capital to be eligible, and he continued to do so after the passage of the Act⁶⁹, but he was unsuccessful in persuading the Department of Finance to accept its inclusion. Working capital was not specifically prohibited in the British legislation, but the guidelines issued to applicants by the Trade Facilities Advisory Committee clearly stated that working capital could not be covered.⁷⁰

The second departure from the original proposal was the proposed method of addressing the question of food price through Section 2 (1) of the Act. This additional section proposed that, under the loan guarantee scheme, groups of producers or consumers, or a combination of both, could put

⁶⁷ Girvin’s account covers a wider range of “Obstacles to Economic Development” including the consideration of the protection issues arising from the report of the Fiscal Inquiry Committee of 1923.

⁶⁸ NAI, AGO/2001/49/69, diary entries 18-19 June 1924.

⁶⁹ UCDA, McGG, P35b/1 and P35b/4.

⁷⁰ “The Treasury has no power to guarantee a loan which is to be used in whole or in part for the provision of working capital”. TNA, T160/783/F3861, *Trade Facilities Advisory Committee*. Explanatory statement and questionnaire issued by the Trade Facilities Act Advisory Committee to applicants for guarantees (ca. 1922).

forward plans which would aim to reduce the cost of scheduled items. There was an additional innovation in the proposal; the legislation provide for granting loans in addition to guarantees on loans. The amounts proposed in the legislation were an aggregate amount of £200,000 for guarantees on loans and a further £50,000 in loans.

This addition to the Bill was not related to industrial employment, but arose from the report of a Commission on Prices which was established by the Provisional Government in October, 1922, following a resolution of the Dáil. The Minister for Industry and Commerce nominated members to the Commission and appointed local committees to inquire into and report, including their recommendations, on the costs and profits in the production, distribution or sale of commodities. The Commission received a poor response from the public and from traders. The Commission reported that it was unable to “complete the duties assigned to them with desirable thoroughness and accuracy”. In addition, a number of the local committees experienced poor responses from the public, and therefore were “not in a position to make any concrete recommendations owing to the lack of reliable evidence”.⁷¹

The Parliamentary Draftsman, taking instructions from the secretary of the Department of Industry and Commerce, spent considerable time in the months of February to April 1924 working on a “Retail Prices Bill”.⁷² The Bill proposed a procedure for price control at a local level by appointing local committees organised through the local authority structures. Members of the public would have access to the committees as a means of having the prices of specific commodities investigated.⁷³ The range of commodities considered for inclusion in the Bill is set out in Table 2-1.

⁷¹ Commission on Prices (1923) *Final report*, pps.6-8.

⁷² NAI, AGO/2000/22/7357 *diary 1924*.

⁷³ NAI, TAOIS/3/S4815, *Retail Prices Bill*.

Table 2-1: Draft Retail Prices Bill, 1924, Proposed schedule of articles.

Beef	Eggs	Porter	Jams
Mutton	Bread	Stout	Fruit
Bacon	Fresh Milk	Paraffin Oil	Butter
Pork	Flour	Coal	Poultry
Sausages	Potatoes	Vegetables	Fish
<i>Aerated Mineral Waters</i>	<i>Lard</i>	<i>Household Soap</i>	<i>Tea</i>
<i>Whiskey</i>	<i>Meal</i>	<i>Candles</i>	<i>Sugar</i>
<i>Beer and Ale</i>	<i>Cheese</i>	<i>Wines</i>	<i>Margarine</i>
	<i>Tobacco</i>	<i>Cigarettes</i>	

Note: the items in italics were added to those in the first draft of the Bill.

Source: NAI, AGO/2000/22/7357 *Retail Prices Bill 1924*, draft Bill, 1 Apr. 1924

The Prices Bill was referred to Finance during the drafting process. However, the Bill was never introduced in the Dáil and it must be inferred from the records that Finance was not prepared to agree to the administrative burden of the scheme at local level, irrespective of whether the cost was to be borne by Industry and Commerce or at Local Government level. Campbell also conveyed his understanding of Finance's concerns to the draughtsman. He was also unhappy with the final draft: "it seems more feeble the more I look at it", and proposed recommending a free vote in the Dáil so that deputies "...could take a personal responsibility for a measure of admittedly a very crude type".⁷⁴ It transpired that the Retail Prices Bill was not presented to the Dáil and the Executive Council decided that the measure be incorporated into the Trade Loans (Guarantee) Bill.⁷⁵

During the debate on the Bill, a number of amendments were proposed including the removal of the prohibition on loans for working capital. There was difficulty in trying to find an acceptable legal definition for the term. The amendment was lost at the Committee Stage of the Bill without a division. The Labour Party introduced an amendment to include a "fair wages clause" which was also lost. There was considerable debate as to what constituted "essential commodities", and the debate was settled finally by the proposal from the Minister which was accepted:

S. 8 the expression "essential commodities" means the commodities taken into account by the Minister for Industry and Commerce for the purpose of the compilation of the periodical cost of living index number and such other commodities as may from time to time be declared by Orders made by the Minister for Industry and Commerce to be essential commodities for the purpose of this Act.

The only amendment adopted was that from Eamonn Duggan, T.D., who proposed an amendment to exclude any loans borrowed by local authorities under the provisions of the Act from the limitations on their borrowings. This was accepted in the form of Section 7 of the Act:

⁷⁴ NAI, AGO/2000/22/7357 *Retail Prices Bill 1924*, Campbell to Mathieson 22 Feb. 1924.

⁷⁵ NAI, TAOIS/G2/3, Second Executive Council, Vol. I Minutes of meetings: 9 Feb. 1924 Item C.2/49 and 19 May 1924 Item C.2/95.

S. 7 Any loan borrowed by any public authority exercising functions of local government which is granted by or the repayment of which or the interest on which is guaranteed by the Minister for Industry and Commerce under this Act shall not be reckoned as part of the total debt of such authority for the purpose of any enactment limiting the borrowing powers of such authority.

The Bill passed all stages in the Dáil before the summer recess in July 1924 and was passed by the Seanad without further amendment. It came into operation on 6 August 1924.

2.5 The loan guarantee scheme in operation

The operation of the loan guarantee scheme required the Minister for Industry and Commerce, in consultation with his colleague in Finance to appoint an advisory committee. The first committee to deal with applications for the “capital undertaking” under Section 1 of the scheme was chaired by David Telford, a leading member of the accountancy profession and a partner in the firm of accountants, Craig Gardiner & Co. The other members were T.P. Dowdall and Lionel Smith-Gordon. Dowdall was a member of the Cork merchant family through the firm of Dowdall, O’Mahony & Co. He was a founding member of the Cork Industrial Development Association. He and his brother, T.P., had experience of the Danish dairy industry and they were involved in the creamery butter business as well as having a range of other business interests. Smith-Gordon had come to Ireland in 1913 to work with Sir Horace Plunkett as a researcher and on the development of the co-operative movement. At the time of this appointment he was managing director of the National Land Bank.⁷⁶

The Advisory Committee was increased by two further members for the purpose of Section 2 application in relation to the “essential commodities” projects, D.J. Fahy and Thomas McCloskey. Fahy was secretary of the Cork Farmer’s Association and McCloskey was a Managing Partner of the Rose Bower Dairy, a proprietary creamery, in Cashel, Co. Tipperary.

The volume of work, in the initial stages at least, would appear to have been considerable. In view of the late appointment of the Advisory Committee in mid-October 1924, there were no announcements made in that year for applications approved. The first report to the Oireachtas of loans approved for guarantee was for the three month period to 30 April 1925.

2.5.1 Early problems: “not properly bankers’ work”

The reason for the delay in announcing the first approvals became apparent in the following months. They included the problem of funding the first applications approved and then finding a permanent

⁷⁶ Lionel Smith-Gordon was one of four advisors with Michael Collins on the sub-committee on financial relations at the Treaty negotiations in October 1921 (Fanning, 1978 p.121). He later served on the North East Boundary Bureau (Daly, 1992 p.21 and fn.2).

solution to financing industrial projects approved under the scheme. This involved the state-owned National Land Bank and shortly thereafter a private sector initiative to set up a trust company.

The problems were not immediately apparent in the first quarterly reports to the Oireachtas. They came to light in the events of the years 1925 and 1926. The first difficulty was revealed when the Minister for Finance sought the approval of the Dáil in March 1925 to make an advance of £300,000 to the National Land Bank.⁷⁷ There were “thirteen or fourteen applications” which had been approved by the Advisory Committee and the Department of Industry and Commerce and which were awaiting approval with the Department of Finance. The total of the loans involved was £160,000 and the immediate problem was that the commercial banks were not prepared to lend the money for the terms of ten to fifteen years, as had been proposed in the applications.

The Standing Committee of the Irish banks decided definitely, and so informed us when we approached them on the matter, that they would not give any loan, even under a guarantee, for a longer period than five years. That has made the Act, so far, inoperative.⁷⁸

The National Land Bank had been established by the first Dáil to deal with the difficulty encountered in the scheme for the purchase of land under the Land Acts. Landlords who sold their holdings were paid in Guaranteed land stock. However, the turmoil in the markets after the end of the war reduced heavily the value of these stocks, and other gilt-edged securities. The Dáil addressed this issue at its meeting of 20 August 1919⁷⁹ and adopted the report of the Director of Agriculture, Robert Childers Barton, on the possible establishment of an “Agricultural and Land Mortgage Bank” as a mechanism for relieving the difficulties being encountered. This was later to become the National Land Bank. Michael Collins, Director of Finance, supported the proposal and the Dáil voted an allocation of £200,000 for the purpose from Dáil funds without specifying the form in which the ‘bank’ should be incorporated. The bank was set up as a co-operative and was registered under the Industrial and Provident Society Act 1893. Its first circular included as one of the objectives “the establishment of a financial centre for the development of Irish industry.”⁸⁰

The National Land Bank, owned by the State with the Minister for Finance as the sole shareholder, was the only bank prepared to do business with borrowers approved for loan guarantees under the scheme in 1924. The Minister explained the need for the special advance in the Dáil. The bank, like the commercial banks, operated as a deposit bank and therefore had limited resources available for

⁷⁷ DÉD, Blythe, 6 Mar. 1925, Committee on Finance, Vote 65, National Land Bank, Vol. 10 No. 9 c.700 *et seq.*

⁷⁸ *Ibid.*

⁷⁹ DÉD, Agriculture, 20 Aug 1919, Vol. F No. 13 p. 6.

⁸⁰ NAI, DE/2/70, [National] Land Bank: publicity, Feb. 1920.

the loan guarantee scheme. Its funds were on call from depositors at any time. He saw the need for some alternative structure to meet the needs of the scheme.

The view has been taken that this work is not properly 'bankers' work. Certainly, if it is to be carried out to any extent, an industrial trust company or finance house of a different type should be set up that would handle its own money on long term loans, and be able to assist companies with facilities that would not be recoverable for a long period.

The question of the National Land Bank being converted to a specialised industrial credit bank as a means of solving this problem was not raised. It is very unlikely that the manpower resources with relevant experience could have been mobilised.⁸¹ There is no suggestion in the Minister's Dáil request that such a State initiative was contemplated. On the contrary; while he proposed that "some other system of dealing with the proposals will have to be devised", he held out the prospect of the State supporting an alternative solution:

... we (the Government) certainly are prepared to facilitate and assist any group of people who will set up this new type of financial organisation in the country.⁸²

2.5.2 A potential solution: the Industrial Trust Company of Ireland

It is clear from the records that a development to establish a trust company was already under consideration with the Department of Finance, in spite of earlier opposition by Brennan to the state's involvement in the scheme. John Mackie, the advisor to the Alesbury Bros. Company in Edenderry had met with and written directly to Blythe naming the banks which were unwilling to lend.⁸³ Smith-Gordon, Managing Director of the National Land Bank, was a member of the Advisory Committee of the loan guarantee scheme. David Telford, Chairman of the advisory committee was a senior partner in the firm of Craig Gardners into which Mackie had merged his own accountancy practice.

The first step in the private sector solution to the lending impasse was completed when Mackie and Telford registered the Industrial Trust Company of Ireland in August 1925.⁸⁴ A draft prospectus for public subscription had already been circulated to the Executive Council in December 1924 requesting permission to draft legislation for the State to take a shareholding in the proposed trust company. This was approved by the Executive Council⁸⁵ and eventually resulted in the Industrial

⁸¹ The question of the manpower needed for industrial financing was a factor discussed by the Interdepartmental Committee which reported on the Colbert proposal in 1932.

⁸² *Op.cit.* c.701.

⁸³ NAI, F/97/2/25, Mackie to Blythe, 6 Jan. 1925.

⁸⁴ NAI, D7399 *Industrial Trust Company of Ireland Ltd.* Dissolved company, first registered 20 Aug. 1925.

⁸⁵ NAI, C.2/148, Executive Council Minutes, 1 December 1924.

Trust Company of Ireland (Acquisition of Capital) Act, 1926 which authorised the government to invest in the share capital of the company.

The earlier passing of the Land Law (Commission) Act 1923 was a reason to put the future of the Land Bank in doubt. This Act established the Irish Land Commission for the transfer of land, and replaced the previous Land Commission established under the Land Law (Ireland) Act 1881.⁸⁶ In this way, the need for the 'special' arrangement to transfer land through the co-operative mechanism used by the Land Bank was eliminated. The absence of that role, put the Land Bank in direct competition with the other commercial banks for deposit business. The solution proposed by Blythe in seeking the advance of £300,000 could only be a temporary measure, although this was not clearly stated to the Dáil. The Minister gave no indication how the future guaranteed loans would be funded, in the absence of agreement with the commercial banks.

The Industrial Trust Company of Ireland Ltd. was registered for the purpose of providing finance for industrial and commercial enterprises. It was to be, inter alia, the "new type of financial organisation" envisaged by Blythe to provide long-term loans to companies which were approved for loan guarantees under the scheme. The initial share capital was raised from private investors in the United States. A sum of approximately £50,000 was raised from these investors by Smith Gordon, who travelled to the United States to canvass support.⁸⁷ A further £50,000 was raised by share capital subscriptions from the commercial banks in Ireland. The Bank of Ireland invested £25,000 and the balance was raised between six other banks (the Hibernian, Munster and Leinster, National, Provincial, Royal Bank of Ireland and Ulster Bank). The Oireachtas passed the Industrial Trust Company of Ireland Limited (Acquisition of Capital) Act, 1926, which authorised the government to invest up to £50,000 in share capital in the new company. Senator James Douglas, leas-cathaoirleach of the Seanad, and Hugh Kennedy, a Dublin businessman, were nominated as directors representing the Government on the board of the company.

The ITCI was one of the major lenders to companies approved for loan guarantees during the years from 1925 to 1927. This aspect is considered in Chapter 6 in the context of the full range of financial institutions which provided loans to the successful applicants. It will be shown however that the actual lending by the trust company was confined to the early years of its operation.

⁸⁶ The Act also abolished the Congested Districts Board and incorporated its resources and activities into the new Land Commission.

⁸⁷ 21 US shareholders are listed on the records of the company. (NAI, D7399, *Industrial Trust Company of Ireland Limited*).

2.5.3 The Banking Commission 1926: a path forward?

The Banking Commission was necessary to resolve matters relating to the Irish currency and note issue by the banks arising from Independence and the continued link with Sterling. It also addressed the issues of agricultural credit and the financing needs of the commercial and industrial sectors. In the course of its work, the commission made recommendation which mapped out the shape of the industrial financing for the following years.

The terms of reference of the Commission were:

to consider and to report to him what changes, if any, in the law relative to Banking and note issue are necessary or desirable, regard being had to the altered circumstances arising from the establishment of Saorstát Éireann.

The commission was chaired by Professor Henry Parker-Willis of Columbia University and its membership included directors of four of the leading banks in Ireland (the Bank of Ireland, the Munster and Leinster, the National and Ulster Banks). Smith-Gordon was also a member. He had resigned from the National Land Bank to take up the position of managing director in the ITCI,⁸⁸ and was appointed to the Banking Commission in that capacity. J.J. McElligott, assistant secretary of the Department of Finance was also member of the commission and a government director of the National Land Bank.

Two of the member of the Commission had direct experience of the trade loans advisory committee. Smith-Gordon was a member of the first advisory committee and Francis J. Lillis, a director of the Munster and Leinster Bank was appointed to the succeeding committee during the period of the Banking Commission's work.

The First Interim Report of the Banking Commission 1926 recommended that the Land Bank should be allowed to issue notes. However, the Fourth Interim Report later that year withdrew that recommendation and advocated that the bank be wound up. By the time the Final Report was published in January 1927, discussions had taken place between the Department of Finance and the Bank of Ireland leading to a successful proposal⁸⁹ that the latter buy out the state's interest in the bank⁹⁰. The bank maintained its separate identity and the new owners change the name in 1927 to the National City Bank Limited.

⁸⁸ He was co-opted as a director of the Industrial Trust Company of Ireland in August 1925.

⁸⁹ Related correspondence is in the archives the Office of the Attorney General, NAI, AGO/68/26 Sale of National Land Bank to Bank of Ireland.

⁹⁰ The Irish Times (21 July 1926) report of the change of ownership included the comments: "the presence of a Minister, or a Minister's deputy (J.J. McElligott, Assistant Secretary in the Department of Finance), on the Board encouraged the exercise of political pressure to secure financial accommodation from the Bank. ... The

The Banking Commission then recommended that the Trade Loans (Guarantee) Act should not be further renewed and that the Industrial Trust Company be developed to replace the scheme. These recommendations opened up two alternatives for long-term credit. In the case of the agricultural sector, they recommended the establishment of the Agricultural Credit Corporation. For industry, the commission recommended instead of the loans guarantee scheme that the government should give a “direct guarantee of the bonds of the Industrial Trust Company”, that company being then left with the task of advancing funds to such enterprises as it might consider fit under revised conditions which the Commission outlined. The kinds of industries to be assisted should provide direct employment for Irish citizens and add to the productive power of the country. The support should not be for speculative purposes but for *bona-fide* industries and “The selection of industries for assistance of this kind should be made with an unusual degree of circumspection.” It was also noted that strict adherence to the “restrictions in S.1 should be carefully and rigidly insisted upon”. This was a reference to the prohibition on the scheme being used to fund loans for working capital.

The Commission produced four interim reports and a final report and completed its work by January 1927. The principal outcome was the eventual establishment of the Currency Commission. The review of finance for the agricultural and industrial sectors was an important additional aspect of the Commission’s work. This seems a diversion from the terms of reference of the Commission and also considering that there was no representation from either the agricultural or industrial sectors on the Commission. Lee (1989 p. 123) refers to the Commission’s rejection of the evidence “on the inadequacy of existing Irish financial institutions” by R.C. Ferguson and T.J. Barrington from the Department of Industry and Commerce. Barrington later commented that the Commission showed “a failure of vision and energy”⁹¹.

In its second Interim Report, the Commission considered the needs of the agricultural sector. After reviewing the twelve statutes from 1870 to 1925 dealing with land purchase, the Commission was of the opinion that the banking system was in a position to provide the necessary support for future land transactions. The report further recommended that an Agricultural Credit Corporation be established to cater for the agricultural sector and the co-operative agricultural societies.

The Third Interim Report dealt with the financing needs of the business sector, including the question of long-term credit. The Commission recommended that the Industrial Trust Company should be the principal means of providing loans to the successful applicant of the loan guarantee scheme. This proposal had the advantage for the Department of Finance that future liabilities arising

experiment was foolish and everyone ought to welcome the solution that has been found.” (IT 21 July 1926: transcription in the Brennan Papers, NLI, JBP, MS 26,237).

⁹¹ McGP P35/A/26, Barrington to Campbell, 18 January 1928.

from the scheme would no longer be a direct concern to them and would be limited to the amount invested by the Government in the Trust Company. However, during the course of the Commissions deliberations, the Oireachtas passed the Trade Loans (Guarantee) (Amendment) Act 1926 and the Commission's final report noted that the Government "has renewed that measure, thus indicating its intention to maintain the policy originally contemplated by it". Nevertheless, on the question of Trade Loan Guarantees it repeated the view

... that Governmental aid to industry should be limited to a minimum and confined to emergency conditions, and to making certain suggestions for the more expeditious handling and better safeguarding of the advances made under the Trade Loans Guarantee Acts. We think it well to emphasize once more the belief that neither in agriculture or in business should Government guarantees or assistance be continued any longer than is absolutely necessary, and that in both branches of the economic life of the country individual responsibility should be cultivated, and individual initiative stimulated, in the highest possible degree.⁹²

Fanning (1978) treats the 1926 Banking Commission only from the perspective of its being the precursor of the Currency Commission and defers to the more comprehensive treatment by Moynihan (1975). However, neither author reflected on the long-term financing needs of the agricultural nor the business/industrial sectors and the debate on the subject at that time. The debate was initiated by the report of the Comptroller and Auditor General into Vote 65 which approved the advance to the National Land Bank in 1925. The report was debated in the Public Accounts Committee, and it linked two issues to the interpretation of the statute in the cases of the Alesbury Bros. Company in Edenderry and the Irish Glass Bottle Company in Dublin. The first of these was the apparent manner in which the advance made to the National Land Bank was used to circumvent the prohibition in the Act on guarantees for working capital loans. The second issue was whether the purchase of assets from a liquidator constituted a 'capital undertaking'.

The recommendations of the Banking Commission endorsed a new source of industrial finance for loans guaranteed by the scheme, but not an exclusive one. The recommendation to abandon the scheme entirely and guarantee the bonds of the Industrial Trust Company as a sole means of funding industrial finance for the scheme was not adopted. Instead, the government decided to renew the scheme. At the same time, it became clear that the use of the legislation had not resulted in any significant proposals addressing the costs of essential commodities. Only three proposals were recommended by the advisory committee,⁹³ but none formally reported as approved by both

⁹² Banking Commission (1927) *Final Report* para.64 p.53.

⁹³ DÉD, McGilligan, 17 June 1926, Vol.16, No. 12, c. 1306: "13 applications considered by the Advisory Committee and three have been recommended. The sums of money involved in these three total about £3,500".

ministers. The provision for industrial projects was therefore increased to an aggregate amount of £900,000 with the total remaining at £1,000,000.

2.5.4 Decline: “exhausted its utility”

Following the Banking Commission’s work, the commercial banks maintained their position of not providing credit to guaranteed loans under the scheme. The Industrial Trust Company of Ireland (ITCI) replaced the National Land Bank as the principal lender under the loan guarantee scheme in 1927. Details of this transition will be demonstrated from the database in Chapter 5 and discussed in Chapter 6.

The ITCI was the preferred route for lending, as proposed by the Banking Commission, nevertheless, there was no further lending under the scheme by the trust company after 1927. The numbers of loans decreased to a point where no further loan guarantee approvals were reported from July 1929 until October 1932. In 1937, when Brennan was writing the relevant section of the Banking Commission’s report, he sent a query to the secretary of the Commission in the Department of Finance, Alec Bayne asking “why were there no loan approvals reported from 1929 to 1932?”⁹⁴ The answer is not recorded. The database will show that the ITCI did not lend any further loans after 1927. A small number of other lenders supported the scheme, including the successor to the National Land Bank, renamed the National City Bank.

By 1929 McGilligan was of the opinion that the Acts “have exhausted their utility”.⁹⁵ Furthermore, he maintained that access to finance was not the main hindrance to achieving progress towards industrial growth. Nevertheless, the scheme was renewed without alteration each year in anticipation that a number of proposals were still under consideration might be approved.

The banks were no longer “unduly restrictive in financing industry”, according to the Minister. He accepted the refusals by the banks to lend as their final word, and a subsequent application for a loan guarantee to the advisory committee was becoming a kind of “appeal board”. At this point in 1929, the Minister was prepared not to renew the Act and to find new ways of dealing with the borrowing requirements of industry. His proposal was to introduce borrowers requiring small amounts to members of the investing public. In the case of larger investments, which were the original target of the loan guarantee scheme, he was prepared to present those cases to the Dáil for

⁹⁴ NLI, JBP, Ms 26,360 *official correspondence 1934-44 incl. Banking Commission 1934*.

⁹⁵ DÉD, McGilligan, 13 Jun. 1929, Vo. 30, No.11, c.1337, Vote 56 – Industry and Commerce. This repeats the views of Churchill in 1926 when, as Chancellor of the Exchequer, he announced that the Trade Facilities Act would not be renewed in the following year: “We have reached the conclusion that that process (The Trade Facilities Act) has exhausted its usefulness.” (HC Deb, 26 Apr. 1926 vol. 194 c.1695).

separate consideration. The support would be as a “state loan or guarantee”, depending on the circumstances. Nevertheless, the Act was renewed in 1929 and again in the subsequent years 1930 and 1931, in spite of these observations. No further amendments were made until after Fianna Fáil took office in 1932.

2.6 Discussion and conclusion

The archival evidence provides a more detailed picture of the loan guarantee scheme than the references in secondary literature to the scheme. Daly’s earlier work (Daly, 1984) is an exception and was undertaken when records still resided with the Department of Industry and Commerce in Kildare Street. However, some of the records cited in that work are no longer available.

Nevertheless, the details available from the Brennan and McGilligan papers and the records from the National Archives (Departments of the Taoiseach, of Finance, and Industry and Commerce) give a more granular picture of related contemporary events. Comparing these records with those from the Treasury in relation to the Trade Facilities Acts demonstrates that the architecture of the loan guarantee scheme was similar, but the form and operation were *sui generis*, as was intended from the beginning. The Department of Industry and Commerce was treading new ground in its attempt to promote new industrial employment.

The pilot phase of the loan guarantee scheme described in this chapter began in an environment of *laissez-faire* orthodoxy. The phase ended with Britain’s abandonment of free trade and the declaration of a general tariff in 1931. The approach adopted in Ireland avoided significant protective measure and instead introduced a number of “experimental” tariff initiatives which were aimed at promoting growth in industrial employment by using targeted tariffs and quotas.⁹⁶ At the same time, as Meenan points out, priority consideration was given to agriculture by the Tariff Commission so that selective protection did not create difficulties for Irish farmers to continue to trade in a free market. (Meenan, 1943, p.215). This situation prevailed until Britain abandoned free trade and eventually adopted the General Tariff in 1931.

Meenan’s analysis of the *laissez faire* 1920s corresponds with that of Kennedy (1988) who described the environment as “noninterventionist”. The loan guarantee scheme was a soft component of the support offered to entrepreneurs during this time. Nevertheless, the overall strategy failed to encourage the establishment of new manufacturing industries (“...an industrial base ...failed to develop of its own accord under *laissez faire*.”⁹⁷) The lack of results from this approach was followed

⁹⁶ Ferguson (1944) describes how the Department of Industry and Commerce managed the “experiment”, and Meenan (1943) uses the term “selective protection” during this period

⁹⁷ Kennedy (1988) p.118

by the adoption of the interventionist policy of protection for the purpose of supporting protected manufacturing industries.

Britain had already abandoned the Trade Facilities Act in 1927, when Fianna Fáil eventually entered the Dáil, and the party did not call for the repeal of the loan guarantee scheme. This supports the conclusion that the British model was no longer a comparator for an Irish policy.

Both McCracken and Finn refer to the legislative origins of the scheme as part of their overall thesis that much of the early legislation was lacking in originality or innovation. McCracken (1958 p.176) refers to the Trade Loans (Guarantee) Act as an example of “legislative plagiarism” of the British Act of 1921. This, however, overlooks the inclusion of the provision for essential commodities and the different operational and administrative structure in Ireland, as incorporated in the Act. Similarly, Finn (2008, p.54) is literally correct in his view that “the Parliamentary Draughtsman prepared the Bill in less than 24 hours and the Bill was before the Dáil a day later” (20 June 1924). However, he overlooks the fact that the original proposal was considered for the first time by the Executive Council in October 1923 and this was followed interdepartmental exchanges before the parliamentary draughtsman was eventually briefed in June 1924, as he recorded.

Neither of these commentaries refers to the operational aspects of the legislation nor the different approaches to the financing of the state guarantee scheme in the post-independence circumstances, as compared to the operation of the model adapted from Britain. The scheme differed significantly in its operation from the original template. The British measure was instigated by the Treasury and coordinated with the Bank of England through an autonomous advisory committee. Its aim was to pump-prime the recovery of established industries. In the case of the Trade Loans (Guarantee) Act in Ireland the principle of a state guarantee for funds borrowed by firms was the main similarity, but the operation of the scheme and the employment aims were breaking new ground to address Irish circumstances. The advisory committee remained advisory, and the final decision rested with the Minister for Industry and Commerce following consultation with, and the agreement of the Minister for Finance. The Department of Industry and Commerce recognised from the beginning that industrial finance for small enterprises was too expensive through the money market. The only exceptions were the infrastructural developments by the harbour commissioners in Dundalk, and later in Galway. Both of these harbours were funded by loan stock issues guaranteed under the scheme and underwritten by banks. These were exceptional cases by Irish standards.

The main difference was the expectation that new industrial employment could be generated using this method. New entrepreneurial start-ups were considerably fewer than were expected. Early

proposals were mainly in the rescue or restructuring of businesses which had encountered difficulties. This preliminary stage of industrial development has been overlooked in the treatment of the scheme in the secondary literature, particularly where state intervention in support of private enterprise was anathema to the prevailing *laissez faire* orthodoxy of the 1920s.

A second significant difference was the source of financing the proposals. The scale of the British proposals and the resources available for the scheme made it possible to raise the capital on the London money market or from a number of financial institutions.⁹⁸ In the case of the loan guarantee scheme in Ireland the financing required was more modest. Nevertheless, the practice of the banks at that time⁹⁹ did not allow them to fund such borrowing and it required the establishment of the semi-state (or public-private) Industrial Trust Company of Ireland in 1926 to solve the problem. This significant innovation, arising from the need to fund the amounts approved for guarantees, is not widely recognised in the literature.¹⁰⁰ The initiative came from the private sector and required legislation for the state's minority investment. In the case of harbour developments (public infrastructure projects), the banks were prepared to lend (Waterford, and later Foynes), or underwrite the floatation of loan stock (Dundalk, and later Galway).

The literature covering this immediate post-independence period largely overlooks the significance of Campbell's attempts to initiate entrepreneurial activity and thereby generate new employment. Campbell wrote to Smith,¹⁰¹ seeking his help in recruiting

“... Irishmen who having learnt modern methods and the modern industrial technology would consider returning here with faith in the country”.¹⁰²

His agenda for these efforts were studies of potential developments in the post-independence circumstances. These included the economics of the country's transport infrastructure, an examination of the financial system (including the banks), the exploitation of wartime discoveries for the development of natural resources, and the adaptation of technologies to industry, in its widest

⁹⁸ In the first year of operation the Treasury guaranteed over £22m, of which 69% was raised as loan stock. The overall average project financing was ca. £680k. (TNA, T190/20/W1829 Government of Northern Ireland - operation of the Trade Facilities Act; analysis of letter Sainsbury to Duggan 13 Dec 1922)

⁹⁹ The level of bank lending and investments in 1926 was the subject of a questionnaire from the 1926 Banking Commission to the banks. This will be considered later.

¹⁰⁰ Neither the Industrial Trust Company of Ireland Ltd. nor the National Land Bank are included among the entries in the Irish State Administration Database (Hardiman *et al.*, 2015), nor in the early work of Fitzgerald (Fitzgerald, 1961). However, Freeman and Duvall (1984) includes the trust company but not the bank in their Table A1 (p. 392) of Irish State-Sponsored Bodies.

¹⁰¹ TCD graduate and Mitsui Professor of Finance at the University of Birmingham from 1923 onwards. He served on the Fiscal Inquiry Committee in 1923.

¹⁰² McGP, P356/5(4), Campbell to Smith 25 Apr 1925

sense (including agriculture), to suit the “special circumstances of Ireland”.¹⁰³ This programme of scoping studies was not developed any further.

Lee (1989 pp.120-4) recognises that Campbell “showed greater receptivity than Brennan or McElligott to suggestions for change” and expresses the view that there was a “need for the political will ... to depart from British economic orthodoxy”. However, the adoption of the loan guarantee scheme does not figure in Lee’s commentary nor Campbell’s reforming role in rationalising the railway companies¹⁰⁴ and later in the establishment of the ESB¹⁰⁵ as the national electricity utility. His background as an engineer and lawyer were significant factors in these contributions to the state’s early economic development.

Daly (1992, p. 31 et seq.) outlines the priority given to agriculture relative to that of industrial development at this time. Girvin (1989, Ch. 2 p.11 et seq.) elaborates on the “obstacles to economic development” in this period. Fanning’s (1978) major work on the Department of Finance gives a detailed account of the transition from the Dublin Castle administration to the position of leadership of the public service under the stewardship of Brennan and his successor, McElligott.

The historical perspective taken by Kennedy (1988) identifies three distinct phases in Irish industrial development in his comparison with Austria, a similarly small country which suffered traumatic change at the same time as Irish independence. These were the three periods of firstly, *laissez faire* up to 1932, then followed by protectionism in the 1930s, and thirdly, by internationally competitive foreign direct investment from the 1960s and thereafter. The first two of these periods are directly relevant to the loan guarantee scheme. However, the secondary literature tends to treat the *laissez faire* period as a consolidation of independence in the political and administrative fields during which “an industrial base ... failed to develop of its own accord under *laissez faire*” as Kennedy notes.

A number of factors contribute to plausible hypotheses for the failure to generate self-starting entrepreneurial activity in the 1920s. Firstly, the low level of manufacturing industrial activity which existed at independence had been established under free trading conditions during the previous century, mainly in “elementary food processing and drink”. These were relatively mature industries with little scope for significant expansion of employment. The uncertain and turbulent world trading conditions made it difficult to consider expansion for export markets, or for the home market. Secondly, because of the lack of any significant industrial tradition, there were few role models for a career paths in industry or manufacturing. Kennedy (1988, p.120) refers to “an entrepreneurial

¹⁰³ *Ibid.*

¹⁰⁴ The Railways Act, 1924

¹⁰⁵ The Shannon Electricity Act, 1925 and the Electricity (Supply) Act, 1927

deficiency” as a possible cause. Whatever the reason, Ireland was not exceptional as a newly independent state in meeting the difficulties of the 1920s. It was a challenging period for a number of new states in Europe and a trend towards protectionism began early in the decade,¹⁰⁶ leading ultimately to the general tariff in Britain in 1931. By then, Ireland was the “last surviving example of a predominantly free-trading state left in the world.” (Meenan, 1970, p.142)

Jacobsen (1994) examines the later developments in Ireland from a political point of view. His perspective is that of Kennedy’s third phase when foreign direct investment was the driving force for the generation of new industrial employment. The *laissez faire* phase which was confined to the first decade after independence is outside the scope of Jacobsen’s analysis. His earlier contribution (Jacobsen, 1978) also deals with the investment in the industrial development of Ireland by multinational corporations in the period after the publication of *Economic Development* (1958). His study examines a modern aspect of the industrial development process, that is, the reliance on foreign direct investment. Other examinations, such as Freeman and Duvall (1984), look at the entrepreneurial state in parallel with the establishing foreign direct investments. However, these topics are a mature development from the early stage in the immediate aftermath of independence.

The loan guarantee scheme followed a deliberately different path from that trodden in the British model from which it was copied. The Trade Facilities Act received a number of endorsements as a model for Irish developments, but the level of preparatory work on its application to Ireland was minimal, if at all. Campbell’s correspondence with Finance shows that he was aware that an Irish scheme would, of necessity, be different from the course taken in Britain. There had been no preliminary consultations with industrial and financial interests similar to that which was undertaken in Britain by Hilton Young in advance of the Trade Facilities Act.¹⁰⁷ As it transpired, when the scheme opened for business and the banks were unwilling to lend for the medium to long term; the lack of preparation became apparent.

The proposed solution of establishing the Industrial Trust Company came from the private sector practitioners involved with the scheme. This was readily accepted by the Department of Finance,¹⁰⁸ and was recommended by the 1926 Banking Commission as the principal vehicle for providing industrial finance for the loan guarantee scheme. This was the case initially, but the number of

¹⁰⁶ Keynes published his pamphlet on “The end of *laissez-faire*” in 1926 based on a lecture he gave at Oxford in 1924. (Keynes, 2010) See editor’s note.

¹⁰⁷ Peden (1993) *The road to and from Gairloch*, pp.236-9 and TNA, CAB/24/128/62, Oct. 1921 *Hilton Young Proposal*. As Peden points out, the Young proposal of a National Development Loan Fund was not adopted.

¹⁰⁸ NAI, S 4154 Industrial Trust Company of Ireland (Acquisition of Capital) Act 1926, McElligott draft prospectus to the Executive Council 22 Nov 1924; approval 01 Dec 1924.

proposals dried up. Nevertheless, the remedial action taken was swift; it allowed the state and the banks to support the aim of the scheme without deviating from their respective conservative positions.

The experience of the loan guarantee scheme under Cumann na nGaedheal confirms Kennedy's assessment of the period that "an industrial base ... failed to develop of its own accord under *laissez faire*" and supports his hypothesis of "an entrepreneurial deficit".¹⁰⁹ However, there is an alternative explanation: the industries which were established in the pre-independence era of *laissez faire* were set up largely by a segment of Irish society which was not involved in and consequently felt alienated by the independence movement. Their sense of insecurity and uncertainty may have contributed to their unwillingness to invest in new ventures.

In Britain, the Macmillan committee began its investigations into finance and industry in November 1929. This was a positive outcome of the 1929 general election in Britain following the decline in industrial employment and the persistent unemployment during the previous decade. The committee's report in 1931 drew attention in a single paragraph to the special difficulty of raising long-term capital for industrial firms.¹¹⁰ This became known as the Macmillan gap.

A similar problem existed in Ireland on a different scale, as earlier indicated by the need to establish the ITCI in 1925. The continued renewal of the loan guarantee scheme provided a basis for the new government in 1932 to review the question of industrial finance.

¹⁰⁹ Kennedy (1988)

¹¹⁰ Committee on finance and industry (1931) para. 404. See also Frost (1954), Stamp (1931) and Thomas (1978).

3.1 Introduction

This chapter deals with the transformation of the loan guarantee scheme following the change of government in March 1932. The loan guarantee scheme had been dormant during the previous three years with no reports of loan guarantees approved from July 1929 until the report for the quarter ending in October 1932. As a result of this time lapse, the new Minister for Industry and Commerce, Seán Lemass, had a number of options from which to start. He chose to renew the scheme without change for one year, and during that time the opportunity arose to undertake a review of the scheme.

The chapter examines the departmental and government records which describe the proposal to improve access to industrial finance and the procedure followed to arrive at the steps which needed to be taken. Central to this process of change was the proposal to Lemass in May 1932 from John Colbert, chairman of the Agricultural Credit Corporation, suggesting the extension of the powers of that organisation to provide industrial finance. The records of the Executive Council (Cabinet) show that an interdepartmental committee was given the task of reviewing this proposal. The committee was allowed the “liberty to submit alternative proposals”,¹¹¹ which was interpreted by the committee to permit a complete review of the loan guarantee scheme from its beginning. When the committee’s report was presented in March 1933, the Cabinet agreed to incorporate their recommendations in an amended Trade Loans Act. In a follow-up meeting of the Cabinet to consider a new financial institution, Lemass set out for the Cabinet his ideas on the different levels of financing needs in industry and how they should be served.

I argue that the Cabinet decision to continue the loan guarantee scheme with significant changes marked a new phase in the operation of the scheme because of the nature and extent of the changes. I therefore treat the period up to the implementation of the 1933 amending legislation as phase I and period thereafter as phase II. The amended Act ended the prohibition on working capital, reduced the eligibility threshold for borrowers, and extended the validity of the Act to five years, instead of an annual renewal. It also redefined the scheme as applying to “manufacturing undertakings”.

The chapter describes how finance for industry was improved by two further changes. First, the Irish Banks Standing Committee agreed with the Department of Finance that the banks would provide

¹¹¹ Committee on industrial finance (1933), terms of reference.

loans more readily to clients benefitting from the government's loan guarantee scheme. The second was the establishment in 1933 of the Industrial Credit Company for the purpose of providing industrial financing services, including making loans available to industrial enterprises. On the negative side, the ITCI was in difficulties. An unsuccessful application was made to the courts to have the company wound up;¹¹² nevertheless, it went into voluntary liquidation in September 1933.

A further amendment to the scheme followed in 1934 to include housing developments within its scope. The loan guarantee scheme provided access to finance for new firms established under the 'self-sufficiency' policies of the 1930s and also some firms meeting the sub-supply needs of the housing initiatives of the period. Many of the firms' products were also protected by tariffs or quota restrictions.

A Commission of Inquiry into Banking, Currency and Credit (CIBCC) was established in 1934 whose work included a review of the operation of the loan guarantee scheme. The government allowed the Trade Loans (Guarantee) (Amendment) Act, 1933, to lapse after its five-year term had expired in 1938, so that the report and recommendations of the Banking Commission could be considered. Contrary to the recommendation of the Commission that the loan guarantee scheme should be discontinued, a new bill was introduced to the Dáil in December 1938 to renew the scheme and it was passed into law in March 1939 for a further term of five years.

The chapter relates that no significant amendments were made in the renewed legislation, but the Department of Industry and Commerce agreed with Finance a set of "altered principles of action" by which the scheme would be "operated much more rigidly than in the past". However, the analysis will later show that applications under the scheme had reached a peak in the year 1936 and thereafter the number of loans guaranteed declined. That decline continued after 1939, and the last renewal of the loan guarantee legislation was in 1954.¹¹³

3.2 Transition and transformation 1932

Fianna Fáil was elected to government at the beginning of 1932 on the basis of a campaign which included the aim of "establishing the industries required to meet the needs of the community in manufactured goods"¹¹⁴. This aim was implemented principally via the Control of Manufactures Acts 1932 and 1934 and in the accompanying tariff and quota restrictions to protect the home market for Irish producers wherever possible. The loan guarantee scheme was a complementary measure

¹¹² *Ibid.* p.17.

¹¹³ Trade Loans (Guarantee) (Amendment) Act, 1954.

¹¹⁴ Fianna Fáil election advertisement, Irish Independent, 11 Feb. 1932.

which aimed to assist industries with the necessary finance by guaranteeing their borrowing requirements approved under the scheme.

As recounted in Chapter 2, the loan guarantee scheme survived a difficult start when the banks were not prepared to lend for long terms, even with a state guarantee. The 1926 Banking Commission had recommended a mechanism for funding loans through the Industrial Trust Company of Ireland. This ‘solution’ was not a success. By 1929 the Minister, McGilligan, admitted in the Dáil that the scheme was not achieving the anticipated results,¹¹⁵ nevertheless the legislation was renewed each year.

Lemass had three options with the loan guarantee scheme when he was appointed Minister for Industry and Commerce; the first was to abandon the scheme entirely – it was not achieving its aims. The second was the “business as usual” option, continuing the scheme as it had operated, and the third option, modifying the scheme within the framework of other policies for industry. In May 1932 John Colbert, managing director of the Agricultural Credit Corporation, made a proposal setting out how that state-owned company could be used as a vehicle to provide an industrial financing service.¹¹⁶ This provided the opportunity for the legislation to be renewed for one year, as had been the practice up to then, pending a review. There were no immediate amendments and the Colbert proposal was the basis for that review.¹¹⁷

3.2.1 Changes in personnel

The change of government in 1932 brought about a number of significant changes in personnel. These changes had a different character from that of the early years after Independence as recounted in Chapter 2. The Ministers and Secretaries Act, 1924, established an enduring structure defining the roles and responsibilities of ministers, and in the same year the Civil Service Commission was established as a new means of recruitment by open competitive examinations. This eliminated finally the stratified elitism of the old British administrative entry system described by Daly (1994).

These changes in personnel were more prominent in the political realm, but also in the civil service where the final transitions of ‘transferred’ pre-Independence staff were worked out. On the political side, the rivalry between Lemass, in Industry and Commerce, and MacEntee, in Finance, is best illustrated by the “new pecking-order in the cabinet”, and in the establishment of the economic

¹¹⁵ DÉD, McGilligan, 13 June 1929, Committee on Finance, Vote 56 Department of Industry and Commerce, Vol. 30 No.11 c.1337.

¹¹⁶ NAI, F 200/35/32 Industrial Financing, J.P. Colbert, Note on industrial Financing, 24 May 1932.

¹¹⁷ Industry and Commerce did not pass the Colbert proposal to Finance until September 1932, by which time the Trade Loans (Guarantee) (Amendment) Act, 1932 had been enacted.

committee of the cabinet.¹¹⁸ MacEntee, was not included initially in the economic committee of the cabinet. An example of this competition was the handling of the Colbert proposal which was not discussed with Finance for more than three months after its receipt by Lemass.

Changes in the civil service also had a bearing on the evolution of the loan guarantee scheme. Two types of change had taken place during the decade since Independence. One was the significant reduction in the number of “transferred staff”, who had served in the pre-Independence service, and the second was the corresponding replacement staff. The latter were recruited through the new Civil Service Commission. The scale of this changeover is summarised in Table 3-1, as adapted from Munger (1975). According to this analysis, more than half the number of civil servants transferred in 1922 had left by 1934. This opened opportunities, including promotion for a cohort of new recruits, (mainly) young men.

Table 3-1: Continuity and change in civil service personnel 1922-1934

Date	Total Civil Service employees	Transferred Civil Servants	
		Number	%
1 April 1922	20,634	20,415	98.9
1 January 1934	19,618	9,823	50.1

Source: Munger (1975) adapted from Commission of inquiry into the civil service (1936) Table (b) Third Appendix, p. 196

There was some loss of experience and expertise when transferred officers decided to avail of Article 10 of the Treaty of 1922 and seek recompense on their retirement. However, this was balanced by a new approach evident in the treatment of the Colbert proposal.

Fanning (1983a) in his “hasty survey of economists” makes the comparison with Irish economists who:

... were scarcely in a position to command the intellectual deference - and, in some instances, not even the intellectual respect, of men like Brennan, McElligott and Leydon who effectively ran the economic and financial machinery of Irish government during the first thirty years of independence. What distinguished these senior civil servants not merely from their political masters but also from Irish academic economists was that their rigorous training in the British administrative system which they continued to operate had imbued them with the confidence and conviction that they knew what needed to be done.

All three of those named by Fanning were impacted by changes by 1932. Brennan resigned¹¹⁹ from the Department of Finance in 1927 to become chairman of the Currency Commission. McElligott succeeded him as secretary in Finance and Leydon, already experienced in the operation of the

¹¹⁸ Fanning (1978) pp.218-9.

¹¹⁹ Brennan’s departure was acrimonious because of disagreements with the Minister, Blythe. He later sought compensation under Article 10 of the Treaty.(NLI, JBP, Ms. 31, 707).

guarantee scheme from a Finance perspective, moved to replace Campbell as secretary in Industry and Commerce.¹²⁰ Leydon had the added advantage of having served as secretary of the Economic Committee which was set up in 1928. He came to the attention of Lemass in that forum in which other nominated members included Nutting, the governor of the Bank of Ireland, and the economist, O'Brien from UCD.

Campbell resigned from the public service, ostensibly on the death of his father in March 1931 and his inheriting the title Lord Glenavy. He was already a director of the Bank of Ireland before he left the department at the end of April 1932. His later career spanned the public and private sectors.¹²¹

A further illustration of this transformation in the public service was the composition and approach of the interdepartmental committee established to report on the proposal from Colbert. It seems unlikely that such an investigative approach would have been possible when the scheme was first proposed in 1923.

3.3 The Colbert proposal for industrial finance

A series of developments in 1932 clarified Fianna Fáil intentions with regard to his department's support for industrial finance.

When the Bill to renew the scheme in 1932 was presented in the Dáil, Lemass said:

... the intention is to have the whole question of financing industry examined and before any amendments are effected in this Act to consider, whether or not a wider or a different scheme might not be found to be more workable.¹²²

Lemass had already received the proposal from Colbert, Chairman of the Agricultural Credit Corporation, but had not yet provided a copy to the Department of Finance. The proposal was first summarised by Moynihan, secretary to the Cabinet, before it was circulated for discussion.

The Cabinet considered the document and the Minister for Industry and Commerce

undertook to submit, for consideration by the Economic Committee, a scheme of industrial credit embodying the suggestions contained in the memorandum ...¹²³

¹²⁰ DÉD, Cosgrave, Economic Committee, 21 Nov. 1928, vol.27 no. 4 c.429.

¹²¹ Campbell continued to play a role in the public sector in relation to the guarantee scheme through his membership of the advisory committee panel. He served, *inter alia*, on the Commissions on the Civil Service 1932-35 and the Commission of Inquiry into Banking, Currency and Credit 1934-38. He was appointed a director of the Central Bank on its establishment in 1943. In the private sector he was eventually governor of the Bank of Ireland and was active on the boards of a number of public companies, including the British and Irish Steampacket Co. and the Great Northern Railway Co...

¹²² DÉD, Lemass, 30 June 1932, Second Reading of the Trade Loans (Guarantee)(Amendment) Bill, 1932. Vol. 42 no. 14 c.1878.

Lemass broadly accepted the Colbert proposition and proposed the establishment of a committee “to work out the details” comprised of four members from the Departments of Finance (two), Agriculture and Industry and Commerce (one each) and chaired by the Secretary of the Executive Council¹²⁴. On the basis of this recommendation, the Cabinet decided to proceed and gave as terms of reference:

To report on the steps necessary to enable the Agricultural Credit Corporation to engage in industrial financing, the committee being at liberty to submit alternative proposals.¹²⁵

The work of this committee set in train a series of decisions to continue the guarantee scheme but with significant revisions.

3.3.1 The committee on industrial finance

In March 1933 the committee submitted its report which recommended that the State should enter into discussions with the banks “as soon as possible, to establish ... a new credit Corporation to deal with industrial credit”.¹²⁶ They did not see the extension of powers of the Agricultural Credit Corporation as a satisfactory solution. In the second part of their report dealing with “alternative proposals” the committee undertook a review of the “problem of industrial credit in the Saorstát” based on the operation of the loan guarantee scheme.

The committee considered the two options by which support could be given to industrial undertakings for their borrowings. The first would follow the precedent of the Agricultural Credit Corporation where it,

... as a matter of prudence, would have to be more rigid in its handling of loan applications than the Department of Industry and Commerce and Finance in dealing with their administration of the Trade Loans (Guarantee) Acts.

The new corporation would have to consider the application on its financial merits alone leaving to one side “extraneous considerations” such as the maintenance of existing employment or the increase in the numbers employed. The committee distinguished between the security offered in the case of loans provided by the Agricultural Credit Corporation to the agricultural sector, and those to industry. In the first case, security was mainly in the form of land or stock, for which in a forced sale situation a reasonable value might be realised. In the industrial case, where fixed assets or plant were held as security, a similar outcome rarely realised a satisfactory value, still less with trade stock

¹²³ NAI, F 200/35/32, 19 Sept. 1932, Cabinet secretary to Finance.

¹²⁴ NAI, TAOIS/S/6467, Industrial Credit, Lemass to Cabinet 24 Sept. 1932.

¹²⁵ NAI, F 200/35/32 Industrial Financing, Terms of reference.

¹²⁶ *Ibid.* Report 16 Mar. 1933, p.31.

or book debt. The committee concluded that adding responsibility for industrial financing to the business of the Agricultural Credit Corporation could result in exceptional additional costs which might increase the cost to borrowers for agricultural purposes. Nevertheless, they felt that it should be possible to have an interim arrangement with the Agricultural Credit Corporation. This would be without the need to increase the share capital or the need for an increase in the authorised borrowing limit of £7,500,000. If it became necessary to borrow in the interim arrangement, the additional borrowings could be secured against any industrial assets held by the Corporation, either on the assets alone or in conjunction with agricultural assets. “The Minister for Finance might guarantee such bonds or securities as the Corporation might issue on these lines”. Rules and procedures existed for the board of the Corporation, in consultation with the Departments of Finance and Agriculture, to govern the granting of credit. Some difficulty was expected in devising appropriate rules to apply in the case of additional industrial credit because of the variety of forms the credit might take and the different nature of undertakings. However, one overriding condition should apply:

5.(1) No loan should be made in any case where the Minister for Industry and Commerce has refused a guarantee under the Trade Loans (Guarantee) Acts. (Committee on industrial finance, 1933 p. 4)

This was seen as an interim arrangement “only so long as the trade loans scheme continued to exist and until it could be replaced by a better system of State-aided industrial credit”.

In the second option, the proposed model was that operated by the loan guarantee scheme. The application for assistance would be made directly to the government. The applications would be investigated by the relevant departments, including the advisory committee established under the legislation, and a recommendation made.

The committee examined the records of the Department of Industry and Commerce in the administration of the loan guarantee scheme since 1924. The results are summarised in Table 3-2 below which shows the numbers of cases referred to the advisory committee for the scheme. The cut-off date for the data is not stated in the report. On the basis that the committee commenced its work in October 1932 and reported in March 1933, it is therefore assumed that the figures relate to cases considered by the committee up to the end of the calendar year 1932, at the latest. The table shows that 40 per cent of the total valid applications received were recommended by the committee.

Table 3-2: Applications examined by the advisory committee 1925-32

Number of applications referred to the advisory committee	161
Cases not recommended by the committee	96
Cases recommended by the committee for loan guarantee	64
Cases under consideration by the committee	1

Source: NAI, F/200/35/32, Industrial Financing; Report, 16 March 1933, p.12 (Table adapted)

Table 3-3 shows a detailed breakdown of cases and the reasons for the committee's decision. When the committee decided to recommend an application, these cases were separately assessed by the departments of Industry and Commerce, and subsequently Finance, before a decision to give a guarantee was finalised. The procedure is presented in more detail in section 4.2 below. The interdepartmental committee's report is significant in giving an analysis of the rejection rate of the advisory committee, and the range of reasons for the decisions not to recommend them. These cases were classified as 'unfavourable' decisions (60 per cent of the total).

Table 3-3: Analysis of recommendations by the advisory committee 1924-1932

Decision by the advisory committee (and Minister)	Reason or outcome	N
Loan guarantee not recommended	poor business case	47
	outside the scope of the Act	9
	conditions unacceptable to applicant	22
	primarily working capital	18
	subtotal	96
Loan guarantee recommended	withdrawn applications	20
	rejected by Industry & Commerce or Finance	7
	not completed	7
	under consideration	11
	subtotal	45
Loan guarantees approved	active loans	11
	unsuccessful projects	7
	loan repaid in full	1
	subtotal	19
	Total	160

Source: NAI, F/200/35/32, Industrial Financing; Report, 16 March 1933, p.12 (Table adapted)

The cases treated "unfavourably" by the Advisory Committee were considered to be ones which would "be rejected by any reasonably prudent financial body". A new institution charged with supporting new or developing enterprise would not be expected to change the prospects for such cases.

The principal causes of failure in the cases of guarantees approved, seven of the nineteen cases, were mismanagement, inability to secure markets and unfavourable economic conditions.

The committee also considered the employment in firm where loans were in operation during the period 1925 to 1931. According to the data available to the committee, employment reached a peak of 1,581 in 1928, wages and salaries also peaked in those firms at £156,567. (More comprehensive data were collected in 1938 covering the years 1925 to 1936 for the firms in which guaranteed loans were in operation during that period.) The committee noted that no data were available to them for any indirect employment arising as a consequence of the activities of the firms in receipt of loan guarantees.

The committee addressed three shortcomings of the guarantee scheme which it identified as “major defects”. These were:

1. The prohibition on loans for working capital,
2. The costly and cumbersome nature of the scheme’s administration, and
3. Access to finance after approval for a guarantee.

The committee was of the opinion that when the British legislation (the Trade Facilities Act, 1921) was first introduced, there was a fear that the additional credit, not only for capital expenditure but particularly for working capital, would lead to inflation. A specific prohibition on working capital loans was inserted into the Irish legislation for this reason. The records of the British scheme show that the guidelines for applicants also specifically excluded working capital. The committee felt, however, this “objection has lost its force” and that the prohibition could be removed. The case was made that the banks were now sympathetically disposed to giving loans for working capital and the committee considered “... it desirable that power should exist to guarantee a loan to be used for working capital”.

The cumbersome nature of the scheme, a second perceived defect, arose largely from the applications for small amounts where the general opinion reported was that the scheme was not suitable for amounts less than £1,000. The report did not see this as a valid criticism of the scheme and went on to propose that the limit should apply to loans for fixed capital and that the lower minimum of £500 be applied to working capital, with suitable security to be provided by the applicants. The poor resourcing of Irish industries with regard to working capital was attributed to the reluctance of people to invest sufficiently in their own enterprises and also businesses starting up with inadequate financial resources, including provision for working capital. A further administrative burden on the scheme was the requirement that the borrower execute a deed of trust in favour of the lender. This was considered unnecessarily complicated.

The third perceived defect of the scheme was the issue of access to finance for those applicants granted a state guarantee. The commercial banks had expressed their views in the report of the 1926 Banking Commission and regarded their investment in the trust company as enabling them to refer enquiries to the ITCI as a specialist facility for the purpose. Circumstances for the banks had changed by 1932, when it was clear that the trust company was in serious difficulty. In addition, there was a “dearth of sound profitable openings for surplus moneys held by the Banks”. The Banks were agreeable to support state policy by making funds available to local authorities for periods up to fifteen years.

The banks confirmed their willingness to lend for periods up to twelve years (a maximum of 15 years in special cases). This was outlined in a letter to the “Trade Loans Advisory Committee” by the Chairman of the Irish Banks Standing Committee (IBSC).¹²⁷ The terms included:

1. Repayments by equal annual instalments (or by equal annual instalments after the first two years, if necessary) over a period up to a maximum of twelve years,
2. A rate of interest of ½% below the Irish Bank rate varying, subject to a minimum of 4%,
3. In the event of default through non-payment of any instalment for a period of twelve months, or non-payment of interest for two complete half-years, the Bank should be entitled to call in the debt and the Government to meet its guarantee with interest at 2½% from the date on which the unpaid interest commenced to accrue.

The IBSC also indicated that the banks would be “disposed to give favourable consideration to requests to have existing loans made subject to these conditions where such a course was seen warranted by the circumstances”. This arrangement was considered a “very satisfactory one” and might facilitate the government in the event of the ITCI going into liquidation, which indeed happened with a voluntary liquidation later in 1933.

3.3.2 Recommendations of the committee

The Committee recommended that

1. The Agricultural Credit Corporation should not be empowered to undertake the work of industrial finance,
2. A new industrial credit organisation should be established under the auspices of the state with the co-operation of the banks to undertake the work of granting industrial credit,
3. The trade loans scheme should be allowed to lapse as soon as the new corporation was in operation,
4. In the interim, the Trade Loans Guarantee Acts should be continued with the following amendments:

¹²⁷ NAI, F/200/35/32, Industrial Finance, 31 Oct.1932, Goulding to Chairman.

- i. The requirements that all applicants be incorporated as limited liability companies could be waived at the discretion of the Minister for Industry and Commerce, and the sanction of the Minister for Finance,
- ii. The elaborate legal procedures should be relaxed and the security required for the guaranteed amounts could be by way of a debenture mortgage on the assets of the borrower,
- iii. Guarantees for working capital loans should be permitted without regard to their purpose,
- iv. The minimum loans for capital expenditure purposes should not be less than £1,000 and for working capital, not less than £500, and,
- v. The Minister for Finance should be empowered to make advances out of the Central Fund on foot of loan applications coming within the scope of the Acts as amended.

If the establishment of the new industrial credit organisation did not come to pass or if it were decided that the guarantee scheme should continue to supplement it, the committee recommended further that

5. The Trade Loans (Guarantee) Acts should be extended for a further period of five years, and
6. That the aggregate amount which might be guaranteed or advanced under the Acts should be fixed at £1,000,000 for both fixed and working capital for all further loans from the date of the amending legislation coming into force.

The recommendations of the committee were accepted by the government two day after the report was officially presented, 16 March 1933. The amendments were incorporated into the Bill introduced into the Dáil within a month (First reading in the Dáil on 7 April 1933).¹²⁸ The government postponed briefly a separate decision on the recommendation of the committee regarding a new organisation to provide industrial finance but dealt with the question a week later.

3.3.3 Finance for Industry

A decision on a new organisation to provide industrial credit was postponed “to allow the Minister for Industry and Commerce to submit alternative proposals”.¹²⁹ The meeting, to which Lemass submitted his views on the day, took place on 24 March and he outlined the financing needs of industry under three headings:

- (a) day-to-day accommodation,
- (b) fixed interest loans to finance extensions of business, and
- (c) investments.¹³⁰

¹²⁸ DÉD, Trade Loans (Guarantee) Bill, 1933, Second Stage, 3 May 1933. Vol. 47 No. 4 c.525.

¹²⁹ NAI, TAOIS/S 5422/5 Cab. 7/17, 24 Mar. 1933, Item 1.

¹³⁰ NAI, TAOIS/S/6467 Industrial Credit, Lemass, Memorandum to Cabinet on “Industrial Finance” 24 Mar. 1933.

He elaborated on these headings and considered the first “...ordinary short-term accommodation ...- as “a matter for the banks and should be left to them”. This appears to contradict the decision to include working capital as eligible for the guarantee scheme under the amended legislation, as later enacted.

The second heading, according to Lemass, required the continuation of the guarantee scheme in an amended form as had been recommended by the committee on industrial finance. The banks were “induced” to support the scheme “which in the ordinary course they would not do, and there is no other source from which industrialists could secure this accommodation.”

Under the third heading of investment, Lemass expressed the view that

... the State must step in to create a Financial Institution the main function of which will be to invest in the ordinary and preference shares of industrial companies where additional capital is needed and cannot be obtained through private sources.

The Cabinet had already accepted the changes proposed by the committee on the amendments to the Trade Loans (Guarantee) Act and decided in the case of a new financial institution that

... the Minister for industry and Commerce should submit the heads of a Bill to provide for the establishment of an organisation capitalised by the State, empowered to invest in and engage in the underwriting of the ordinary and preference shares of industrial concerns; and to empower the Government to contribute towards the working expenses of the organisation, and to make good any losses incurred in working.

The question of financing industries of an experimental character was discussed and it was agreed that it would be undesirable that the proposed organisation should engage in such financing.¹³¹

This final decision reflected the views expressed by Smiddy.¹³² He, and Moynihan, disagreed with the report’s recommendation debaring a state institution from underwriting new share issues. Smiddy also raised the question of “exceptional cases” involving undertakings of “great national importance... while doubtful of success from a purely commercial viewpoint”. Lemass also made reference to “industries of an experimental character” (and “industrial enterprise ... to be started in the national interest”), but no specific guidelines were established for their funding.

¹³¹ NAI, TAOIS/S/6467 Industrial Credit, S. Ó Muimhneacháin, memorandum 27 Mar. 1933, to Industry and Commerce.

¹³² Advisor to de Valera on banking, including industrial banking.(NAI, TAOIS/S/6467 *Industrial Credit*) “Economist, academic, diploma; assigned to special duties by the Dept. of the President/Taoiseach” (Kennedy, 2009).

3.4 A new phase: a revised Trade Loans Act

The implementation of the amending Act was the transition from phase I to phase II in the development of the loan guarantee scheme¹³³. These changes were a turning point, and the synergy resulting from the Control of Manufactures Act, 1932, and its successor in 1934, contributed to greater number of applications. Together with the tariff and quota measures enacted, they signalled a revival of the guarantee scheme.

The Trade Loans (Guarantee) (Amendment) Act was passed in June 1933 and included, in addition to the amendments recommended by the committee, a definition in Section 1 of a “manufacturing undertaking” as a replacement for the term “capital undertaking” as used in previous Acts. The distinction between fixed and working capital in the minimum loan permissible, as recommended by the CIF, was replaced by a minimum loan of £500. The changes contributed significantly to an increase in the numbers of applications approved for guarantees in the subsequent years, as will be shown in the analysis of the database results. In general, an increase in the number of applications approved was due to the wider scope made possible by the amendments to the Act, and the protection given by the increasing use of tariffs and quotas.

The amended Act continued the support for proposals to reduce the price of essential commodities, but no specific amount was stipulated for that purpose. The previous arrangement of the Minister granting loans for this purpose alone was extended to include manufacturing undertakings.

The Dáil passed the Industrial Credit Act in July of 1933. This completed the third of three sources of funding for industrial undertakings. The commercial banks’ preparedness to lend to industry meant that short-term borrowing was available. The second source was the amended version of the guarantee scheme for which the banks had already indicated their willingness to support government guarantees with an interest rate one half per cent below the prevailing bank rate. The third source was the Industrial Credit Company which opened for business in December 1933. It specialised mainly in the fixed capital requirements of firms. It placed an initial share offering of £500,000 for public subscription in that month. The response was disappointing and the Minister for Finance, as underwriter, was required to take up the balance after only £7,936 was subscribed (Daly, 1992, p. 144).

¹³³ The S.5 Quarterly Report presented to the Oireachtas for the period ending 31 July 1933 identifies the first approval under the 1933 Act.

3.4.1 Housing development and the loan guarantee scheme

There does not appear to be a role for the guarantee scheme in the provision of housing other than the relatively few cases of company developments where the renovation of employee housing was a component. Ireland followed the established British model in the provision of social housing but with a significantly different distribution pattern between urban and rural settings. The divergence came at the time of the land agitation at the end of the nineteenth century with a strong bias towards rural social housing. No significant change occurred in the first decade of independence and the poor state of urban slum dwellings was not tackled in earnest until the Housing Act, 1932. Norris and Fahey (2011) deal with the background and also in their Table 1 show the turnaround between the 1920s and the 1930s.

The question of housing coming within the scope of the guarantee scheme arose from an application on behalf of a company wishing to build houses. At the meeting of the Economic Committee of the Cabinet 17 May 1932, Lemass “reported that he had received applications for guarantees for loans for housing purposes”.¹³⁴ One scheme was for the erection of 1,400 houses on Mount Merrion Estate. The Minister was advised that there was no legal difficulty about giving the guarantees, although there was no precedent in connection with housing. The Economic Committee saw no objection to “granting the applications if the schemes were financially sound, and of considerable magnitude”. The Minister for Industry and Commerce later interpreted the question of scale in the following terms: “In practice that decision meant that only schemes involving not less than 200 houses would be considered”.¹³⁵

The application was made on behalf of Irish Homes Limited a company in the course of incorporation. The company proposed to acquire 220 acres of land in Mount Merrion on the Stillorgan Road, Dublin, and to develop the site with the necessary roads and services infrastructure for 1,400 houses. John Kenny, a Limerick builder, was the principal of the company and was successful in competitive tendering for housing projects with Dublin Corporation’s developments in Marino, Ringsend and Donnycarney during the 1920s (McManus, 2002).

The advisory committee considered the application in a series of meetings in June 1933 and gave a positive recommendation. The Minister received advice in the course of preparing the necessary agreement that he was not authorised to give a guarantee in this particular case. Section 1(4) of the Trade Loans (Guarantee) Act, 1924 prohibited the Minister from giving a guarantee on loans “the

¹³⁴ NAI, TAOIS/S 6274, Economic Committee of the Cabinet, 17 May 1932, Trade Loans (Guarantee) Acts, Application to housing schemes.

¹³⁵ SÉD, Lemass, Trade Loans (Guarantee) (Amendment) Bill, 1934, 21 Feb. 1934, V. 18 No. 6 c. 424.

principal purpose of which was working capital". In this case the expenditure was proposed to cover the purchase of land, building materials and working expenses, such as wages, contractors' and other expenditure. The advice from the Attorney General was that the loan would be considered working capital, even though there was no clear definition of that term in legal precedents.

The term "manufacturing undertaking" was defined in Section 1 of Trade Loans (Guarantee) (Amendment) Act 1933 as "an undertaking of which the object or principal object is the manufacture or production in Saorstát Éireann of goods or articles for sale" and section 4(d) removed the restriction on working capital in Section 1.(4) of the Principal Act (1924) for a manufacturing undertaking ("shall not apply to any guarantee given in respect of a loan raised in connection with or for the purposes of a manufacturing undertaking"). In the opinion of the Attorney General "I find it impossible to draft any guarantee which will be within the Trade Loans (Guarantee) Acts 1924-1933, and at the same time in accord with the facts of the case" because the applicant was not a manufacturing undertaking within the meaning of the Act. An amending Bill was therefore introduced to resolve this impasse. The Department of Finance agreed to this solution and suggested that the proposed redefinition of "manufacturing undertaking" might also include mining and extractive industries. The legislation, when drafted, concentrated on the single issues arising from the Irish Homes case.

The Bill was introduced in the Dáil on 31 January 1934 and was given a second reading a week later. During the debate of the Bill the Minister recounted the background and attributed the need for the legislation to the differences of legal opinions and the doubts they raised. The Minister based his own opinion on

a similar Act (which) had been interpreted in Great Britain in precisely the same way as we propose to interpret it, the fact that these doubts were raised gave rise to certain complications, and after consultation with the Attorney General it was decided to put the matter beyond all doubt by introducing this legislation...

¹³⁶

The records do not indicate which Act in Great Britain the Minister had in mind, the Trade Facilities Acts 1924 or the Government of Northern Ireland (Loan Guarantee) Acts 1922; nor do the records refer to any specific cases. The Trade Facilities Acts in Great Britain provided guarantees for capital projects on a larger scale and housing appears to have been a peripheral aspect of the scheme. There were two housing projects (in a listing of 33) in early applications.¹³⁷ There was one application under the Northern Ireland legislation by which the Coalisland Housing Co. Ltd. was

¹³⁶ DÉD, Lemass, Trade Loans (Guarantee) (Amendment) Bill, 1934, 8 Feb. 1934, V.50 No. 8 c. 1280.

¹³⁷ TNA, T190/20, Sainsbury to Duggan, 13 Dec. 1922; Llantrisant & Rhymney Valley Housing Co. Ltd and the Colliery Cottage Co. Ltd., £100,000 and £55,000, 30 year loan term from the National Debt Commissioners.

approved in 1923 for a loan guarantee of £60,000 to provide workers' housing for a coal mining project.¹³⁸ The Minister made no reference to two other housing cases under the loan guarantee scheme. These were the 1925 approval of Killeen Paper Mills Ltd. in Co. Dublin and the approval in 1926 of Mullan Mill Ltd. in Co. Monaghan both of which included the renovation of workers' housing as part of larger undertakings. However, none of these were comparable in scale to housing scheme developments on green-field sites for sale to the public.

In 1934 the Department of Industry and Commerce nominated two directors to the Irish Homes company; Vincent Crowley, partner in the accountancy firm of Kennedy Crowley and Co., and Denis Feighery, a civil engineering consultant. Both were also appointed members of the Trade Loans Advisory Committee in the same year. In August 1934, the Company passed and confirmed a Special Resolution and registered two directors "appointed by the Minister for Industry and Commerce".¹³⁹ Both of these directors resigned less than a year later on 3 July 1935. John Kenny also resigned from the company in September 1936.¹⁴⁰ The explanation for these developments may be in the evidence Leydon gave to the Banking Commission in January 1935 and in which he referred to the loan of £50,000, the amount involved with Irish Homes Ltd. He stated:

The applicants could not raise the money themselves, and they got a guarantee and now tell us that the enterprise has gone so well that the bank is willing to facilitate them up to nearly double the amount of the guarantee, and they are relieving the Exchequer of the liability for the guarantee.¹⁴¹

The Minister also referred to this case when the Trade Loans (Guarantee) Bill 1938 was before the Dáil:

There was only one case of a loan given for a housing scheme under these Acts. That was the loan given in the case of the Mount Merrion scheme. That loan was entirely repaid and it is a matter of significance that those who got a loan guaranteed by the State for that purpose discharged the loan almost immediately. ... a large scheme of housing development by private enterprise was provided. That is the type of housing development that could be contemplated under this Bill. Any other form of assistance for housing is not primarily a matter for the trade loans guarantee system or the Department of Industry and Commerce but the Bill is framed so as not to preclude us from giving a guarantee in respect of loans for some such large-scale development in the form of housing.¹⁴²

¹³⁸ PRONI, FIN/30/D/71 Report "Administration of the Loan Guarantee Acts", Coalisland Housing project, ref. 456/23.

¹³⁹ NAI, D8561, Irish Homes Ltd. (dissolved company).

¹⁴⁰ *Idem*.

¹⁴¹ Commission of inquiry into banking currency and credit (1938a) Leydon evidence, Q.101 p.9.

¹⁴² DÉD, Lemass, Second Stage, Trade Loans (Guarantee) Bill, 1938, 8 Feb. 1939, V.74 no.1 c.175-6.

The Irish Homes case was the only housing project approved under the 1934 amendment. Following the revival of the scheme with the passing of the Trade Loans (Guarantee) Act, 1939, Associated Properties Ltd. was approved for a guarantee on a loan of £175,000 in 1939. The proposal was to build 300 houses in Drimnagh, Dublin, with the necessary roads and infrastructure. The company was formed from the Dublin Commercial Public Utility Society which from the late 1920s onwards was the largest house-building organisation in the country, apart from Dublin Corporation.

The conclusion must be that the guarantee legislation was not part of a strategic plan to promote employment through this mechanism in housing developments. It appears to have come about by the nature of the applications¹⁴³ received in 1932 and 1933. The difficulties in the interpretation of the legislation, requiring a special amendment, only surfaced after the Advisory Committee approved the Irish Homes case.

3.5 The Banking Commission 1934-38

The Commission of inquiry into banking, currency and credit (1934-38) reviewed the guarantee scheme as part of its work, and in circumstances quite different from those prevailing at the time of the earlier Banking Commission of 1926. The participation of firms seeking guarantees was considerably greater due to the amendments introduced in the 1933 Act and the willingness of the banks to lend actively to firms approved for guarantees.

The Commission was established by the Minister for Finance in November 1934 under the chairmanship of Brennan, the former secretary of the department then chairman of the Currency Commission. Its terms of reference were

To examine and report on the system in Saorstát Éireann of currency banking, credit, public borrowing and lending and the pledging of State credit on behalf of agriculture, industry and the social services, and to consider and report what changes, if any, are necessary or desirable to promote the social and economic welfare of the community and the interests of agriculture and industry.¹⁴⁴

The Minister for Finance appointed the twenty one members - "a political masterpiece or a heterogeneous collection according to the political opinion of the observer".¹⁴⁵ The personal diaries

¹⁴³ Research has not uncovered any other applications to which Lemass may have been referring in the discussions at the Cabinet Economic Committee. The only specific name mentioned on the records of Irish Homes Ltd. case was that of The Irish Property Investment Co. Ltd. which may have had an interest in the Merrion Estate. There is no record linking this company to a loan guarantee application. The company was registered in 1932 (NAI, D8231) but there appears to be no relationship between it and Irish Homes Ltd.

¹⁴⁴ Commission of inquiry into banking currency and credit (1938b) terms of reference p.1.

¹⁴⁵ Jucker-Fleetwood (1972) p.73.

of Per Jacobsson¹⁴⁶, one of the two outside experts on the Commission provide an insight into the proceedings of the Commission and associated social and working activities. The second external member was Theodore Gregory, Professor of Banking at the London School of Economics and Political Science.¹⁴⁷ The Irish membership of the commission was composed of civil servants, bankers, academics, trade unionists, chairmen of financial institutions, laymen, and a bishop.

The bulk of the report was written by the Chairman, Joseph Brennan; some aspects of the economic background were written by Dr. Jacobsson. Professor George Duncan of Trinity College, Dublin,¹⁴⁸ wrote the section on the national income. The following five chapters were written mainly by Dr. Jacobsson and Professors Gregory and Duncan. Five further chapters were written by Brennan.¹⁴⁹ The Majority Report was published in August 1938 and was accompanied by four addenda, two reservations, thirty-two appendices and three minority reports.

The Commission examined aspects of the guarantee scheme including taking evidence from the secretary of the Department of Industry and Commerce, John Leydon. The members who were very familiar with the operation of the scheme included the chairman, Brennan who had served as secretary of the Department of Finance until 1927, his successor in that department, McElligott who was also a member of the 1926 Banking Commission, Lord Glenavy who represented the Bank of Ireland and, as indicated previously, was Leydon's predecessor in the department of Industry and Commerce. In addition, Colbert, chairman and managing director of the Industrial Credit Corporation, was familiar with the funding issues for industrial clients, some of whom were customers of his organisation and of other banks after their applications were approved for guarantees.

The principal evidence regarding the loan guarantee scheme was based on the oral evidence of John Leydon, Secretary, Department of Industry and Commerce, given on 18 January 1935.¹⁵⁰ Later correspondence with the Commission's secretariat provided background data on the scheme's progress. Arising from this later correspondence, a listing of companies which were approved for

¹⁴⁶ Economic advisor and head of the monetary and economic department, at the Bank for International Settlement, Basel Switzerland. His daughter drew on his personal diaries to compile recollections of the period he served on the Commission. (Jucker-Fleetwood, 1972)

¹⁴⁷ He was also a member of the earlier Committee on finance and industry (1931), the "Macmillan Committee", which was appointed in November 1929 and reported in June 1931. He contributed Addendum III which considered the tariff question in the debate preceding Britain's introduction of a General Tariff in March 1932. See Stamp (1931) pp. 424, 433.

¹⁴⁸ Biographies by Murphy (2006) and Clavin (2009)

¹⁴⁹ The details of who wrote the sections of the report are noted in the Brennan Papers NLI, JBP, Ms 26,289.

¹⁵⁰ Commission of inquiry into banking currency and credit (1938a). Correspondence with the Commission, including the supplementary submissions following Leydon's evidence, are contained in a number of folders in Brennan Papers in the National Library of Ireland.

loan guarantees in the period 1924–34 was published with the final report (p.24).¹⁵¹ This contains 47 guarantee approvals up to 31 December 1934. In addition, Appendix no. 21, (pp. 530-549) contains a further 49 approvals up to 31 December 1936.¹⁵²

The details of the methodology of calculating the contingent liability of the State arising from the loan guarantee scheme was provided to the Commission secretariat in correspondence with Industry and Commerce.¹⁵³ The calculations for the end of each financial year show some fluctuating repayments of loan principal. This suggests that loan repayments were sporadic, for example, in some cases unexplained early full repayments, in others irregular repayments. It has to be inferred from this that there was a significant burden of administrative work in monitoring the status of the guaranteed loans. Corresponding records of Industry and Commerce for the individual firms, now held in the National Archives of Ireland, do not shed any light on these anomalies.

The discussion during Leydon’s evidence to the Commission showed some latitude in the scope for the advisory committee to make their recommendation.¹⁵⁴ In contrast to their counterparts in the application of the earlier UK legislation, there were no guiding principles laid down for the committee, and the applications were examined “on a business basis”. Nevertheless, the overriding aim of the legislation that proposals were “calculated to promote employment” could be interpreted “on its merits”. At the end of the process, the Minister was not obliged to accept the recommendation of the committee. In some cases, recommendations by the advisory committee were not accepted and in adverse cases the recommendations were, in some cases, overruled. This corresponds with the data produced by the interdepartmental committee’s analysis for the period 1924-32, shown in Table 3-3 above, although there is no record from that committee’s analysis of an adverse recommendation being overturned in that earlier period.

The Commission’s recommendation that the loan guarantee scheme should be discontinued was grounded on the observations that “a policy of this kind” did not envisage its use “as a method of financing ordinary business development”. Furthermore, it found that

To a great extent the scheme as it now works is one for the State guarantee of bank accommodation. The recognition of guaranteed loans in respect of working capital has made such an arrangement peculiarly objectionable. Advances for working capital are within the legitimate scope of the banking system, and it is undesirable that facilities for obtaining them should be created by means

¹⁵¹ Commission of inquiry into banking currency and credit (1938a) p.24.

¹⁵² Commission of inquiry into banking currency and credit (1938b).

¹⁵³ NLI, JBP, Ms. 26, 289 and Ms. 26,349.

¹⁵⁴ Commission of inquiry into banking currency and credit (1938a) Leydon evidence, pps.1-25.

external to the system and in circumstances where the tests ordinarily applied by bankers are in abeyance.¹⁵⁵

Lemass had described the first level of financing needs of industry as “ordinary short-term accommodation to finance the process of manufacture or distribution of goods” which was a matter for the banks and should be left to them without any state guarantee. It is not clear what Lemass had in mind, if not working capital. In which case, the prohibition on working capital should not have been removed by the 1933 Act.

A further objection by the Commission was

... the large extension which has taken place in recent years of ministerial powers in relation to industrial development. Most of the undertakings for which guarantees have been given in recent times are concerned with enterprises of which the success or failure may be largely dependent on the exercise of the powers in question.¹⁵⁶

This could give rise to a conflict of interest when government decisions on tariffs or quota restrictions which should have regard for the public interest may have an impact on individual businesses when those ministerial powers are exercised. The report of the Commission confirmed that the majority of firms in receipt of loan guarantees were protected by those tariffs or quota restrictions.¹⁵⁷

A contrary view was expressed by Colbert in dissociating himself from “many things in the report”. He found the report “too academic, and the tone unwarrantably pessimistic.”¹⁵⁸ He was in favour of retaining the guarantee scheme, notwithstanding that the state had suffered serious losses with the loan guarantee scheme.

From time to time it may be necessary to finance various projects of national importance which would not be attractive to a commercial lender, and I do not think that it would seriously tax the resources of the State to provide a backing of State credit which would enable them to be carried through.¹⁵⁹

Colbert also regretted that the proposal of the Dublin and District House Builders Association received little consideration. They proposed the establishment of a new financial institution, with the assistance of state credit, which would operate on the same lines as the building societies in Great Britain. No reference was made in Colbert’s Reservation to the 1934 amendment and the potential for private house-builders.

¹⁵⁵ Commission of inquiry into banking currency and credit (1938b) para. 454 p.280.

¹⁵⁶ *Ibid.* para. 455, p.280.

¹⁵⁷ *Ibid.* para 450 p. 278 and Appendix 21.p. 530-49.

¹⁵⁸ *Ibid.* Reservation I, para. 2 p.407.

¹⁵⁹ *Ibid.* para. 6 p.408.

In an addendum to the report Prof. Duncan contributed to the debate of the guarantee scheme by formulating his assessment of the types of applicants reviewed by the Commission. He recognised five distinct types to one or other of which each of the cases can be assigned. This typology of cases is shown in Table 3-4 below.

Table 3-4: Types of firms applying for loan guarantees

Type	Description
I	One-man business of a craftsmanship character.
II	Businesses in danger of closure and in need of assistance.
III	Established businesses proposing to expand.
IV	Speculative ventures.
V	Enterprises of unquestionable security.

Source: Adapted from Commission of inquiry into banking currency and credit (1938b) Addendum 1,(2), p. 371 *et seq.*

It was Duncan's view that outside the limits of the Type V, which he defined as

... enterprises of unquestionable security with available projects giving a considerable volume of direct employment, the cost of capital vital to the decision to proceed; additional working capital either unnecessary or on the security of the firm's other assets ...

the risks involved for the public support became problematic and "the likelihood of loss approaches certainty".

The publication of the Banking Commission report did not deter the Minister from making the case for the guarantee scheme to be renewed.

3.5.1 The case for renewing the loan guarantee scheme 1938-39

The Trade Loans Guarantee Act, 1933, expired at the end of its five year term on 23 June 1938.

The review of the Colbert proposal in 1932-33 by the interdepartmental committee recommended a continuation of the scheme for the period of five year pending the establishment of "a new Industrial Credit Corporation" or that the 1933 Act function as a "supplement to it". The Corporation was already established before the end of 1933. The proposer of the development, Colbert, was appointed its first chairman and managing director, and as noted earlier, he also served on the Banking Commission 1934-38. The evidence of Leydon to the Commission provided an insight into operational aspects and some weaknesses inherent in the procedures followed. Nevertheless, as outlined above, the Majority Report of the commission recommended that the scheme be discontinued.

Notwithstanding that recommendation and in advance of the final publication of the Commission’s report, the Minister for Industry and Commerce sought authority from the Government in July 1938 to prepare the heads of a Bill to renew the system for a further term of five years.¹⁶⁰ The case for revival was based on the employment in those firms where guaranteed loans were in operation, and on the level of wages and salaries paid to those employed. These are shown in Table 3-5 below in relation to the development of the scheme since its beginning. The most recent figures available for 1937 were given as “exceeding 5,600” in the memorandum to government and were added to the table circulated to the Cabinet.

The Minister for Finance accepted the Cabinet decision of 4 October 1938 to proceed with the drafting of legislation for a further five year term but noted the requirement that the “system should be operated in the future much more rigidly”. There followed a series of correspondence in which Industry and Commerce was invited to propose “altered principles of action” which would satisfy that requirement. Those discussions continued while the Bill progressed through the Oireachtas.¹⁶¹

Table 3-5: Loans under guarantee: numbers employed and salaries/wages paid

Year	loans under Guaranteed	Numbers employed	Salaries & wages paid
1925	3	477	£36,194
1926	7	747	£79,597
1927	10	943	£100,832
1928	15	1581	£156,567
1929	14	1428	£149,598
1930	13	1340	£116,559
1931	9	674	£64,222
1932	9	725	£62,890
1933	16	1082	£84,449
1934	27	1927	£164,648
1935	57	4248	£331,721
1936	66	5790	£508,266
1937	68	5600	£584,700

Source: adapted from NAI, F/97/3/38, *Trade Loans (Guarantee) (Continuance) Bill 1938* Memorandum for the Government, Industry and Commerce, 27 July 1938 (1937 data added)

The same employment number was cited in the Dáil during the second stage reading of the Bill in February, 1939.¹⁶² The Minister rejected the commission’s view that lending for which the guarantee scheme catered could not be left to the existing financial institutions because there were no institutions prepared to consider making such loans as their business.

¹⁶⁰ NAI, F 97/3/38, Trade Loans Bill 1938, Minister for Industry and Commerce, 27 Jul. 1938, Memorandum for Government.

¹⁶¹ *Ibid.*

¹⁶² DÉD, Lemass, second stage, Trade Loans (Guarantee) Bill, 1938, 8 Feb. 1939, vol.74 no. 1 c.139.

In our endeavours to establish new industries and to extend and develop existing industries, we would not have met with the measure of success attained if there had not been available machinery of the type provided by the Trade Loans Acts.¹⁶³

The Trade Loans (Guarantee) Bill, 1939 passed all stages through the Oireachtas by 22 March 1939.

Agreement with the Department of Finance on the “altered principles of action” was finally reached on 23 June 1939 when Leydon confirmed a set of administrative procedures based on the interdepartmental discussions.¹⁶⁴ In addition to applying previous practices and investigations more rigidly, he proposed additional measures, such as:

1. In the event of a negative decision by an advisory committee, a recommendation to the Department of Finance would be made “only in exceptional circumstances and for particularly good reasons”,
2. Applications involving loans of less than £2,000 “will not be encouraged”, and
3. Industries situated in “the Gaeltacht or other ‘undeveloped’ areas” would be dealt with on their merits without undue emphasis on the location.

The passing of the 1939 Act was a further significant milestone in the development of the scheme. Although there were no amendments in the operational aspects of the legislation, the working relationship between the two departments, Industry and Commerce and Finance, had reached a better *modus operandi*.

3.6 Discussion

The picture painted by Fanning (1983a) of the relationship between Irish economists and the government requires some revision. In the course of the events relating to the guarantee scheme, especially during the 1930s, there were two significant interventions where economists played a part. One was in the evaluation of the Colbert proposal and the steps taken with the interdepartmental committee’s subsequent recommendations. The second was the combined expertise mustered for the banking commission in which there were three academic economists as members of the commission, in addition to external experts.¹⁶⁵

Moynihan, as secretary to the Executive Council, prepared a summary of the proposal for the first discussion by the council, months after it had been submitted by Colbert in May 1932. He was then given the task of chairing the interdepartmental committee. At the same time, Smiddy was an economic advisor to de Valera. Together with Moynihan, they played a pivotal role in the outcome

¹⁶³ *Ibid.* vol. 74 no. 1 c.141.

¹⁶⁴ NAI, F 97/3/38, Trade Loans Bill 1938, 23 Jun. 1939, Leydon to Secretary, Finance.

¹⁶⁵ Busted from University College Cork, Duncan from Trinity College Dublin, and O’Brien from University College Dublin. Per Jacobsson from the Bank for International Settlements, Basel, and Prof. Theodore Gregory from the London School of Economics and a former member of the Macmillan Committee (1929-31).

from the report of the committee on industrial finance in 1932-3. This instance, and the later involvement of economists in the Banking Commission, contradicts the view of Fanning (1983a) that economists played relatively subordinate role in their relationship with the government.

During the course of the committee's work reviewing the Colbert proposal,¹⁶⁶ Smiddy prepared a number of short reports for de Valera covering "industrial banking" and "banking and industry". Moynihan consulted Smiddy when the committee's final report was completed, and they each then submitted separate opinions to de Valera before the report was submitted to the Cabinet. They both dissented from some of the committee's recommendations. Smiddy wrote to de Valera

I agree with the criticism of Mr. Moynihan on the recommendation of the Committee which favours the continuation of industrial credit being given under the Trade Loan Acts.¹⁶⁷

In the circumstances, the Cabinet based its decision to continue the loan guarantee scheme, along the lines recommended by the committee. The question of a new industrial banking institution was then treated as a separate decision, from which the Industrial Credit Company emerged. The original recommendations of the committee left the choice open and did not present such a clear distinction as ultimately emerged.

The Banking Commission was another forum in which Irish economists of the period (Busteed, O'Brien and Duncan) participated with contrasting contributions. It is clear from the records that their contributions were independent of each other. Busteed took little part in the work of the Commission, and his minority report therefore came as a surprise.¹⁶⁸ When he later submitted a memorandum to the Department of Finance on the subject of "State policy and sterling" it emerged that during his membership of the commission "... he never submitted a memorandum of any kind on any subject at any time to the Commission and never orally expressed the views which he now tells us he has entertained for years".¹⁶⁹ This contrasts with the engagement of Duncan with the work of the commission. His Appendix 7 to the commission's report was "one of the first national income accounts compiled for Ireland",¹⁷⁰ and his Addendum 1 to the report included a concise critique of the guarantee scheme. According to Brennan's notes, he was also consulted by Jacobsson

¹⁶⁶ The "extract from the Cabinet Minutes, Cab.6/72, 29 Sep 1932, Item 1: It was further agreed to ask the committee to report within a fortnight". (NAI, S 6467, Industrial Finance) The final report was presented to the Cabinet six months later, 18 Mar 1932.

¹⁶⁷ *Ibid. Comments on the Report of the Committee on Industrial Finance*

¹⁶⁸ NLI, JBP, Ms. 26, 214, McElligott to Brennan, 24 Oct 1939.

¹⁶⁹ *Ibid.* Brennan confirmed McElligott's recollection.

¹⁷⁰ Murphy (2006, p.73). Biography also by Clavin (2009). Per Jacobsson's diary noted his contribution on the national income accounts: "Thus, for the first time Éire possessed one of these economic pictures of the order of magnitude of its economy." Quoted in Jucker-Fleetwood (1972)

in the writing of Chapter 5 on “Some social aspects of currency and credit”.¹⁷¹ O’Brien, on the other hand, worked directly with Brennan in the drafting of the report on credit for industry. Both Duncan and O’Brien took part in the questioning of Leydon when he gave evidence to the Commission in relation to the loan guarantee scheme. Busted was also present, but was one of the few members of the commission who was not recorded in the discussion.¹⁷²

Smiddy played no direct part in the deliberations of the commission, but he later provided de Valera with comments and notes on the final report.¹⁷³ There is no indication that his work in this advisory capacity reached a wider audience.

The Brennan papers show a level of professional respect for the contributions of Duncan and O’Brien in their dealings with the Banking Commission and its report. Duncan’s contributions to the final report were significant. Even though Brennan wrote the bulk of the report, the external experts, Jacobsson and Gregory, also contributed significant sections. Duncan made substantial additions, particularly in relation to his analysis of the guarantee scheme.

O’Brien was an active sounding board for Brennan in drafting the section on industrial credit,¹⁷⁴ pointing out, for example, that the new industries in some cases were reaching the capacity of the home market to absorb their production and

... the Government must make up its mind whether it wants to promote production for home consumption or for export. Different measures are needed for the two objectives. In the early days of protection “self-sufficiency” was accepted as an aim requiring no justification, but the new realization of the value of exports, has completely changed the industrial problem.¹⁷⁵

It is also clear from the Brennan papers that he was on good personal terms with O’Brien, as could be inferred from the marginalia in the drafts of the Banking Commission report. The more detached style of the early civil servants of the state, such as Brennan, McElligott and Leydon, masked a level of reserve, respect and personal friendship which is not easily detected in official records.¹⁷⁶

¹⁷¹ NLI, JBP, Ms. 26, 214; “Notes on composition of Majority Report of Banking Commission” 9 May 1928

¹⁷² Commission of inquiry into banking currency and credit (1938a) pp. 1-23

¹⁷³ NAI, TSCH/3/S 11482; T.A. Smiddy, comments and notes on the banking commission report 1938-9

¹⁷⁴ NLI, JBP, Ms. 26, 289

¹⁷⁵ NLI, JBP, Ms. 26, 349, 2 Jun 1937, marginalia on draft report section on ‘Credit for Industry’

¹⁷⁶ Brennan sent O’Brien (unusually, addressed as “Dear George” ...) copies of his correspondence with Hawtrey following the latter’s review in the *Economic Journal* of the CIBCC Final Report (Hawtrey, 1939). Brennan had disputed aspects of Hawtrey’s review (NLI, JBP, Ms. 26, 214, correspondence March 1939).

3.7 Conclusions

The highlights of phase II were the implementation of the amending Act of 1933 with the separate decision to establish the Industrial Credit Company as an alternative to the Colbert proposal. Phase II was also characterised by the number of reviews of different levels during the period. At the beginning, the interdepartmental committee had specific terms of reference and their recommendations, if somewhat ambivalent, for the guarantee scheme were accepted. Their proposal that it should be of a temporary nature pending the establishment of “a new Industrial Credit Corporation” was overtaken by the swift establishment of the new institution. This new body satisfied part of the financing needs during the following years; the balance was taken up by the agreement with the banks that they would not alone lend, but also at more favourable terms than the prevailing bank rate. The new institution also undertook, to an even greater extent, the task foreseen by Lemass in his memorandum to the Cabinet of 24 March 1933 of enabling “industrial companies to get additional share capital”.

The records show that the reviews during the period of the banking commission’s work illustrate three areas where economists or economic advisors played a part in the assessment of the scheme. The view held by Fanning (1983a) does not do justice to their engagement with the guarantee scheme and the related administrative records. The first of these was the intervention of Smiddy with Moynihan before the cabinet considered the recommendations of the committee on industrial finance in 1933. The next was the evaluation of the scheme as it came within the framework of the Banking Commission. This was both formal and informal in nature. The formal aspect was in their interaction with Leyden during his evidence to the Commission.¹⁷⁷ The third contribution came through the inputs of economists to the CIBCC’s final report, as mentioned above. The criticism of a “propensity for imitation”¹⁷⁸ among economists can be applied in a similar manner to the legal profession, but Finn quotes Costello’s defence of the practice from his experience as a legal practitioner and former Attorney General.¹⁷⁹

A further review was part of the work programme of the Banking Commission 1934-38 with external experts included in the evaluation. Their recommendation that the scheme should be withdrawn was not accepted. An internal review of procedures between Finance and Industry and Commerce

¹⁷⁷ Commission of inquiry into banking currency and credit (1938a) pp.1-25

¹⁷⁸ Brownlow (2010) p.286

¹⁷⁹ Finn (2008) p.76 *et seq.*

took place in 1938-9¹⁸⁰ following the government's decision to revive the scheme and this led to agreed procedures for assessing proposals.

The number of loans approved for guarantee during phase II increased by a factor of three on those in the earlier phase. The increasing use of the scheme reached a peak in the year 1936 and thereafter was in decline. That decline continued through the 'Emergency' period of the war years. The last renewal of the loan guarantee legislation was in 1954.¹⁸¹

The following chapters will deal with the procedures involved in the operation of the scheme and the variety of data generated. From the data and procedures a more detailed picture emerges from the many facets of the scheme.

¹⁸⁰ NAI, F 97/3/38, Trade Loans (Guarantee)(Continuance) Bill, 1938

¹⁸¹ Trade Loans (Guarantee) (Amendment) Act, 1954.

4.1 Introduction

The loan guarantee scheme had a number of features making it a suitable case for analysis using a database approach. During the period 1924-1940 (and later) there was consistency in the procedures and records documenting the decisions made. This chapter examines the elements which make it possible to construct a database which can then be used to interrogate different aspects of the scheme. The structure of the database is informed by the procedures of the scheme. The records generated are primary sources of data used in the database.

This chapter describes the administrative procedures followed in the operation of the scheme, the types of records generated from that process, and the data available from the records. The scheme followed the procedure which was established in the British Act of 1921.¹⁸² This entailed the initial stages of an application for a loan guarantee and an assessment procedure resulting in either approval or rejection. A key aspect adopted from the British schemes was the procedure of reporting regularly to the Oireachtas. In that way, the approval of loan guarantees was reported quarterly and an annual statement reported the costs to the Central Fund when guarantees were required to be honoured. These reports and annual statements are primary sources of data. Further data is available from administrative records generated when loans were guaranteed; for example, agreements were drawn up between the firms involved, the Minister for Industry and Commerce and the lending institution. The chapter describes these primary sources and the contribution of the data from their records to the database.

The chapter further describes how data is obtained from the statutory records generated by the scheme's procedures—the quarterly reports and annual statements to the Oireachtas. The quarterly reports contain data relating to 'events'; these are decisions related to the approval of individual loans. Each event is allocated a unique numerical identity. The attributes of each loan, for example, the amount of a loan, its term, purpose of the loan etc., are entered in designated data fields. Supplementary data linked to individual loans (for example, lending institutions) are contained in the administrative files of the Department of Industry and Commerce. These data are also entered into the assigned data fields. The statutory annual statements record a further set of events. These contain data in the cases where guaranteed loans were in default and the guarantee was called upon. These events are also assigned unique identifiers. The data consists of amounts paid from the

¹⁸² Trade Facilities Act, 1921 (11 & 12 Geo. 5.) Ch. 65.

Central Fund in lieu of loan and interest arrears in default, and also amounts recovered subsequently by the Exchequer.

Each event records a decision in relation to a firm, and each firm is therefore allocated a unique identifier code. The attributes of the firms, for example their location, sectors of activity etc., are entered in separate data tables. Further data relating to firm attributes are available from sources such as searches of the Company Registration Office or the records of dissolved companies in the National Archives of Ireland.

The chapter describes further the additional data relating to the monitoring of the loan repayments. These records are available from the annual calculation of the state's contingent liability. Correspondence between the Department of Industry and Commerce and the Department of Finance each year document the repayment patterns of loans, and in some cases the early discharge of loan and guarantee obligations.

The chapter describes the structure and relationship between the data tables generated to populate the database. Data are first entered in Excel worksheet tables and then transferred to MySQL, the database management system used to compile, manage, and interrogate the data. I am particularly grateful for the guidance and assistance of my supervisor, Dr. Aidan Kane, in the development of this Trade Loans database.¹⁸³ The complete dataset from my thesis will be incorporated on the website of Duanaire: a treasury of digital data for Irish economic history.¹⁸⁴

A final set of data records the employment in the firms during the period when loans were guaranteed. These data are in interdepartmental correspondence.

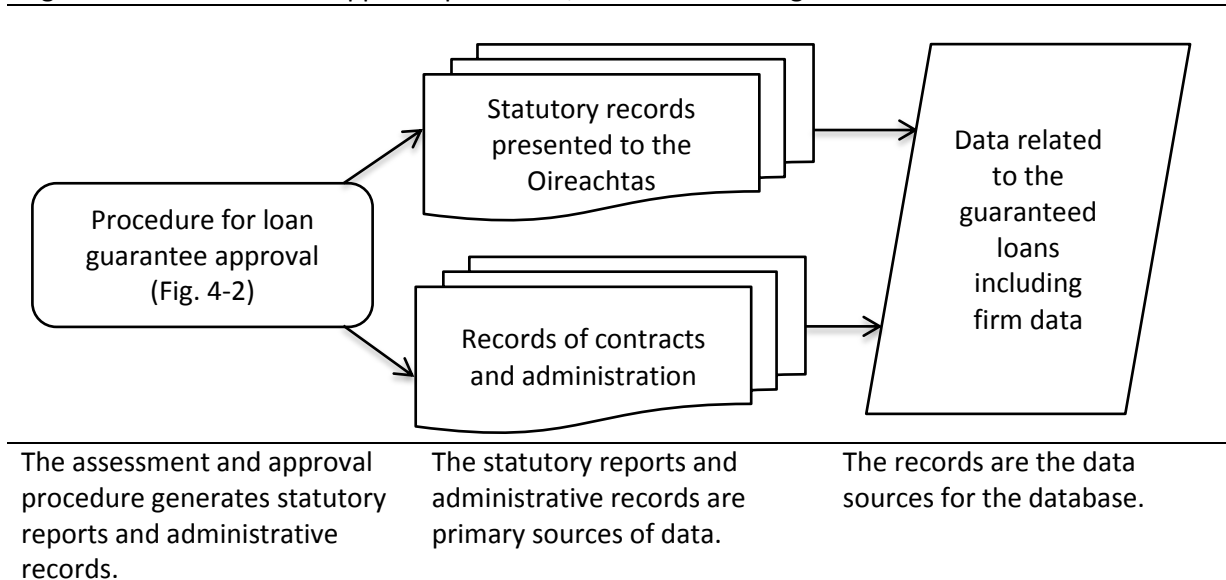
4.2 Procedures of the scheme

Applications for loan guarantees were initially screened by the Trade and Industry Division in the Department of Industry and Commerce prior to submitting the application to the advisory committee. Two sets of records were generated following a successful outcome of the approval procedure: first, the decision by the Minister to guarantee a loan was reported to the Oireachtas in a quarterly report, the second set of administrative procedures were initiated by the conditions attached to the loan guarantee. These were recommended by the advisory committee and (usually) endorsed by the Minister. This is shown schematically in Figure 4-1.

¹⁸³ <http://www.nuigalway.ie/economics/people/aidankane/>

¹⁸⁴ <http://www.duanaire.ie>

Figure 4-1: Schema of the approval procedure, records and data generated



4.2.1 Approval procedure

A first screening ensured that applications were valid and complied with the objectives of the scheme. The valid applications were then passed to the advisory committee which could reach two possible decisions. A positive recommendation was accompanied by a report setting out the standard conditions amended to the specific circumstances of the application. The alternative decision by the committee was a rejection of the proposal. There are no records surviving to show how the advisory committee arrived at its decisions.

In the case of a positive recommendation from the advisory committee, the department of Industry and Commerce made its own assessment before making a recommendation to the Minister. A positive recommendation at that stage required the sanction of the Minister for Finance. The final decision rested with the Minister for Industry and Commerce.

The expression used in the legislation that the Minister made his decision “after consultation with an advisory committee” was interpreted to mean that he was not obliged to accept their recommendation. This was confirmed in the evidence to the 1934-38 Banking Commission by Leydon, secretary of the department.¹⁸⁵ Departmental records show that various meetings took place with the department and with the advisory committee before final decisions were reached. This was not only in the early years,¹⁸⁶ when procedures might have been unclear, but there is also evidence from the 1930s. In the case of an application by the British and Foreign Fuels Company to

¹⁸⁵ Commission of inquiry into banking currency and credit (1938a) 18 Jan. 1935 q. 6 p.1.

¹⁸⁶ The case of the Dungarvan Co-operative Creamery, one of the earliest applications, records multiple meetings in 1924-5. (NAI, ICOS, 1088 386/4 Dungarvan Co-op. Creamery 1924-26).

establish a peat briquetting plant in Ireland, the promoters met directly with the Minister, while the committee requested a meeting with the acting Minister before making their recommendation in view “of the national importance of any method by which the peat resources of the Saorstát could be utilised”.¹⁸⁷ The latter case resulted in a clear statement from Finance about the role of such an advisory committee: “... to give its own unbiased judgement on matters referred to it and not to give the advice it considers will be most acceptable”.¹⁸⁸ This interpretation of the role of the advisory committee is in contrast with that of the Trade Facilities Advisory Committee in the British Act where, in accordance with the Treasury minute setting out their function they operated independently, but in consultation with the Treasury and the Bank of England.¹⁸⁹

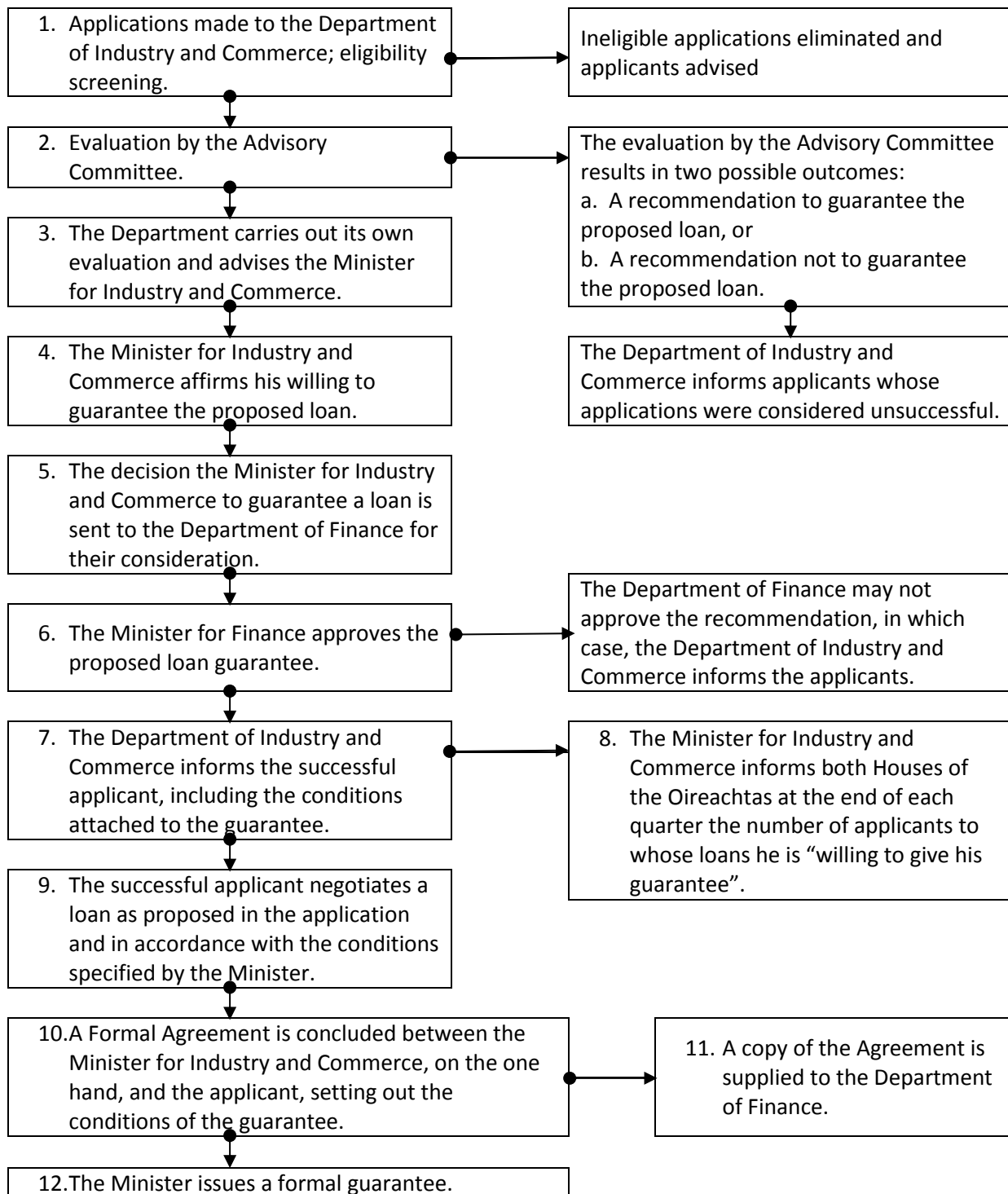
The full approval procedure of loan guarantees is set out diagrammatically in Figure 4-2.

¹⁸⁷ NAI, F97/11/33, Peat Industry, Memorandum 22 Jun 1933, discussed in Fanning (1978 pps. 254-256).

¹⁸⁸ *Idem.* McElligott, Memorandum, 30 June 1933.

¹⁸⁹ TNA, T160/783 *Trade Facilities Act Advisory Committee*, draft Treasury Minute, 10 Nov 1921. The Treasury minute also stipulated that “No personal interviews will be given by the committee”.

Figure 4-2: The approval procedure of the loan guarantee scheme



Each decision by the Minister for Industry and Commerce to guarantee a loan was reported to the Oireachtas as part of a quarterly report. These statutory reports were primary source records in constructing the database. The reports contain the decisions of the Minister, his “willingness to give a guarantee” (stage 8 in the procedure in Figure 4-2). The amount of the loan approved at this stage was calculated as part of the contingent liability on the Central Fund. This wording was considered

by the Attorney General to mean that there was a liability on the Minister, even though a loan might not yet have been agreed or executed.¹⁹⁰

Following approval, the applicants negotiated the loan with a financial institution. A loan agreement was drawn up between the applicant, the financial institution and the Minister for Industry and Commerce. When this agreement was successfully concluded, the formal guarantee was issued by the Minister. These latter agreements were recorded in the administrative records of the Department of Industry and Commerce. These were collectively referred to as the 'formal documents'. Unlike the statutory reporting of the loan guarantee approval which had a standard format, these 'formal document' records were subject to the vagaries of administrative practice. Therefore, there are some records missing.¹⁹¹ In some cases additional records were added. These include, for example, the recommendations of the Advisory Committee with a *proforma* agreement. However, these are few in number and do not add significantly to the data already available from the statutory records. A number of files also include a formal letter of discharge from the financial institution releasing the Minister from his guarantee obligation on the full repayment of the loan. These discharges are not consistently available in the 'formal document' records. Correspondence from Industry and Commerce to Finance regarding the annual calculation of contingent liability provides an alternative primary source of recording the dates on which loans were fully repaid. In these cases, the exact date of discharge is not recorded and, for the purpose of the database, the financial year end is used as the relevant date.

4.2.2 Monitoring of loans

The Department of Industry and Commerce monitored the progress of the loan repayments. This generated two further set of records. First, the Department of Industry and Commerce reported to Finance at the end of each financial year on the amount of principal repaid on each loan. This was reported in a supplementary list to the annual calculation of the Contingent Liability arising from the loan guarantees which was later reported in the Finance Accounts. The second significant aspect of the monitoring covered arrears in repayments up to and including the end of the loan term, in other words, full repayment or eventual default. In the event of default, the cases were reported in the statutory annual statement by the Minister for Industry and Commerce to the Oireachtas. When the Minister's guarantee was discharged by the final repayment of a loan, and there was no letter of

¹⁹⁰ NAI, INDC/IND/24/36, Trade Loans (Guarantee) Acts: quarterly statutory returns of loans, 1939-50, Attorney General advice to Industry and Commerce (ref. 1212/39), 24 Jun. 1939.

¹⁹¹The date of a formal agreement is missing in the case of seven of the loans approved and the dates of guarantees are missing in three cases. This is not a significant factor in the analysis of the guarantee scheme.

discharge from the financial institution, the financial year end date has been used, as mentioned previously.

The question of disclosure of the level arrears in the quarterly reports to the Oireachtas arose as an issue in 1928. Industry and Commerce sought advice from Finance about three cases where there were serious arrears in repayments. Industry and Commerce was

... inclined in future to give in a footnote to these returns a statement showing to what extent the borrowers are in arrears in respect either of interest or the repayment of principal.¹⁹²

but the Department of Finance advised to the contrary for the reason that

... while the Minister considers it desirable in general to keep the Oireachtas informed of Exchequer commitments, he is not prepared to press the Minister for Industry and Commerce to take any step which would be calculated to injure the credit or the prospects of undertakings whose loans have been guaranteed under the Trade Loans (Guarantees) Acts. He understands it to be the view of your Department that the contingent liabilities which have been incurred could not be indicated without adversely affecting their credit and in the circumstances he is not prepared to suggest any alteration in the form of return which it has hitherto been the practice to present and which appears to contain all the information which the terms of the Act require the Minister for Industry and Commerce to furnish.¹⁹³

The question was whether the Oireachtas should be informed. The practice was adopted that arrears (or indications of financial stress on firms) were excluded from the statutory returns on the basis that "... there is no statutory liability on the Minister for Industry and Commerce to furnish information of this nature."¹⁹⁴ The annual calculation of the contingent liability by Industry and Commerce for the Finance Accounts did include the arrears of interest of individual loans. However, these liabilities were not included in the reported contingent liability arising from the scheme.

4.3 Records generated by the scheme

The records generated by the loan guarantee scheme provide the data which have been used to populate the database. There are two sources directly generated by the statutory requirements of the Act and two further administrative sources. Two statutory sources were required by the Acts; quarterly reports and annual statements. Two further sources were generated from the administrative procedures arising from the guarantee decisions. These were the 'formal documents' which contain records of the loan agreements contracted between the firms, their financial

¹⁹² NAI, INDC/IND/24/18 Trade Loans (Guarantee) Acts, Contingent Liability, 29 Jun. 1928, Industry and Commerce to Finance

¹⁹³ *idem.* 6 July 1928, Finance to Industry and Commerce

¹⁹⁴ *idem.* 2 July 1928

providers (lenders) and the Minister for Industry and Commerce. The second administrative source of data is contained in the correspondence between Industry and Commerce with Finance in relation to the annual calculation of contingent liability arising from the live guarantees. This includes a listing of loan repayments each year from each firm against their loan contracts. In this way, Industry and Commerce was aware of loan arrears whenever they arose.

The data from these sources is further enhanced with records of company registrations and from correspondence in relation to the scheme from the work of the Banking Commission 1934-38, the commission's final report, including the records of evidence.

These five main sources of data are described in the following sections.

4.3.1 Quarterly reports

A quarterly report to the Oireachtas was required by S. 6 of the Trade Loans (Guarantee) Act, 1924, and its successor Acts. The report contained details of the loan applications of firms, (or none), and the decision of the Minister for Industry and Commerce that he was willing to guarantee their loans. The format of these reports was based on that already established in the Treasury reports under the equivalent procedure of the Trade Facilities Acts 1921-25.¹⁹⁵ A sample of a quarterly report is shown in Figure 4.3.

¹⁹⁵ NAI, F 97/4/26, Trade Loans Guarantee Acts 1924-26, 21 May 1926, memorandum Ferguson to Finance

Figure 4-3: Sample quarterly report to the Oireachtas under S.6 of the Act (30 April 1926)

TRADE LOANS (GUARANTEE) ACTS, 1924-1925						
STATEMENT of Guarantees or Loans which the Minister for Industry and Commerce has stated his willingness to give during the three months ended 30 April 1926.						
NAME	Amount	Whether Guarantee or Loan	Whether Interest or Principal or both Guaranteed	Purpose of Loan	Rate of Interest (Maximum)	Period of Repayment
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Waterproofs Ltd.,	£1,500	Guarantee	Interest and Principal	To acquire the premises land (Freehold) plant and fittings of the Celtex Proofing Co. Equip premises with modern machinery and make necessary structural alterations.	6%	10 years.
Dundalk Harbour Commissioners	£55,000	"	"	(1) To acquire quays and land etc. (2) To construct new quay frontage to reconstruct and enlarge present quays to reclaim sloblands and construct retaining embankment.	5%	As defined in Section 63 (1) of the Dundalk Harbour & Port Act, 1925

Source: Oireachtas Library, <http://opac.oireachtas.ie/AWData/Library3/Library2/DL069016.pdf>

The reports contain two sets of related data, the first of which are the firms mentioned in the report, in column (1). The second set of data is in the details given in the rows for each of the firms. Each row records an event, or observation, relating to that firm. In the example, the set of data shows the loans approved, including the amounts of the loans and associated details. In constructing the database, each firm is given a unique identifier. The attributes of the loan are given in the remainder of the row as shown in the headings of columns (2) to (7). The event (or observation) is identified by the date of the report. In the case of Figure 4-3, the 'reporting period' is 30 April 1926.

4.3.2 Annual statements

At the end of each financial year the Minister for Industry and Commerce reported to the Oireachtas the amounts paid out of the Central Fund for interest and/or principal of loans for which the Minister's guarantee was called. This statement was required under S.6 of the Act. The statement contains details of individual loan defaults by firms. Each row in the statement is a default event (or observation) allocated a unique identifier in the database. The annual statements also accounted for repayments to the Exchequer for the payments made. A sample annual statement for the financial year ending 31 March 1931 is shown in Figure 4-4.

When an accumulation of interest arrears occurred with a defaulted loan, those arrears were paid from the Central Fund.

Figure 4-4: Annual Statement to the Oireachtas under S.6 of the Act (y/e 31 March 1931)

ACCOUNT up to the Thirty-first day of March 1931, of the total sums which have been issued out of the Central Fund under the Trade Loans (Guarantee) Acts, 1924-1930, and of the sums which have been paid into the Exchequer in repayment of sums so issued.						
Name of Corporation or other body of persons corporate or unincorporate.	(2) Amount	(3) Whether Guarantee or Loan	(4) Whether Interest or Principal or both Guaranteed	(5) Total sums which have issued out of the Central Fund.	(6) Interest	(7) Total sums which have been paid into the Exchequer in repayment of sums so issued
Allihies Copper Mines Ltd.,	£20,000	Guarantee	Interest and Principal	£18,000	£1,399. 11. 3	NIL
Carrickmacross Hosiery & Knitting Co. Ltd.	£2,740	"	" " "	£2,440	£109. 19. 8	
Irish Fresh Meat, Ltd.	£70,000	"	" " "	£70,000	£8,446. 0. 6	(The winding up of the affairs of the Companies concerned has not yet been completed)
Cornelius O'Connor & Sons, Ltd.	£6,000	"	" " "	£6,000	£686. 9. 4	
Wicklow Ochre & Minerals Grinding Co. Ltd.,	£4,000	"	" " "	£4,000	£466. 16. 11	
Irish Glass Bottle Co. Ltd. *	£50,000	"	" " "	£50,000	£13,876. 0. 0	
* The amount in this case £63,876 has not yet been paid over to the Debenture Holders. It is being held in "suspense" by the Department of Industry and Commerce.						
NOTE: Expenditure amounting to £382. 15. 6 was also incurred in the year ending 31st March 1931 on legal costs which could not be met out of the realised assets of the Wicklow Ochre and Mineral Grinding Co. Ltd. This expenditure was met out of the sum provided in a Supplementary Estimate for the Office of the Minister for Industry and Commerce.						
Source: Oireachtas library, http://opac.oireachtas.ie/AWData/Library3/Library2/DL055228.pdf						

The data contained in annual statements link the firms with an event recording their loan default. The firms named in column (1) were allocated unique identifiers from their original approval for loan guarantees. The rows in the statement represent a default event and are given a unique default identifier. The note in column (7) regarding repayments to the exchequer indicates that later annual statements may contain further data regarding repayments. In some cases these repayments were finalised up to two years later.

4.3.3 Formal documents

The formal document files of the Trade and Industry Branch in the Department of Industry and Commerce relate to the individual firms and their guaranteed loans. When a guarantee was approved, the related documents for the loan agreement and the loan guarantee were filed as a set of formal documents. Some other correspondences relating to the agreements, such as bank confirmations, were also lodged in these files. The records were subject to the vagaries of administrative practice and therefore are no longer standardised as to their content. A number of files contain letters from financial institutions discharging the Minister from his guarantee obligations when the loan was fully repaid.

4.3.4 Finance accounts (contingent liability)

The Finance Accounts are prepared each year by the Comptroller and Auditor General and contain a detailed analysis and classification of the payments into and out of the Central Fund as well as details of the National Debt. They also include an account of the obligations arising from liabilities guaranteed by the government under specific legislation, such as the Trade Loans (Guarantee) Acts.

The accounts for the contingent liability arising from guarantees contain the end of financial year statement based on the repayable amounts of loans outstanding. The Department of Industry and Commerce provided a calculation to Finance giving further information about actual payments made and instances of arrears. Relevant data was extracted to populate the database. This includes, for instance, data on the final repayments of loans where the data is not available from the formal documents records. If the contingent liability calculation record a loan as fully paid, and there is no certification from the lending bank in the formal document records, the end of the financial year is recorded as the date of the loan guarantee being discharged.

A sample calculation by Industry and Commerce is shown in a summary table 4-1. The table shows a number of features of the scheme's administration and operation.

For example, the calculation is based on details of the amounts of principal repaid by individual firms. This required the Department of Industry and Commerce to monitor the repayments of loans

in each individual case. In the actual calculation for the sample shown, the repayments by 39 firms were listed in a separate attachment.¹⁹⁶ These repayments had an aggregate total of £32,876.17s.3d. There was no indication in the listing of loans in arrears, nor was there a need to specify arrears because the liability of the state was for the outstanding balance of the loan, irrespective of the repayment terms.

On the other hand, three firms are named in the calculation as being in arrears with interest payments; two of those firms were later in default. The amount of the interest arrears outstanding was not included in the calculation of the contingent liability although it should have been.

Table 4-1: Contingent liability calculation for the financial year ending 31 March 1937

	£	s	d	£	s	d
Total Liability for Principal				653,950.	0.	0
Deduct: amount of principal repaid				53,037.	2.	6
Total outstanding liability for principal				600,912.	17.	6
Add:						
Interest in arrears:						
Peat Fuel Co. Ltd., Irish Industries Ltd., Ballysax Brick and Tile Co. Ltd.				3,540.	8.	0
Total Contingent Liability				604,453.	5.	6
Causes for the difference between 31 March 1936 and 31 March 1937:						
Increase during the year to 31 March 1937 in the amount to which the Minister was prepared to give his guarantee:				76,500.	0.	0
less:						
cases withdrawn during the year (1936/7)	9,600.					
reduction in amount of guarantee: Lee Foundry Ltd.	1,100.					
Loans repaid:						
Bantry Textiles Ltd., E. Donaghy & Sons, Haulbowline Industries Ltd., and Southern Concrete Brick and Tile Works Ltd.	14,000.					
Increase in amount repaid as shown above						
£53,037. 2s. 6d - £32,876. 17s. 3d	20,160.	5.	3			
				44,860.	5.	3
Net Increase in Liability for Principal				31,639.	14.	9
Liability for Principal at 31.3.1936				569,273.	2.	9
Add net increase up to 31.3.1937 (as above)				31,639.	14.	9
				600,912.	17.	6

Source: Adapted from memorandum Industry and Commerce to Finance, 12 May 1937, (NAI, INDC/IND/24/18 Trade Loans(Guarantee) Acts, Contingent Liability)

In this particular example, the four firms named as having repaid their loans did so in advance of the loan term.

¹⁹⁶ NAI, INDC/IND/24/18 Trade Loans(Guarantee) Acts, Contingent Liability, 12 May 1937, memorandum Industry and Commerce to Finance.

The contingent liability data are not included in the database for the reason that they provide a separate indicator of the scale of the guarantee scheme. The procedures followed in compiling the data suggests that deviations from the agreed repayment terms were tolerated. In addition, a significant number of firms repaid their loans before the end of the loan term. This suggests that refinancing of loans may have been a common step in the development of firms and that guarantees for the new finance arrangements were not sought from the state. There are insufficient firm records to generalise in this regards, but some reasoned examples will be elaborated later, including access to share capital issues.

4.3.5 Other data sources

The data sources described so far contain a standard set and format of information behind which a further range of detail resides. However, the information requires some interpretation to categorise activities, such as the nature of expenditure or the sectors of activity. These may not be adequately described in the reported summaries. For these reasons, additional primary sources have been examined to determine more accurately the correct value to ascribe to some attributes. An example of this is the description of a firm's activity. In some cases this may be already accurately described in the quarterly report data (col. 5, of Fig. 4-3). However, in many cases there are no descriptions of products in the statutory reports. The review by the Banking Commission 1934-38 provided some clarification in the tables contained in the main report¹⁹⁷ and in the correspondence of the Department of Industry and Commerce with the Commission's secretariat contained in the Brennan papers at the NLI.¹⁹⁸

Data on the registration of firms have been examined from the CRO.¹⁹⁹ The data on firms established before 1922 is fragmentary due to records having been destroyed in that year. A small number of firms were not identified as registered companies and have been treated as sole traders or unregistered partnerships.

4.4 Structure of the database

The database is constructed with an interrelated set of records in the form of data tables. The tables record the events in each row and the columns in the tables record the associated value or description of the attributes. Each firm is allocated a unique code which acts as a primary key providing the link with interrelated data tables. Similarly, the events table, which register the loan guarantees, also allocates a unique code to the event or observation of the loan, again a primary

¹⁹⁷ Commission of inquiry into banking currency and credit (1938b) Appendix No.21 pps. 530-49.

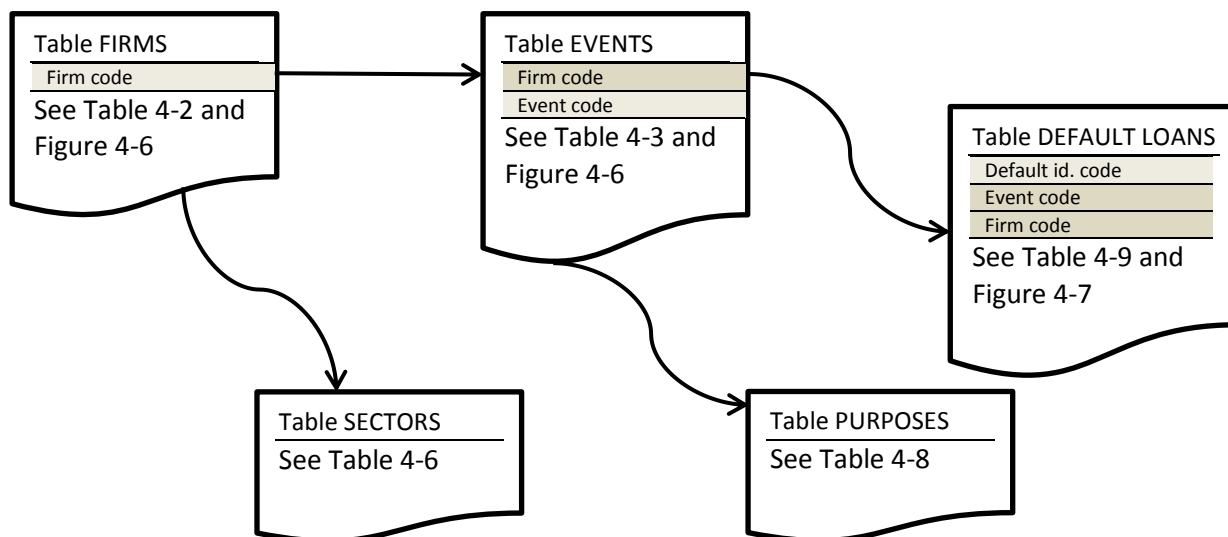
¹⁹⁸ NLI, JBP, Ms. 26,289.

¹⁹⁹ www.cro.ie and by correspondence with the office. Some dissolved company records are lodged in the NAI.

key. The same procedure is followed; the columns record values of the attributes for each of the observation.

The attributes in the tables describe features of the loan guarantee scheme. These attributes are tabulated so that analyses can be carried out. An abridged schema of the tables illustrating the interrelationship is shown in Figure 4-5.

Figure 4-5: Schema of data tables for the loan guarantee scheme



4.4.1 Populating the database

The Excel worksheet tables have been transferred into the database. In summary, the data covers 108 firms approved for loan guarantees during the period from 1925 until 1940. The firms were involved in 131 individual loan approval decisions (events). Events are recorded in the database in the same manner as the firms, again by recording each event in a row with the associated attributes in the columns. The attributes of events include the date, details of the loan and its purpose, etc. Additional data from the administrative records relating to the loan events, such as the financing institution, are recorded as further attributes. In addition to the basic firm data, 24 of the firms with a total of 31 loans were in default with loan repayments. These are recorded in further data worksheets and transferred to the database.

4.4.2 Table of firms

The first source of data, the Quarterly reports presented to the Oireachtas (sample in Figure 4-6), give the first data on the firms and the loans approved for guarantee. Column 1 of that report gives the names of the firms which is a primary key throughout the database. Each row in the report presents the observation or event relating to a guaranteed loan. This section will describe the data

tables generated for the firms (in Column 1) and for the events (each row). The different event types will be considered later as one of the variables in the data table of events.

The data tables for the firms, (Table 4-2) is derived in the first place from the Quarterly reports with additional data sourced as described in the table’s notes column. In this table the firm code is the unique (primary) key linking the table with other tables in the database.

The activities of the firms are not necessarily or consistently stated in the quarterly reports. Therefore, for the purpose of designating firms to particular sectors, some inferences have to be drawn in the absence of a clear description. In the example of Figure 4-3 column 5, ‘Purpose of Loan’, the product manufactured by Waterproofs Ltd. is not stated. In other cases the manufactured product is mentioned in connection with the equipment purchased. The variable ‘sector of activity’ is therefore derived or inferred from searches in other sources. A similar problem arises with the location details of the firms. The addresses of the firms are recorded in the ‘formal document’ records in the NAI.

Table 4-2: Firm data: variables and sources

	Variables	Data Source	Description/notes
1	Firm code	Allocated to the firm	A unique code for the firm
2	Name of the firm	Quarterly report (col. 1)	Recorded name of the firm
3	Sector of activity	Quarterly report (col. 5)	Inferred from the description in the ‘Purpose of Loan’ column and other sources
4	Location of the firm	From ‘formal documents’ records (NAI)	Town or city location
5	County		County of location
6	Geographic coordinates	GIS sources	
7	Company registration number	Companies registration Office (www.cro.ie) and	
8	Date of registration	by correspondence.	Some records pre-date 1922 and are not all available
9	Year of registration		
10	Date of the company’s dissolution	CRO or NAI (dissolved company records)	

An extract from the completed data table of firms is illustrated in Appendix I (Figure A.I-1).

The completed data table of firms consists of 108 rows (firms) with 10 columns of variables which are shown in Table 4-2.

A code has been allocated for the sector of activity of each firm describing as closely as possible the activity to which the ‘purpose of the loan’ applied. I refer to this code as a primary sectoral code. A separate table will refine and aggregate these primary codes to enable a more meaningful set of

sectors to the activities of the firm benefitting from the scheme. The aggregation of the sectoral codes is shown in table 4-6.

The relatively small population of firms in the database is considered unsuitable for grouping into sectors according to a modern classification system. Furthermore, the accuracy of the descriptions in the primary sources is variable, and as already mentioned, in some cases no descriptions are given (for example, no more than the name of the promoter).

4.4.3 Table of events

Quarterly reports (see Figure 4-3) contained a number of events, or none; that is, observations in relation to loans approved for guarantee. Each row in the report is treated as an individual event and the columns in the report describe the attributes of the event. The date of the event is the quarter end date: in the case of Figure 4-3, 30 April, 1926, as in the statement at the head of the report. There are four types of events recorded in the quarterly reports. These four event types are shown in table 4-4.

Table 4-3 shows the full list of variables generated from the report and the associated records related to the loan guarantee decision. The event code is the primary key in the table and is allocated as a unique code to the individual event. The 'Purpose of the Loan' recorded in column 5 of the quarterly report is disaggregated into a maximum of four detailed purposes (rows 10-14 in table 4-3). This number is sufficient to describe the various purposes to which the loans were applied. The full set of detailed purposes comprising 16 possible variables (primary codes) is shown in table 4-8. These are later aggregated into a set of six aggregate codes.

Table 4-3: Event data: variables and data sources

	Variables	Data Source	Description
1	Event code	Generated by the table	A unique identifier for the event.
2	Firm code	From data table firms	Unique code allocated to the firm.
3	Date of report	Quarterly report	End of quarter date on the Quarterly Report.
4	Phase of the scheme	Quarterly report	Differentiates between events before and after the implementation of the 1933 amendment of the Act.
5	Lending institution	Formal documents	The firm negotiated the loan with a lending institution, a party to the formal agreements.
6	Amount of loan principal	Quarterly report (c. 2)	
7	Guarantee or Loan	Quarterly report (c. 3)	The option of granting a loan was never exercised.
8	Type of guarantee	Quarterly report (c. 4)	The principal alone was guaranteed in only one case – all other cases were guarantees on principal and interest.
9	Type of event	Quarterly report	See the separate table of event types. (Table 4-4)
10	Details of purpose (1)		
11	Details of purpose (2)		
12	Details of purpose (3)	Quarterly report (c. 5)	Disaggregation of the descriptions of purpose into a maximum of four purposes. (detailed in the Table 4-8)
13	Details of purpose (4)		
14	Full description of the purpose	Quarterly report (c. 5)	As described in the Quarterly report.
15	Interest rate	Quarterly report (c. 6)	Interest rates varied before 1933 and were capped, by agreement with the IBSC from 1933 onwards.
16	Term of the loan (years)	Quarterly report (c. 7)	
17	Whether withdrawn	Quarterly report	A withdrawal was noted on a quarterly return.
18	Date of withdrawal	Quarterly report	End of quarter date.
19	Date of Guarantee	Formal documents	Date of the Guarantee by the Minister for Industry and Commerce.
20	Date of loan agreement	Formal documents	Date of the agreement between the firm, the financial institution and the Minister for Industry and Commerce.
21	Date of discharge	Formal documents or Departmental records	A small number of formal letters of discharge from the financial institution are recorded in the formal documents. Otherwise, the completion of loan repayments is recorded in the calculation of contingent liability by Industry and Commerce for Finance.

A number of loan approvals were withdrawn before reaching agreement with a lending institution. This is indicated, where applicable, in row 17 of the Table 4-3. No reasons are on record for not proceeding.

The date of discharge of a loan (row 21 of Table 4-3) records the date on which the Minister was formally discharged of his guarantee obligation by the financial institution. A number of the formal document files contain letters to this effect from the lending banks. In a number of other cases the annual memorandum from the Department of Industry and Commerce to Finance calculating the contingent liability arising from the loan guarantee scheme specify the loans which had been “repaid in full” during the financial year. In these alternative cases, the financial year end date is recorded as the date of discharge in place of an actual date.

An extract from the completed data table of events is shown in Appendix I Figure A.1-2.

The complete table consists of 132 rows (events) and the 21 variables shown in Table 4-3.

There are four possible types of event recorded; these event types are shown in table, 4-4 below. Each firm in the database is captured by the first event type which recorded a loan guarantee approved. The remaining 24 events (132 events less 108 firms) are included in the other three event types.

Table 4-4: Event types

	Codes	Data Source	Description
1	Loan guarantee	Quarterly report	This code is used the first loan approved for a firm as reported in the Quarterly reports.
2	Additional loan	Quarterly report	Each additional loan for a firm is treated as a separate event.
3	Reduced loan	Quarterly report	The notification of a reduced loan lowers the level of contingent liability for the original loan.
4	Change of purpose	Quarterly report	Changes in the purpose of a loan modifies the original purpose(s) recorded

4.4.4 Tables of attributes or variables

Each of the tables containing primary keys, the tables of firms and events, record a range of attributes. Some attributes are quantitative, such as the amount of loan principal, or a rate of interest; other variables describe the business sector in which the firms were engaged.

Table 4-5: Sectors of activities

Agriculture and Food	Manufacturing and Engineering	Textiles, Clothing and Footwear
Agricultural chemicals	Manufacturing	Textiles
Agricultural feedstuffs	blinds	cloth
Food:	enamelware	knitted fabric
flour	furniture	tapes
bakery	hand tools	thread
chocolate	pottery	Clothing
confectionery	paper	gloves
creamery	printing ink	hosiery
liquid milk	sacks and bags	knitwear
meat processing	rope and twine	shirt making
Horticulture	warehousing	waterproof
	paper	Footwear
Construction		
Construction	Engineering	Resources and Infrastructure
bricks and tiles	metals	fuel: coal
fittings	metal furniture	peat briquettes
houses	nuts and bolts	Mining and quarrying
materials	motor assembly	copper mining
roof tiles	engineering components	Harbour development
sawmilling	foundry	
woodwork	packaging	
	bags	Miscellaneous
	glass	leather
	metal boxes	hotel

The sectors of activities for the firms in the database are shown in Table 4-5. The main sectors used for discussion purposes are shown in Tables 4-6. The detailed sectoral codes are shown in Appendix I Table A.I-1.

Table 4-6: Sector codes

Sectoral codes	Description
Agriculture & food	An aggregation of ten (10) primary codes in agriculture and food
Construction	7 primary codes describe the range of sectors from building materials to sawmilling
Manufacturing & engineering	Manufacturing comprised 11 primary codes and engineering a further 6 primary codes
Resources & infrastructure	4 primary codes
Textiles, clothing & footwear	16 primary codes (textiles 4, clothing 11, and footwear 1)
Miscellaneous	5 primary codes

Table 4-7: Location codes

Codes	Description
1 Town / location	Locations have been identified from the Formal documents, Company records or the Quarterly reports.
2 County	A code for each of the 26 counties and Dublin city is coded separately, i.e.a total of 27 codes
3 Province	Dublin city and county treated as a unit; Leinster excluding Dublin, and remaining three provinces i.e. a total of five codes

The location of firms is recorded in the database at the three levels of town, county, and province. As noted in Table 4-7, the data is sourced in the formal documents or in company records. Dublin city and county are treated separately at the county level. At the provincial level, Dublin city and county are treated as a unit separately from the province of Leinster.

The reported purpose of loans is given in the quarterly reports (Figure 4-3 col.5). As previously described, the recording of each event allows for up to four descriptions for the range of expenditure described. The menu of primary codes for the expenditure is shown in Table 4-8. The sixteen codes cover the full range of expenditure descriptions arising.

Table 4-8: Purpose of loans: primary and aggregate codes

Primary codes	Aggregate code	Description
1 Acquisition of buildings	1 Fixed asset acquisition	Various combinations of fixed asset acquisition were noted in the Quarterly returns. In the case of plant and machinery, no distinction was made between new and second-hand equipment.
2 Acquisition of land		
3 Acquisition of fixed assets (plant & machinery)	2 Fixed asset construction	The main feature of the primary codes is the employment impact of the expenditure arising directly from the loan. This involved, as the primary codes indicate, construction, extension, renovation and reconstruction of buildings. The loan advances had a similar impact in the cases of mining and harbour developments, as well as, general site development.
4 Construction (extensions)		
5 Construction (new build)		
6 Construction (rebuild)		
7 Construction (renovation)		
8 Housing (renovation)		
9 Mining development		
10 Quarry development		
11 Site development		
12 Site development (harbours)		
13 Plant and equipment	3 Purchase of fixed asset	
14 Houses (new)	4 Housing development	New house construction
15 Discharging liabilities	5 Short-term finance	
16 Working capital		

For analysis and discussion, these primary codes are aggregated to a final set of five codes. The actual codes and descriptions are shown in Appendix I, Table A.I-2.

The data recorded in the Annual Statement (Figure 4-4) regarding default events is transferred to data tables using a set of codes to identify each default. The default event relates to a specific loan, or set of loans in the case of firms with multiple loans guaranteed. The codes used for entering the data to the database are shown in Tables 4-9. The table links the default code with the primary code of the original approval, that is, the event code listed in Table 4-3.

Table 4-9: Loan defaults: codes and data sources

	Codes	Data Source	Description
1	Default id. code	Generated by the database	Unique identifier for the report of the loan default
2	Event code	Original loan approval	A unique identifier for the original loan approval event. (Table 4-3)
3	Date of Statement	Annual statement	Date of the annual statement (financial year end)
4	Amount of Principal paid	Annual statement	Amount of principal paid from the Central Fund
5	Amount of interest paid	Annual statement	Amount of interest paid from the Central Fund
6	Repayments made	Annual statement	Repayments to the Exchequer were seldom reported at the same time and were usually reported in subsequent statements.
7	Date of receiver's appointment	Various files and records	The date of a receiver being appointed, where available.

4.5 Querying the database

SQL (structured query language) is the language used to formulate queries. The queries are written in statements which interact with the database. Query results can be displayed in different tabular forms. The resulting tables can be prescribed in Excel worktables.

4.6 Conclusions

The records examined in the NAI and the official publication through the Oireachtas Library make a complete set of data from the statutory sources. These include the quarterly reports of guarantees approved and the annual statements of payments from the Central Fund. The additional data from administrative records are also largely complete with minor omissions of approvals where the formal documents files are incomplete. These instances are relatively small in monetary amounts. The conclusion is therefore that the statutory records give a full picture.

Difficulties arise with the qualitative aspects of the data for the purpose of analysis. The description of the purpose for which the loans are borrowed is insufficient to allocate expenditure to different types of spending. The sole exception arises when a single purpose is given, for example, working

capital, or the purchase of plant and equipment. Nevertheless the descriptions give a picture of the spread of expenditure.

There were no records of individual firms being monitored to record their employment. The records relating to the scheme have a strong emphasis on the financial aspects, such as, the loan repayments, and ultimately the discharging the guarantee obligation when the loan was fully repaid. This clear focus on the financial aspects of the scheme arises because of the requirement to provide accurate reports to the Department of Finance at the end of the financial year for the calculation of contingent liability. Monitoring of the employment impact of the scheme was not recorded with the same rigour.

Chapter 5 : Findings from the database: firms, finance, and outcomes

5.1 Introduction

This chapter describes the features and patterns which emerge from the database. A thematic approach is taken under the three main headings of firms, finance and employment impact. These results are presented in tabular form with explanatory comments. The results demonstrate the differences arising from the amendments introduced following the change of government in 1932. The loan guarantee scheme reached a turning point with the introduction of the amendments to the legislation introduced in 1933. The commercial banks agreed to support the loan guarantee scheme at the end of the previous year under an agreed set of guidelines. The results justify the treatment of the period up to 1933 as phase I and the later period as phase II.

An overview of the scheme is presented in table 5-1 showing the net amount of loan principal guaranteed during the period 1925-40.

Table 5-1: Summary of loans guaranteed, 1925-40

	Amount
	£
Gross amount of first loans approved	1,391,250
Additional loans approved	82,000
Gross amount of principal approved for guarantee	1,473,250
Loan agreements not concluded or otherwise withdrawn	(74,500)
Reductions in the amount of loan principal	(32,539)
Net total of loan principal borrowed	1,366,211

In total there were 108 firms or other entities, including public bodies. Fourteen firms in this total did not proceed to finalise loan agreements (one of those loans approved was an additional loan). This leaves a population of 95 firms which negotiated loans. A sub-set of twelve firms were successful with applications for additional loans. The value of all loans to which the Minister was “willing to give his guarantee”, that is, before withdrawals are considered, amounted to £1,473,250, and the net amount to which guarantees were given was £1,366,211 involving the 95 firms with 111 individual loans.

The chapter draws general conclusions about the employment impact of the scheme. Comments are made on individual tables, drawing also on the events and the activities of the firms, as shown by the database and the primary sources consulted. Chapter 6, which follows, includes a wider discussion of the results taking into account external factors and events beyond the scope of the database.

The chronological approach is determined by the two phases which are distinguished by the changes introduced in the 1933 amendment of the legislation. The amending Act was in operation for the following five years and the renewal of the legislation thereafter retained the changes. The earlier period up to 1933 is referred to as phase I, and thereafter as phase II. The precise distinction was noted in the report to the Oireachtas for the three month period ending dated 31 July 1933²⁰⁰ which identified some remaining applications approved prior to the 1933 amendment coming into effect. The difference between the two phases is one of the variables recorded in the database for the loan events (see table 4-3).

The first thematic aspects of the database considered, that of the firms, deals with the companies and other undertakings which were the beneficiaries of the scheme, the sectors in which they operated and their geographic distribution. The second theme, the financial aspects of the scheme, includes the sources of finance for the loans, the amounts borrowed in each case, the application of those funds to a range of purposes, and the eventual repayment (or default of repayments) of the loans within the term proposed. The contingent liability arising from the guarantees was reported each year in the Finance accounts. Data from the compilation of these reports are included in the database and provide further insight into the operation of the scheme. The third theme is employment and covers the data available from the records of employment in the firms. The data up to the year 1936 reported only the numbers employed without identifying individual firms. A second set of data for the employment during the year 1936 in 66 named firms allows for analysis of the scheme's employment impact. The employment attributed to the scheme reached a maximum figure in 1936. However, the records lack details and the extent to which the guaranteed loans contributed to the employment is unclear and not recorded.

The renewal of the legislation in 1939 did not change the scope of the scheme significantly compared to the amendment in 1933; administrative and reporting procedures were revised without the need for amendments to the legislation. During the five year term of the 1939 Act, there were four loans approved for guarantee, two of which were later withdrawn. In these circumstances and reviewing the data available on the years up to the final quarterly report in December 1957,²⁰¹ I draw the conclusion that the scheme reached its peak in 1936-7 and was in a mature and declining phase beyond that date. In January 1944 the Department of Industry and Commerce recorded 31 firms with loans under guarantee and employing 1,580.²⁰² This was a decline of more than 50 per

²⁰⁰ NAI, INDC/IND/24/12, Trade Loans (Guarantee) Acts: quarterly statutory returns of loans, 1929-1933, also available at <http://opac.oireachtas.ie/AWData/Library3/Library2/DL054939.pdf>

²⁰¹ NAI, INDC/IND/24/15 and INDC/IND/24/36 Trade Loans (Guarantee) Acts: quarterly statutory returns of loans, 1939-1957.

²⁰² NAI, TAOIS/S/7945, Memorandum to Cabinet, 12 Jan. 1944.

cent in the number of firms and more than 70 percent in the numbers employed compared with the 1936 figures. The database can be expanded to include data from 1940 to 1954. However, comparable employment data for the later period may not exist to validate this conclusion.

5.2 Firms

The designation 'firm' is used as a generic term to describe the applicants for loan guarantees. The legislation recognised the potential for a range of different types of applicants. Section 1 of the 1924 Act permitted "public authority or by any corporation or any other body of persons corporate or unincorporated" to apply for a loan guarantee. Section 2 of the Act, dealing with proposals for the reduction of the retail prices of essential commodities, cast a wider net and included a "public authority or any association (corporate or unincorporated) of producers, or of consumers, or of producers and consumers". There were few applications and no loans approved under this section of the Act so that the potential for associations of producers and consumers did not arise. In the amending the Act of 1933 there were two further clarifications. The amendments included the additional eligibility of "any individuals or individual". The Act also specified that it applied "to loans raised in connection with or for the purposes of a manufacturing undertaking" whereas the original purpose was for the purpose of a "capital undertaking". These distinctions, together with the removal of the prohibition on working capital, opened the scheme to a wider range of applicants, including start-up companies.

The database contains the records of 108 successful 'firms' involving 125 loan guarantee applications approved in the period up to 1940. A number of these loans did not proceed, others were additional to loan applications already approved. Although the legislation allowed for public bodies and various groups to avail of the scheme from its beginning, the majority of applicants were registered limited companies. The population of 108 firms in the database is categorised into the types shown in Table 5-2.

Table 5-2: Types of applicants

Type of entity	Number	Notes/sources of data
Registered limited liability company	89	Registration numbers were identified from CRO records
Public bodies	4	Harbour authorities
Agricultural co-operatives	4	Irish Co-operative Organisation Society records in NAI
Unidentified	11	Includes mainly names with the form of limited companies but records of registration have not been discovered; some possible sole traders or partnerships (ca. three in number).
Total	108	

Four Harbour projects were approved. In each case enabling legislation was passed by the Oireachtas and the government guarantee for the necessary borrowing was administered through the guarantee scheme. The Office of the Attorney General considered the Dundalk Harbour Authority to be “a body discharging public duties in relation to public administration of a local nature, and therefore comes within the definition of a ‘public authority’ in S. 8”.²⁰³ For that reason, they are categorised in the database as public bodies.

A “public authority” is defined in Section 8 of the Act as follows:

S. 8 ...and the expression “public authority” means any board or other body, whether corporate or unincorporated, exercising any function of central or local government or discharging any public duties in relation to public administration (whether general or local) in Saorstát Éireann, ...²⁰⁴

The agricultural co-operatives were registered as Friendly Societies under the relevant legislation. ICOS, the Irish Co-operative Organisation Society, founded in 1894, acted as an advisory organisation. Three of the four applications by co-operatives which were approved under the loan guarantee scheme were reported in the period before the establishment of the Agricultural Credit Corporation in 1927. The fourth co-operative, Castlelyons Co-operative Creamery Ltd., was approved in 1933. This was the only agricultural co-operative approved for a loan guarantee after the establishment of the Agricultural Credit Corporation. These cases were noted by the Banking Commission 1934-38 which questioned the agricultural co-operatives availing of the loan guarantee

²⁰³ NAI, INDC/IND/24/1, *Dundalk Harbour Commissioners: Trade Loans (Guarantee) Acts: application for loan 1925-1927*, handwritten note HW to Gault, 3 Oct 1925 In its recommendation to repeal the loan guarantee scheme, the report of the Commission of Inquiry into Bank, Currency and Credit (1938b) made the exception in the case of public authorities (para. 456: ...“(The) State should not be precluded from guaranteeing loans raised by public authorities such as Harbour Commissioners, but there should be special legislation for each case.”).

²⁰⁴ S.8 definitions: *Trade Loans (Guarantee) Act, 1924*, No. 41 of 1924.

scheme when the ACC offered a number of financial supports for the agricultural sector.²⁰⁵ The Commission did not take into account that the ACC had not been established when the first three co-operatives were approved for loan guarantees in 1925-6.

The remaining group is classified as unidentified. This group includes companies whose registration numbers have not been discovered (eight in number) due to missing records or name changes. There are also a further three in this category with names which suggest that they were sole traders or partnerships. These three were approved after the amendment to the legislation in 1933 which no longer required applicants to be public or incorporated bodies. The amendment permitted the possibility for an individual or individuals to apply.²⁰⁶

The lists of harbour authorities (public bodies) and agricultural co-operatives is shown in Appendix II. A full listing of the firms and individuals is also shown in the appendix II, Table A.II-3.

5.2.1 Geographical distribution

The geographical distribution of the loans approved is recorded in the database at the level of townland or urban district. Table A.II-1 in Appendix II shows the geographical distribution of the firms on a county by county basis showing the average loan principal per firm in each county. The largest concentration of loans approved was in the Dublin city and county area. Together these projects accounted for 32 of the proposals approved (29.6 per cent of proposals), and 33.2 per cent of the gross investment approved. No approvals were recorded in the case of four counties. These were counties Sligo and Roscommon in Connacht, and Carlow and Longford in Leinster. The table presents the total approvals, including those which were later withdrawn or did not proceed. The amounts of principal are those of the first approved.

The distinction between the two phases of the scheme is more pronounced in the analysis of sectors rather than in the geographical distribution, as will be seen later.

The data presented in table 5-3 is an aggregation to the regional level using the provinces as regional units with the exception of Leinster, where Dublin city and county are excluded and treated as a separate single regional unit.

²⁰⁵ Commission of inquiry into banking currency and credit (1938b) note to para. 9, p. 31.

²⁰⁶ Trade Loans (Guarantee) (Amendment) Act, 1933, S.4(a).

Table 5-3: Geographical distribution of firms by region.

Region	Number of first loan approvals	Gross loan principal approved	Average loan principal approved
	N _{FIRMS}	£	£
Connacht	6	223,000	37,167
Dublin (City and County)	32	461,350	14,417
Leinster (excl. Dublin)	23	390,600	16,983
Munster	35	251,800	7,194
Ulster	12	64,500	5,375
TOTAL	108	1,391,250	12,882

The counties with higher population concentrations benefitted from the higher numbers of proposals approved. At the lower end of the scale, four counties had no proposals approved, and in a further nine counties there were 12 proposals approved. The borrowing requirement for these cases amounted to 6.3% of the total principal guaranteed under the scheme.. (See table 5-4)

Table 5-4: Counties with few or no proposals approved

No. of proposals approved per county	No. of counties	Counties
None	4	Carlow, Longford, Roscommon, and Sligo
1	6	Kilkenny, Laois, Leitrim, Offaly, Westmeath, Wexford
2	3	Cavan, Mayo, and Meath

The regional picture shows that the single investment approved (£200,000) for the Galway Harbour Commissioners dominates the Connacht result. The Galway harbour development was the largest projects approved in the period up to 1940. Two other projects in county Galway were given guarantees on three loans totalling £11,000.

The pattern of regional settlement was influenced by different factors. In phase I there was an early inclination to supporting the restructuring of existing or former businesses (examples are Alesbury Bros., the Irish Glass Bottle Company and Irish Fresh Meat Ltd.), whereas a feature in phase II was the establishment of start-up projects in conjunction with the policy of self-sufficiency in manufacturing industries with protecting tariffs. In the latter case, almost all firms sought the advice, and support, of the Department of Industry and Commerce and were at times “encouraged” to locate in rural areas “when purely economic considerations would dictate location at Dublin”.²⁰⁷

5.2.2 Withdrawn proposals

The reasons for firms not proceeding following approval of their proposals are not officially recorded. The explanation may be inferred from other primary sources in individual cases. There was a low level of participation by the co-operative societies in spite of initial interest shown in

²⁰⁷ Industry and Commerce record I/58/B, 11 Jul 1938, cited by Daly (1984)p.89 fn. 5. The original record is no longer available.

developing projects and the active support of the ICOS. One of the earliest applications received was from the Dungarvan Co-operative Society which was assisted in applying by the ICOS.²⁰⁸ Following a series of meetings and eventual approval the society decided not to proceed. The withdrawal of three of the four approvals for loan guarantees, including the Dungarvan case, appears to indicate a failure to develop new areas of business arising from the opportunities offered by the scheme. Section 2 of the Act provided scope for cooperative actions aimed at reducing the retail costs of essential commodities, mainly food supplies. The same Section also enabled the Minister to grant loans to approved proposals in addition to guaranteeing loans. No loans were granted under this section of the scheme. Nevertheless, a feature of the scheme is that the opportunity existed to promote activity by directly granting loans. This was extended in the 1933 amendment beyond the limited scope of the Section 2 provision in the 1924 Act, and under Section 5 of the 1933 amendment the power to grant loans was extended to cover all applicants. There are no records of the Minister using this power. On the contrary, where the option might have been exercised in the case of the Peat Fuel Company in 1936, the Minister chose to take a different approach. He sought, and got, approval of the Dáil to give a grant-in-aid to the company on succeeding years to enable the company to finalise a programme of development work.²⁰⁹ The Peat Fuel Company and the Dungarvan Co-operative Society are considered in case notes in Appendix III.

The records are fragmentary relating to the companies and co-operatives which did not proceed with further involvement in the scheme after approval. The formal reasons for their withdrawals have not been discovered in records relating to the Acts. However, a number of reasons can be inferred from other sources. The 14 firms which did not proceed with loans are listed in Table 5-5 below. In general, the reasons fall into two groups. The first reason was that there were alternative sources of finance available, and these were used. It transpired when the scheme started that there was no cost benefit in having a government guarantee. In the early cases, when the National Land Bank was the sole lender, the interest rate proposed was six percent. At that time the prevailing bank rate was five per cent. Intervention by the Department of Industry and Commerce with the bank's head office brought no change.²¹⁰ The second possible reason for withdrawing was that prudent business decisions were made not to proceed when the full conditions for the guaranteed loans and the negotiated terms were known.

²⁰⁸ NAI, F 97/14/24 IAOS, Dungarvan Co-op Creamery Ltd. and NAI, ICOS/1088/386/3 & 4 Dungarvan Co-op Creamery Ltd.

²⁰⁹ DÉD, Lemass, 3 Mar, 1937, Committee on Finance, Additional Estimate, Vote 78, Peat Fuel Development, Vol. 65 no.8 c.1168 *et seq.* (£35,000 Grant-in aid), and Lemass, 8 Jul. 1938, Committee on Finance, Vote 71, Peat Fuel, Vol. 72 no.6 c.574 *et seq.* (£22,000 Grant-in-aid).

²¹⁰ NAI, F 97/14/24, IAOS Dungarvan Co-op. Creamery Soc. Ltd., Ferguson to Finance, 20 Oct. 1925.

Table 5-5: Loans approved for guarantee which did not proceed

Name	Approval reported	Amount of Principal	Withdrawal reported
Waterford Co-op. Society Ltd.	30 Apr 1925	£3,500	31 Jul 1926
Moylett's Manufacturing Co. Ltd.	30 Apr 1925	£1,500	30 Apr 1927
Dungarvan Co-Operative Creamery Ltd.	31 Jan 1926	£3,500	30 Apr 1927
Farney Development Co. Ltd.	31 Jul 1926	£5,000	30 Apr 1931
The Gresham Hotel Co. Ltd.	31 Jan 1927	£35,000	30 Apr 1927
Milford (Donegal) Bakery Co. Ltd.	30 Apr 1933	£2,000	31 Jul 1934
Castlelyons Co-operative Creamery Ltd.	31 Jul 1933	£4,600	31 Oct 1936
Spixpan Co. Ltd.	31 Jan 1934	£1,500	31 Jan 1936
D. O'Leary & Sons Ltd.	31 Jul 1934	£2,000	30 Apr 1935
Killaloe Slate Quarry Co. Ltd.	31 Oct 1934	£6,400	30 Apr 1935
J.R. Smyth & Sons	31 Jan 1935	£1,500	31 Oct 1935
Smithfield Manufacturing & Trading Co. Ltd.	31 Jan 1935	£1,000	31 Jan 1936
Tipperary Glove Co. Ltd.	30 Apr 1935	£5,000	31 Oct 1936
McCairns Motors Ltd.	31 Jul 1935	£2,000	31 Jan 1936

The three agricultural co-operatives of Mitchelstown, Waterford (in 1925), and Dungarvan (in 1926) were among the earliest successful applicants with project proposals. Nevertheless, neither Waterford nor Dungarvan proceeded after the offer of a guarantee was made. In addition, the Mitchelstown project appears to have been refinanced as soon the Agricultural Credit Corporation was established. The Minister was released from his guarantee obligation on 20 July 1928 by the National City Bank, successor of the National Land Bank.²¹¹ The Agricultural Credit Corporation was established during the previous September and the Minister for Agriculture, Hogan, "anticipated that the Corporation would provide capital for co-operative societies".²¹² The availability of specific support for the agricultural sector from the ACC may explain the absence of further applicants from the sector. In the earlier case of the Dungarvan Co-operative, there were several meetings with the advisory committee before the co-operative refined its proposal. In addition, the National Land Bank sought personal guarantees from the members of the board of management of the co-operative, a request which may not have been unanimously acceptable.

The Gresham Hotel and the Milford (Donegal) Bakery Co. are cases which availed of alternative sources of finance. The background to these cases is covered in company case notes on each of the companies in Appendix III. There is also a case note on the Killaloe Slate Quarry Company based on some background on the records relating to the company. The reason for the company's withdrawal from proceeding with the second additional loan in 1934 can be inferred from the demise of the venture in Carrick-on-Suir with the Carrick Slate Quarry Co. Ltd.

²¹¹ NAI, INDC/IND/24/365, Mitchelstown Co-operative Agricultural Society Ltd., letter of discharge .

²¹² Daly (2002) p.131.

There are insufficient records for the other loans listed in table 5-5 from which to draw conclusions.

5.2.3 Additional loans to firms

A number of firms were approved for more than one loan. These additional loans were approved for 12 firms, a total of 17 additional loans. These loans were predominantly in the second phase, that is, predominantly firms in the start-up phase of their existence. In almost all cases, the additional loans were concurrent with previous loans approved and therefore were an increasing debt burden on the firms at the early stage in their growth. A comparison of the list of firms with additional loans and the list of firms with loan defaults shows that there was a higher than average default rate with additional loans. It would appear that the risks involved were either overlooked or disregarded.

The numbers of loans and firms involved are shown in table 5-6 and the details of the individual cases are listed in the Appendix II, Table A.II-6. Six of these firms later defaulted on their loan repayments. The Cloyne Colloidal Clay Company was a newly founded company when it was approved for its first loan guarantee.²¹³ The firm concluded loan agreements for three of their loans with the Munster and Leinster Bank and the fourth loan with the Provincial bank.²¹⁴ The firm later defaulted on all four loans. Each of the additional loans was reported separately in quarterly reports to the Oireachtas. The table also includes the exceptional case of the two loans approved for the Irish Fresh Meat Company in Drogheda. These two loans were reported in succeeding quarters and were then combined into a single loan agreement. There was also a single guarantee agreement. In all other cases, there were separate loan and guarantee agreements for each additional loan.

Table 5-6: Numbers of additional loans approved

No. of additional loans per firm	No. of firms	Notes
One	8	In the case of Irish Fresh Meat Ltd., one loan agreement was concluded for the two loans approved.
Two	3	In one case, Killaloe Slate Quarry Company Ltd., the second additional loan did not proceed and was withdrawn.
Three	1	The Cloyne Colloidal Clay Company Ltd.
	12	

A more detailed breakdown of the multiple loans is presented in Appendix II (Table A.II-6)

Six of the 12 firms with additional loans defaulted on their loan repayments, a default rate of 50 per cent. This is a higher proportion than in the total population of firms where the default rate was 25.6 percent based on the number of applications approved. The details of the default loans are considered in section 5.6 where a further issue is discussed; that is the repayment of the loans.

²¹³ Registered (CRO registration no. 8563) 11 Oct. 1933 and reported for its first loan guarantee in the three month period ending 31 Jan. 1934.

²¹⁴ NAI, INDC/IND/24/315, Cloyne Colloidal Clay Company Ltd; Formal Documents.

There was a greater propensity to approve additional loans in phase II. This is evident in the detailed list in the Appendix II table A.II-7 which shows only three firms in phase I with additional loans. Two of these could be considered exceptional; Mullan Mills and Irish Fresh Meat Ltd. The former was approved for an additional loan during phase II (in 1934) at the end of the repayment term for the first loan (a 10 year loan with repayments from 1925). The second loan for a smaller amount is unlikely to have posed a major risk, if repayments on the first loan were in order. The case of Irish Fresh Meat is unique in that the two loans approved were combined into a single loan agreement, in which case, the two approvals could be considered as a single loan.

5.3 Sectors

The allocation of firms to particular sectors in the database is on a pragmatic best estimate basis, derived from the available records and wider evidence. The reports of the companies approved for loan guarantees did not include any systematic categorisation. In many cases there is no indication what industrial or manufacturing activity was proposed. In other cases there is a specific mention of a product or products. The database has been constructed using 55 primary data codes to describe the activities of the individual firms. These are derived mainly from the descriptions in the quarterly reports or departmental records. These primary codes have been organised into six sectoral groups with intermediate sub-sectors. Additional descriptive data is contained in the Main Report of the CIBCC.²¹⁵ Further related data is derived from the Brennan Papers in correspondence dealing with the report of the Commission.²¹⁶

A summary of the principal sectors and the number of firms in each sector is shown in table 5-7. This table is followed by the example of the construction sector in table 5-8, showing the list of firm and the sub-sector which best describes their business.

²¹⁵ Commission of inquiry into banking currency and credit (1938b) Appendix 21. pps. 530 *et seq.*

²¹⁶ NLI, JBP, MS 26, 289, Table "for the period up to 31 December 1936" from which Appendix 21 of the Main Report was eventually drawn.

Table 5-7: Principal sectors of activity: numbers of firms and sub-sectors

Sectors of activity	No. of Firms	No. of sub-sectors	Notes
Textiles Clothing & Footwear	32	11	
Engineering & Manufacturing	31	20	
Construction	20	7	
Agriculture & Food	14	10	includes four co-operatives
Resources & Infrastructure	8	5	Includes four harbour authorities
Miscellaneous	3	2	
	108	55	

Tables of the sub-sectors for the sectors of textiles, clothing and footwear, for the construction sector, and for the engineering and manufacturing sectors are in the Appendix II, Tables A.II-7, A.II-8, and A.II-9 respectively.

A full listing of sub-sectors is shown in Appendix II, Table A.II-10

Table 5-8: Firms in the construction sector

Name	Location	Business/sub-sector
Athy Brick Co. Ltd.	Athy, Co. Kildare	building materials
Balleece Wood Whinstown Quarry Co. Ltd.	Rathdrum, Co. Wicklow	building materials
Carrick Slate Quarry Co. Ltd.	Carrick-on-Suir	building materials
Cloyne Colloidal Clay Co. Ltd.	Cloyne, Co. Cork	building materials
Farney Development Co. Ltd.	Kingscourt, Co. Cavan	building materials
Gypsum and Bricks Ltd.	Kingscourt, Co. Cavan	building materials
Irish Whiting Manufacturers Ltd.	Ennis, Co. Clare	building materials
Ballysax Brick and Tile Co. Ltd.	Ballysax, Co. Kildare	bricks & tiles
Southern Concrete Brick and Tile Works Ltd.	Thomas Street, Waterford	bricks & tiles
Tinode Brick & Tile Co. Ltd.	Kilbride, Co. Wicklow	bricks & tiles
Kelson Ltd.	Mullingar, Co. Westmeath	construction fittings
Mr. P.J. Corbett	Listowel, Co. Kerry	construction fittings
Associated Properties Ltd.	Drimnagh, Dublin	construction, houses
Irish Homes Ltd.	Mount Merrion, Co. Dublin	construction, houses
Glentown Slate Quarries (1937) Ltd.	Glentown, Co. Donegal	roof tiles
Killaloe Slate Quarry Co. Ltd.	Ballina, Co. Tipperary	roof tiles
Louisburgh Slate Quarries Ltd.	Louisburgh, Co. Mayo	roof tiles
Weatherwell Tile Co. Ltd.	Clondalkin, Co. Dublin	roof tiles
Russell Bros. Ltd.	Potarlinton, Co. Laois	sawmilling
Dinan Dowdall & Co. Ltd.	Walkinstown, Co. Dublin	woodwork

5.3.1 Size of loans across sectors

The breakdown of the numbers of firms in each of the main sectors is shown in Table 5-9 and for each of the two phases in table 5-10. The developments correspond with the drive for self-sufficiency in the period from 1932 onwards. These tables show higher levels of borrowing in some sectors. Other factors are the changed proportion in the mix of firms, and the influence of the self-sufficiency policy adopted. There are also differences between the two phases. The key difference

between the phases is, firstly, the increase in the numbers of firms in some sectors coupled with the absence of development in the food sector, and secondly, the variations in the average loan amounts in some sectors.

Table 5-9: Average loans per sector for all loans approved

Sector	No. of firms	Amount of loan principal	Average per firm
	N	£	£
Textiles, clothing & footwear	32	225,900	7,059
Engineering, manufacturing	31	208,050	6,711
Construction	20	366,200	18,310
Agriculture, food	14	174,100	12,436
Resources, infrastructure	8	449,000	56,125
Miscellaneous	3	50,000	16,667
Total	108	1,473,250	13,641

The amount of loan principal shown in the table includes the additional loans approved for some firms. Loans approved and later withdrawn are also included.

The increased average loan amount for the construction sector in phase II is due mainly to the housing projects of Irish Homes Ltd., and Associated Properties Ltd. If these two cases are omitted - housing construction was defined as a “manufacturing activity” by the 1934 amendment to the Act - the average borrowing per firm in the construction sector reduces to £7,844. This is calculated separately for phases I and II in table 5-10 in which the construction of houses is separately treated in phase II. With this detail change, the average level of borrowing by the firms in the construction sector increased in phase II. This is explained partly by the number of firms in the sector approved for additional loans. The Galway Harbour development project accounts for a similar impact on the higher average loan amount in phase II in the resources & infrastructure sector.

Table 5-10 shows the amount of loan principal drawn down and applied in each of the sectors for phases I and II respectively. These figures are based on the actual loans drawn down. The differences between the average borrowing amounts per firm cannot be easily explained in general terms. The factors contributing to the differences include the amendments to the scheme which include the eligibility of working capital in phase II together with the greater propensity to approve additional loans in that period. The scheme was used throughout the period by the state for the purpose of giving guarantees for loans raised by public bodies for harbour developments.²¹⁷ The scale of these particular projects distorts the general picture of a measure aimed at private sector investment to promote industrial employment.

²¹⁷ Cork Harbour Commissioners were approved for borrowings of £277,000 under the scheme in 1955 (reported for the three month period ending 22 Jun. 1955).

Table 5-10: Guaranteed loans by sectors and phase

Sector	Phase I			Phase II		
	firms N _I	loans per sector £	Average per firm £	firms N _{II}	loans per sector £	Average per firm £
Textiles, clothing & footwear	6	16,500	2,750	24	201,140	8,381
Engineering, manufacturing	7	95,500	13,643	20	104,371	5,219
Construction	4	19,500	4,875	13	110,300	8,485
Construction - housing				2	225,000	112,500
Agriculture, food	4	96,500	24,125	5	62,500	12,500
Resources, infrastructure	4	129,000	32,250	4	290,900	72,725
Miscellaneous	0	0	0	2	15,000	7,500
Total	25	357,000	14,280	70	1,009,211	14,417
		26.1%			73.9%	

There was also an increase in the number of firms approved for loans in phase II in the areas covered by textiles, clothing and footwear, in the engineering sector, and in general manufacturing. The construction sector showed a similar increase due to the housing developments of the 1930s, and the construction and renovation of factory buildings. The companies in the sector represent a range of the activities; quarrying, production of building materials such as roof tiles and bricks, house construction and the renovation of housing stock by firms (for their own employees). The firms in the sector with approved loans are shown in table 5-8 above.

The loan guarantee scheme did not show any change in the number of applicants approved in the agriculture and food sector. This is most likely due to the availability of financial support of the Agricultural Credit Corporation, established in 1927 to provide finance to the sector. The relatively small number of industrial proposals was confined to supplies for the agricultural sector rather than value-added processing of primary produce from the sector. The single exception was the case of Irish Fresh Meat Ltd. which ultimately failed to re-establish itself as a meat processing plant. Alongside the small number of industrial supply industries, the agricultural co-operatives did not avail of the scheme after the establishment of the ACC. Castlelyons Co-operative Creamery Ltd. was the sole exception in 1933. An approval was reported for the quarter ending 31 July 1933 for the reconstruction of the creamery's building and the purchase of new equipment. A loan of £4,600 was being negotiated with the Munster and Leinster branch in Fermoy. The proposal did not proceed under the guarantee scheme for reasons which are not recorded.²¹⁸ The withdrawal was reported three years later (report for the period ending 31 Oct. 1936).

²¹⁸ NAI, ICOS 1088/196/11, Castlelyons Co-operative Creamery Ltd.

A significant proportion of the loans approved in phase I, seven out of 25, involved loans to assist the restructuring of companies in liquidation or the restoration of businesses which had previously closed. Four of these cases were unsuccessful and defaulted on their loan agreements, including Alesbury Bros. Ltd in Edenderry, the Irish Glass Bottle Co. in Dublin, and the Irish Fresh Meat project in Drogheda. Each of these companies had Government appointed directors, although there was no requirement in the legislation for such an arrangement. There were three further cases of similar company restructuring during phase II, all of which appear to have repaid their loans in an orderly manner.

5.3.2 Number of loans by sector

An examination of the sectoral aspects of the data, based on the two phases as they have been described, is that there was a significant increase in some sectors and comparatively little change in others. This conclusion is difficult to attribute to a single cause. Table 5-11 shows the numbers of firms with loans under guarantee in the different sectors and phases. In the first place, the small numbers of firms in phase I is reminiscent of Gordon Campbell's original proposal of the scheme for 'an experimental period'. The paucity of proposals makes it difficult to draw conclusions, even to the point of being unable to consider the period as a foundation for the developments which followed. By contrast, the later phase II had the advantage of a thorough review by the CIF and its recommendations. Their implementation as part of the self-sufficiency policies from 1932 onwards account for the increase.

Table 5-11: Number of firms with guaranteed loans by sector

Sector	All firms approved	Withdrawn approvals	No. of firms with loans under guarantee		
			Phase I	Phase II	Total
Textiles, clothing & footwear	32	2	6	24	30
Engineering, manufacturing	31	4	7	20	27
Construction	20	1	4	15	19
Agriculture, food	14	5	4	5	9
Resources, infrastructure	8	0	4	4	8
Miscellaneous	3	1	0	2	2
Total	108	13	25	70	95

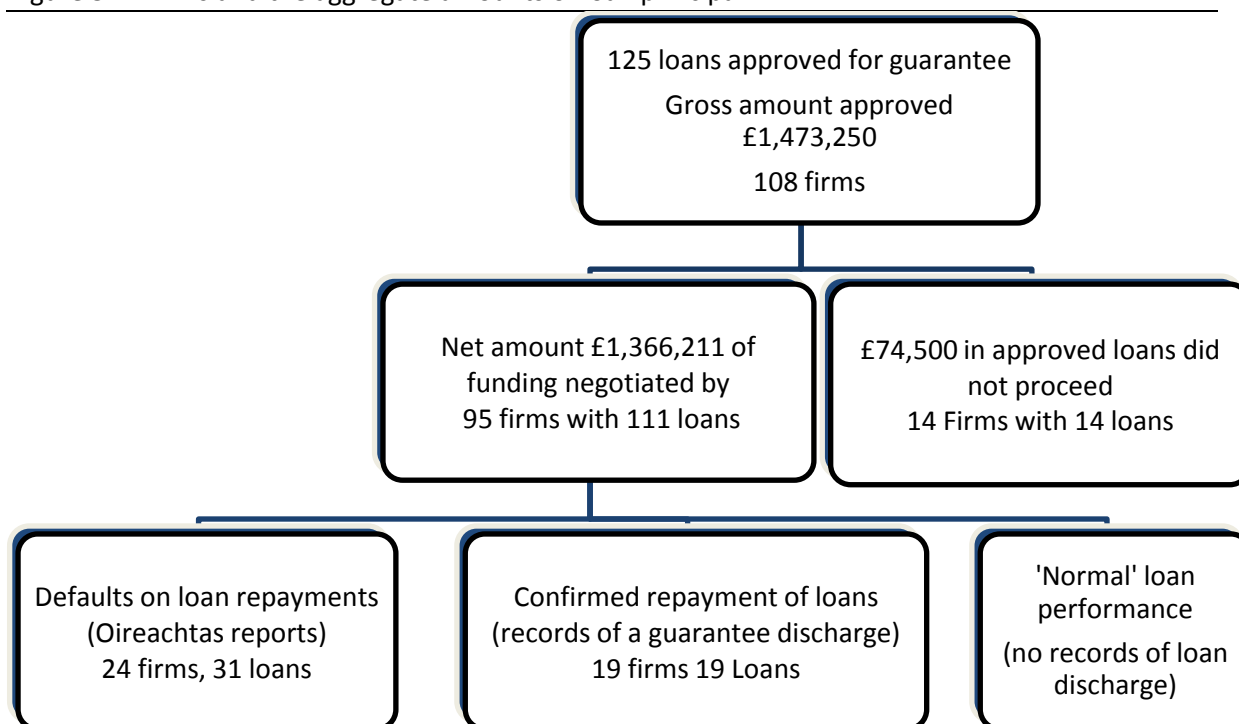
The sectoral overview of the firms gives a greater insight into the development of the scheme over the period from its beginning up to 1940 than is possible with a geographical examination. In the latter case, there is no clear pattern, other than a settlement pattern based on centres of population, both urban and rural.

The overriding feature emerging from the data is the importance of finance, in all its aspects.

5.4 Finance

This section examines the financing of the guaranteed loans. Two groups of firms have been treated as outliers already. These are the firms which withdrew without negotiating a loan with a financial institution (table 5-5), and a second group of twelve firms which applied for and were approved for additional loans (table 5-6; details of the firms are in the appendix table A.II-7). The general picture is summarised schematically in figure 5-1. The focus in this section is on the bottom line of the net total of loan principal borrowed.

Figure 5-1: Firms and the aggregate amounts of loan principal



The financial aspects of the guarantee scheme are examined from a number of perspectives. The reports of the guarantee decisions included a statement of a purpose or purposes for the loan. The principal Act of 1924 prohibited the funding of working capital through the loan guarantee scheme. This was changed in the 1933 amendment (the Trade Loans (Guarantee) (Amendment) Act, 1933). The Act also set a minimum limit for loans - “no loans of less than five hundred pounds”.²¹⁹ Previously no limit had been specified and the smallest loan approved in phase I had been £1,500 (Waterproofs Ltd. in 1926) before the change of government. Following the 1933 amendment, i.e. in phase II, nine firms were approved for loans in the range £500 to £1,000.

²¹⁹ S. 3(a)

These were not the only differences between the two phases of the scheme. The Irish Banks Standing Committee (IBSC) agreed terms under which the banks were prepared to lend, subject to conditions, to borrowers whose loans were approved under the guarantee scheme.²²⁰ Their rate of interest was to be one half per cent below the prevailing bank rate, subject to a minimum of four per cent. This removed the significant disincentive of the interest rate charged being above the normal bank rate. It also brought the scheme in line with the original concept which prevailed from the beginning of the scheme in Britain under the Trade Facilities Act 1921, which was that the state's guarantee conferred an interest rate incentive on the investing borrower. It has not been possible to establish whether this interest rate disincentive was a cause for the decline of the loan guarantee scheme from 1927 onwards. It seems reasonable to conclude that it was a significant contributory factor explaining the decline and, conversely, contributing to the subsequent increase in proposals under the amended Act of 1933 when the interest rate reduction was applicable.

The change in bank interest charged was matched by a cap on the rate guaranteed by the Minister at two and a half per cent. These were significant changes from the limited conditions offered during phase I by the National Land Bank and the Industrial Trust Company of Ireland, both of which charged six per cent, in both cases above the bank rate.²²¹ There were only two exceptions to this rate during phase I. These were the loan in 1927 borrowed by the Waterford Harbour Commissioners from the Provincial Bank (five per cent, which was the bank rate) and the loan to the Swift Brook Paper Mill Co., also in 1927, by the Friends Provident and Century Life Co. at a rate of five and three quarter per cent. The National City Bank (formerly the National Land Bank, in the ownership of the Bank of Ireland from 1927 onwards) also charged the rate of six per cent to two companies in 1928 and 1929, Bantry Textiles Ltd. and an additional loan to the Killaloe Slate Quarry Co. Ltd. The latter was previously a client of the National Land Bank.

The interest rate change resulting from the IBSC agreement had the effect of changing significantly the profile of the funding sources available. However, there is a lacuna of data in the case of a number of smaller loans preventing a detailed analysis of the complete population of borrowers. Therefore, the set of the ten top loans approved is examined. This approach is justified by the evident realisation by the two departments that small loans were undesirable. As noted earlier, no limit was set in the 1924 Act to the size of loans. In the amendments to the 1933 Act a limit of not "less than five hundred pounds" was set. During the renewal of the legislation in 1939 an agreement

²²⁰ See Ch. 3 section 3.3.1

²²¹ See fn.210 above.

reached between the Department of Industry and Commerce with their colleagues in Finance that, inter alia, “loans of less than £2,000 will not be encouraged”.²²²

Table 5-12 shows the list of amounts approved for the companies in phase I, including the group approved between the date of the change of government in 1932 and the implementation of the amended Act in 1933 (Trade Loans (Guarantee) (Amendment) Act, 1933).

Table 5-12: Loans approved in Phase I: 1925-33

Name	Amount of principal £	Main activity
Killaloe Slate Quarry Co. Ltd.	12,000	Slate quarry
Urney Chocolates Ltd.	11,000	Chocolate confectionery
Waterford Co-op. Society Ltd.	3,500	Bakery
Alesbury Bros. Ltd.	28,500	Timber and furniture
Mitchelstown Co-op. Agricultural Society Ltd.	3,500	Creamery
Moylett's Manufacturing Co. Ltd.	1,500	Sugar confectionery
Killeen Paper Mills Ltd.	4,000	Paper and packaging
Irish Glass Bottle Co. Ltd.	50,000	Glass bottles
Dungarvan Co-Operative Creamery Ltd.	3,500	Creamery
Allihies Copper Mines Ltd.	20,000	Copper mining
Mullan Mills Ltd.	6,000	Footwear manufacture
Waterproofs Ltd.	1,500	Waterproof clothing
Dundalk Harbour Commissioners	55,000	Harbour development
Farney Development Co. Ltd.	5,000	Building materials
The Gresham Hotel Co. Ltd.	35,000	Hotel and catering
Cornelius O'Connor and Sons Ltd.	6,000	Liquid milk supply
Carrickmacross Hosiery & Knitwear Co. Ltd.	5,000	Hosiery & knitwear
Irish Fresh Meat Ltd.	70,000	Meat packing
Waterford Harbour Commissioners	50,000	Harbour development
Wicklow Ochre Co. Ltd.	4,000	Mining development
Carrick Slate Quarry Co. Ltd.	4,500	Slate quarry
Swift Brook Paper Mills Ltd.	4,500	Paper products
Bantry Textiles	4,000	Textiles, woollen cloth
Ashtown Tin Box Co. Ltd.	9,500	Metal boxes
Ballece Wood Whinstone Quarry Co. Ltd.	1,400	Building materials
Weatherwell Tile Co. Ltd.	3,000	Roof tiles
Irish Industries Ltd.	5,000	Clothing, shirts
Drogheda Manufacturing Co. Ltd.	1,000	Clothing
Milford (Donegal) Bakery Co. Ltd.	2,000	Bakery
Metal Requisites Ltd.	2,000	Engineering components
J.F. O'Gorman (1933) Ltd.	4,000	Motor body assembly

The listing in table 5-12 is in the chronological order in which the loan guarantees were reported. The last eight named firms were approved in the transition period following the change of Government in 1932 when the terms of the amendment to the legislation in that year were the

²²² NAI, F 97/3/38 Trade Loans (Guarantee) (Continuance) Bill 1938, Leydon to Finance, 23 June 1939.

same as those of the previous annual amendments of the Act.²²³ The loans did not benefit from the agreement of the banks to reduce the interest rate charged, and the full rate of interest was guaranteed, as had been the practice.

The list includes three agricultural co-operative societies and two harbour authorities. The remaining 26 names on the list are limited companies. In three of the cases approved, the amounts approved were reduced and reported accordingly in later quarterly reports. These were the two harbour projects, Dundalk and Waterford, and the Carrickmacross Hosiery & Knitwear Co. Ltd.

5.4.1 Purpose of the loans

The “Purpose of Loan” in the Quarterly Returns to the Oireachtas contains an indicative description of the use, or uses, to which the borrowed funds were to be applied. The descriptions have been assigned data codes on the basis of a subjective interpretation of the purposes, in the absence of any records of the original applications showing greater detail of the proposed expenditure. The only case of a detailed description of proposed expenditure was that of the Galway Harbour development.²²⁴ This estimated interpretation of the purposes is supported by other records relating to the firm or its proposed activity. The lack of recorded detailed applications does not allow for an accurate allocation of the expenditure where more than one data code describes the purpose intended. The procedure has been adopted that where more than one purpose describes the proposed expenditure, the amount borrowed is assumed to be equally divided between the different categories.

The range of codes used and their descriptions is listed in Table 5-13 below. A total of 16 individual codes describe the full range of detailed purposes arising (column 2). Each loan approval contained a description of the proposed purpose for the expenditure. For example, a development might include land acquisition, construction of a factory, the purchase of new equipment and working capital. The database allowed for up to four individual detailed purposes expressed in appropriate codes. This has been found to satisfy the accurate and complete coding of all cases.

The database aggregates the categories in column 2 - categorisations used - into the set of five main purposes in column 1. This is then the basis for the analysis presented in table 5-14 which shows the breakdown into the two phases.

²²³ Trade Loans (Guarantee) (Amendment) Act, 1932.

²²⁴ NAI, INDC/IND/24/29, Galway Harbour Commissioners.

Table 5-13: Purpose of the loan expenditure

Main purpose	Categorisation used	description
Fixed asset acquisition	Acquisition of buildings	Acquisition of buildings without alterations
	Acquisition of fixed assets	Acquisition of fixed assets
	Acquisition of land	Acquisition of land
Fixed asset construction and development	Construction (extensions)	Construction of additional new floor areas
	Construction (new build)	Construction of new premises
	Construction (rebuild)	Rebuilding a premises on the same footprint
	Construction (renovation)	Renovation of an existing structure
	Site development	Development of site infrastructure before construction
	Mining development	Site development for mineral exploitation
	Quarry development	Development of site for quarrying of materials
	Site development (harbours)	Civil Engineering site development and construction (without buildings) only for harbour developments
Plant and Equipment	Plant and equipment	Purchase of Plant and Equipment
Housing development	Housing (renovation)	Renovation of existing houses
	Housing (new)	Building new houses
Short-term finance	Discharging liabilities	Discharging existing liabilities
	Working capital	Working capital

When these categories have been allocated, the database presents the expenditure drawn down from the loans according to the five main purposes shown in table 5-14.

Table 5-14: Purpose of the loan expenditure by phase

Purpose of Expenditure	Phase I		Phase II		Total	
	£	%	£	%	£	%
Fixed asset acquisition	135,750	36	61,950	6	197,700	14
Construction and development	149,917	40	395,700	37	545,617	38
Plant and equipment	87,640	23	190,350	18	277,990	19
Housing development	3,333	1	83,758	8	87,091	6
Short-term finance	0	0	339,392	32	339,392	23
	376,640	100	1,071,150	100	1,447,790	100

A number of patterns can be identified in this table. The first is the reduction in the gross amount spent on the acquisition of fixed asset comparing the phase I and phase II expenditure. In percentage terms, the decrease was greater because the number of proposals approved in phase II was greater and the gross amount of the loans required was correspondingly increased. The acquisition of fixed assets and the restructuring of companies have already been noted as features during phase I.

The second aspect of the examination shows that the proportion of expenditure on construction and the development of fixed assets remained a relatively constant proportion of overall expenditure in

each phase. Construction, which included the harbour developments, was the area of highest expenditure. The two special areas of harbour and housing developments were significant but also exceptional in that they represented major employment schemes without the capacity to maintain employment after the completion of the projects. They did not have the potential for long-term sustainable employment in the conventional manufacturing sense. The extension of the definition of manufacturing to housing development in the 1934 Act brought two further large projects into this same category of project investments, but these cannot be considered comparable with industrial or manufacturing employment. There were a few proposals in which the renovation of workers' housing was a minor part. For that reason, there is a small amount of expenditure showing in phase I but the main expenditure was in phase II with a proportion allocated to the construction of the infrastructure (roads, water services, etc.) in the housing estates proposed.

A third feature resulted from the change in the scheme in the 1933 Act. This was the elimination of the prohibition on working capital loans. This gave rise to a significant number of loans, including 13 cases where working capital was the sole purpose of the loans approved.

Finally, the expenditure on plant and equipment, as a proportion of overall spending, also remained relatively constant. The nature of the expenditure probably varied considerably across the different sectors. Some manufacturing operations, for example, would not have required as high a level of investment as others. The level of detail available in the data does not permit closer examination.

The absence of original applications from the detailed records available limits the accuracy of conclusions which can be drawn from this expenditure analysis. A number of applications were approved specifying a single purpose, 28 in total, of which 13 were for working capital, 10 for plant and equipment. The four harbour developments were also treated as single purpose site development projects. In all other cases, the expenditure was allocated equally between the purposes judged to best represent the descriptions in the quarterly returns reported to the Oireachtas.

These patterns which describe how the expenditure resulting from the loan guarantee scheme developed form only part of the picture. A further element in the evolution of the scheme was the changing sources from which the loans were borrowed.

5.4.2 Sources and application of loans

The individual sources of funding for the loans approved were not reported to the Oireachtas. These were matters negotiated by the companies after the notification of their approval. It seems likely that the intended sources of finance were discussed with the Advisory Committee and were known to the officials of Industry and Commerce in advance of any approval. The records of the sources of finance are derived therefore from the 'formal documents' series of files of the Department of Industry and Commerce.²²⁵ The loan agreements contained in these records show which financial institutions were the providers of the loans approved. Three cases were without records of financing arrangements. The total amount of the loan principal involved in these cases, £7,500, is less than 1% of the total principal of the guarantees approved up to 1940. The database shows a clear difference over time between the initial phase of the scheme and the circumstances which developed in the 1930s and the later phase II.

Two issues become clear in analysing the sources of finance over the two phases. The first was the immediate problem encountered with the scheme arising from the reluctance or unwillingness of the commercial banks to provide facilities. The second was the scale of the loans, i.e., the number of loans and the individual amounts. The largest loans are considered later as a group. The database provides the evidence by generating the necessary tables.

The first issue, the supply side of the borrowing, is demonstrated by presenting the lending institution in the chronological order in which the loans were funded. This is set out in Table 5-15 below. This shows that 62.3% of the loan principal was funded in phase I by state or state sponsored sources. The two institutions, the National Land Bank and the ITCI, are not normally considered in the literature as state sponsored bodies or semi-state companies.²²⁶ Nevertheless, the provenance of each of the institutions qualifies them for those categorisations. By comparison, the commercial banks provided 24.2% of the lending to guaranteed loans in the same period. A closer examination of the commercial banks' lending shows that a major share of the funding was for the Waterford Harbour Development. In addition, the Dundalk Harbour development was funded in May 1927 by a public issue of loan stock underwritten by a consortium of the commercial banks and sponsored by

²²⁵ NAI, INDC/IND/24/--- (series of files). The Minister for Industry and Commerce was a party to the loan agreement as a condition of the loan guarantee.

²²⁶ Neither the National Land Bank nor the Industrial Trust of Ireland is included in the early literature such as (Barrington, 1967, Bristow, 1965, Bristow, 1982, Fitzgerald, 1961, O'Donovan, 1950), nor have they been included in the comprehensive modern reference work on the subject, The Irish State Administration Database, www.isad.ie (Hardiman *et al.*, 2015). Freeman and Duvall (1984) included the ITCI as a state sponsored body in the financial services area (Appendix, Table A1, p.392).

the Hibernian Bank. The consortium was willing to underwrite the full amount of £55,000. This was later reduced to £35,000.

The second issue arises from the amendments made to the legislation in 1933 which included the elimination of the prohibition on working capital loans. The 1933 Act also the specific lower limit of loan amount at £500; this was a measure to encourage small enterprises including (unincorporated) individuals. These changes had the effect of increasing considerably the number of loans approved and also increasing the total amount of loan principal under guarantee. Table 5-15 shows that the actual amounts borrowed were 74.9% in phase II compared with 25.1% in phase I. In addition, the Irish Banks Standing Committee agreed terms with the Government in October 1932 with the result that the commercial banks provided 60% of the loan funding under guarantee during phase II.

Table 5-15: Amounts and percentages of loan finance by lending sources

Lending institution / sources of finance	Amounts of loan principal			Percentages of the total loan principal		
	Phase I	Phase II	Total	Phase I	Phase II	Total
	£	£	£	%	%	%
National Land Bank	106,600		106,600	31.1		7.8
Industrial Trust Company	107,240		107,240	31.2		7.8
Public Issue of Loan Stock	35,000	200,000	235,000	10.2	19.6	17.2
Provincial Bank	50,000	70,650	120,650	14.6	6.9	8.8
Friends Provident & Century Life	4,500	96,000	100,500	1.3	9.4	7.4
National City Bank	15,000	19,000	34,000	4.4	1.9	2.5
Bank of Ireland	16,500	44,000	60,500	4.8	4.3	4.4
Hibernian Bank	1,400	97,100	98,500	0.4	9.5	7.2
National Bank		74,200	74,200		7.3	5.4
Munster and Leinster Bank		262,271	262,271		25.6	19.2
Ulster Bank		27,100	27,100		2.6	2.0
Industrial Credit Company		112,350	112,350		11.0	8.2
Royal Bank of Ireland		13,800	13,800		1.3	1.0
Northern Bank		6,000	6,000		0.6	0.4
N/A	7,000	500	7,500	2.0	0.0	0.5
Total	343,240	1,022,971	1,366,211	100.0	100.0	100.0
	25.1%	74.9%				

Note: There were three small guaranteed loans for which no records of lending institutions were discovered; two in phase I and one in phase II. It is most likely that these loans were funded by the commercial banks.

The lending institutions are listed in table 5-15 in the chronological order in which their first loans were reported. The database shows that the National Land Bank and the Trust Company (ITCI) were the only lenders at the beginning of phase I (that is, up to the end of 1927). The Provincial Bank was the lender to the Waterford Harbour Commissioners, an exceptional case in that it was a public body and did not fit a strict profile of industrial lending. For the remainder of phase I, the National City Bank was lender to two projects on the same basis as its predecessor, the National Land Bank. These

were at an interest rate of six per cent, as had been the practice of the Land Bank. After the change of government in 1932, two of the commercial banks, (Bank of Ireland and the Hibernian) appeared to adopt the IBSC agreement without delay, but not the proposed interest rate change; they continued to apply the six percent interest rate. The full terms agreed by the IBSC were not introduced by the banks until after the 1933 Act was in operation. As noted previously, the implementation of the new conditions was first reported with the loan approvals for the quarter ending 31 July 1933.

Two significant conclusions emerge from the database findings on the lending pattern over the period 1925-1940. The first is that the banks' agreement to lend to those firms approved under the scheme marked a major change in industrial finance and is one of the features of the loan guarantee scheme, that is, reducing the indirect role of the state in financing loans approved under the scheme. The impact of this change in the categories of lenders is shown in table 5-16 for four categories of loan finance.

Table 5-16: Sources of loan finance, by category

Category	Phase I	Phase II	Total
	%	%	%
State sponsored sources:	62.3	11.0	23.9
Public issue of loan stock:	10.2	19.6	17.2
Commercial bank lending:	24.2	60.0	51.0
Insurance company sources:	3.4	9.4	7.9
	100	100	100

In phase I the state-owned National Land Bank and the state sponsored ITCI were the dominant sources available. These were replaced in phase II by the commercial banks as the dominant source. Public issues of loan stock were used for only two projects, both for public bodies and one in each phase. The nature and funding requirements of proposals considered for industry under the loan guarantee scheme were too small for public issue.²²⁷ Insurance companies played a very small role in providing finance. In the British scheme the role of the insurance industry was a more significant source of finance for "small propositions".²²⁸

The second conclusion is that the changed conditions agreed by the banks made the scheme a more attractive option, especially for start-up companies with no track records, than had been the case under the precedents set by the National Land Bank and the ITCI in phase one. Apart from the more

²²⁷ The British Trade Facilities Act, 1921, and the following legislation, was used extensively to fund developments through public issues of stock. See Cerretano (2009).

²²⁸ TNA, T160/107, Method of financing guarantees given under the Trade Facilities Act.

complex administrative requirements noted in the CIF report,²²⁹ the interest rate charged gave no advantage to the borrower for the state guarantee, instead the rate was above the prevailing bank rate, as accepted by Ferguson in 1925.²³⁰

The conclusion from the database findings is that the dependence on the state's involvement in phase I was of major significance and necessary for the survival of the scheme. In the end both the National Land Bank and the ITCI were early stage developments precluding the establishment of the Industrial Credit Company. The new organisation played an important role alongside the loan guarantee scheme and will be considered further.

5.4.3 The largest loans

The database findings show a different pattern of sources and application of funds by the 10 largest loans. These loans amounted to 58.6 per cent of the net amount of guaranteed loans drawn down with an average borrowing requirement of £80,090. The remaining firms, excluding the ten largest projects, borrowed loans which average £6,650. Table 5-17 shows the applicants in the order in which they were reported; four in phase I, and six in phase II.

Table 5-17: Largest loans: firms and sources of finance

Name	Date reported	Source of Finance	Loan principal £
Irish Glass Bottle Co. Ltd.	31 July 1925	National Land Bank	50,000
Dundalk Harbour Commissioners	30 Apr 1926	Public Issue of Loan Stock	35,000
Irish Fresh Meat Ltd.	30 Apr 1927	Industrial Trust Company	70,000
Waterford Harbour Commissioners	30 Apr 1927	Provincial Bank	40,900
Irish Homes Ltd.	31 Jan 1934	Hibernian Bank	50,000
Peat Fuel Co. Ltd.	30 Apr 1934	Industrial Credit Company	90,000
Greenmount and Boyne Linen Co. Ltd.	31 July 1934	Friends Provident & Century Life	50,000
Irish Oil and Cake Mills Ltd.	31 July 1935	Friends Provident & Century Life	40,000
Galway Harbour Commissioners	31 July 1937	Public Issue of Loan Stock	200,000
Associated Properties Ltd.	31 Sept 1939	Munster and Leinster Bank	175,000
			<u>800,900</u>

The guarantee was called upon in three of these cases with a total borrowed of £210,000. These were the revival cases of the Irish Glass Bottle Company and Irish Fresh Meat Ltd., and the start-up case of the Peat Fuel Co. Ltd. The net cost of the guarantees in the three cases was £205,907. The first two of these cases made no repayments on the principal sum borrowed.

²²⁹ For example, the report recommended dispensing with the legal formality of a Trust Deed. Committee on industrial finance (1933) para. 42.(d)(ii). P.31.

²³⁰ NAI, F 97/14/24, Ferguson to Finance, 20 Oct. 1925.

The sources of financing these large borrowings correspond broadly with the pattern for the total population of firms in the database, as shown in table 5-16. In both cases, phase I shows a greater reliance on the state's support through the National Land Bank and the ITCI whereas in phase II the commercial banks assumed the dominant role in lending. The resulting findings are shown in the Appendix II, Table A.II-13.

The categories of expenditure for the largest loans diverge from the overall profile emerging from total population of firms in the database. The small and medium sized manufacturing firms in sectors such as clothing, footwear and engineering were overshadowed by such larger loans. This brings into question the capacity of the scheme to meet the aim of generating employment. The Appendix II, Table A.II-14 shows that 62 percent of the large loans were devoted to infrastructural and speculative housing development projects. Only two cases, 11 per cent of the expenditure, were applied to company development. The company rescue cases proved to be in a high risk category leading to their eventual failure (Irish Glass Bottle Co. and Irish Fresh Meat Ltd.). The sole start-up, Peat Fuel Co., also ended in liquidation with consequent costs to the state.

5.5 The life cycle of loans

A preliminary view of the data suggested that the life cycle of the loan terms were foreshortened in some cases. The normal terms negotiated with the banks after the IBSC agreement in 1932 was that a moratorium of two years on repayments with a loan term of 10 to 15 years, subject to the discretion of the individual bank. The loan agreement was accompanied by a formal guarantee by the Minister. The end of the loan term was marked by the financial institution discharging the Minister from his guarantee obligation. An alternative record, in the absence of a bank's letter of discharge, was the notification by Industry and Commerce supplied to Finance for the contingent liability at the end of each financial year confirming that the loan has been repaid in full. During the course of loan repayments Industry and Commerce monitored the amounts of repayments and these were also recorded in the annual contingent liability calculation. A third category of ending occurred in cases where loans were in default and the Minister's guarantee was called upon. This happened in the case of 32 loans (24 firms). A loan default also marked the end of the loan's life cycle. These cases, whenever they arose, were reported to the Oireachtas in accordance with S.6 of the 1924 Act.

Records of individual firms contain 14 discharge letters from financial institutions and there were five further notifications from Industry and Commerce to Finance of firms having "repaid in full" in their financial year-end calculation of contingent liability.

5.5.1 Discharging the loan guarantee

The loan guarantee given by the Minister was discharged when the loan was repaid in full. Alternatively, in the case of a loan in default, the guarantee was extinguished by the payment from the Central Fund in lieu of the outstanding loan amount and any arrears of interest. In both of these cases the contingent liability on the state was reduced accordingly. The orderly discharge at the end of the loan term was signalled in the form of formal certification by the financial institution involved to the Department of Industry and Commerce. Except in a small number of cases, this certification is missing from the formal document records available. Where these records are available, the relevant dates have been included in the database.²³¹ Similarly, the records of loans in default are contained in the database. This set of data is derived from the annual statements laid before the Oireachtas in accordance with the legislation. The remaining loans, for which no record has been discovered in the 'formal documents', are assumed to have been paid off in full in an orderly manner.

A further primary source of information on full repayment of loans is the internal correspondence between Industry and Commerce with the Department of Finance with regard to the contingent liability calculation at the end of each financial year. In these cases, specific note is made of the loans 'paid in full' during the year in the report.²³² The financial year end date (or the date of the communication from Industry and Commerce to Finance, as appropriate) is noted in the database as the discharge date, when no alternative discharge date is on record from a financial institution for the particular loan.

The database contains records for 19 discharged loans. The analysis of the dates of the guarantee and the expected discharge dates (full term of the loan) shows that 15 cases were repaid in advance of their expected full term dates, the overall average was 6.3 years before the end of the full term. The average term of the 19 loans was 12.6 years. The records do not give reasons for these early retirements of loans. The details of the data are in Table 5-18.

One exceptional case was that of Irish Homes Ltd. The firm's proposal was the cause of the 1934 amending Act to redefine 'manufacturing' so that the development of land and the construction of houses could be construed as a 'manufacturing undertaking'. The loan of £50,000 for the project was guaranteed on 18 April 1934 for a term of 14 years. The Minister's obligation to guarantee the loan was discharged by the bank in February of the following year, 1935. The case is considered in the company case note in Appendix III.

²³¹ Recorded in the data_events records of the relevant loan approval event.

²³² The exact dates of full repayment within the financial year in question are not recorded. See table 4-1.

Table 5-18: Dates of discharging the guarantee obligation

Firm	guarantee	principal	loan	discharge date		variance
	date		term	planned	actual	
		£	years			years
Greenmount and Boyne Linen Co. Ltd.	31-Jan-35	50,000	22	31-Jan-57	02-Oct-41	-15.3
Irish Homes Ltd.	18-Apr-34	50,000	14	18-Apr-48	27-Feb-35	-13.1
Mitchelstown Co-op. Agr. Soc. Ltd.	16-Jan-26	4,000	15	16-Jan-41	20-Jul-28	-12.5
L. Jordan Ltd.	20-Feb-35	6,250	12	20-Feb-47	31-Dec-36	-10.1
Sabin Clothing Co. Ltd.	20-Jun-34	10,000	13	20-Jun-47	02-Jan-38	-9.5
Kingswear Clothing Works Ltd.	08-May-35	2,500	11	08-May-46	31-Dec-36	-9.4
Stedfast Shoes Ltd.	07-Jul-36	6,000	14	07-Jul-50	01-May-41	-9.2
Bantry Textiles Ltd.	04-Oct-28	4,000	17	04-Oct-45	31-Dec-36	-8.8
Dubarry Shoemakers Ltd.	30-Dec-36	6,000	14	30-Dec-50	31-Dec-42	-8
Southern Concrete Tile Works Ltd.	10-Jul-35	2,000	10	10-Jul-45	01-Sep-37	-7.9
Edward Donaghy and Sons.	28-Aug-34	3,000	10	28-Aug-44	31-Dec-36	-7.7
Haulbowline Industries Ltd.	06-Dec-33	5,000	11	06-Dec-44	01-Sep-37	-7.3
Ashtown Tin Box Co. Ltd.	26-Oct-32	9,500	12	26-Oct-44	26-Jan-38	-6.8
Byrne Mahony & Co.	11-Apr-35	12,000	12	11-Apr-47	14-Jul-42	-4.7
Swift Brook Paper Mills Ltd.	20-Jul-28	4,500	15	20-Jul-43	11-Apr-42	-1.3
Killaloe Slate Quarry Co. Ltd.	31-Jul-29	4,000	8	31-Jul-37	01-Sep-37	0.1
Killeen Paper Mills Ltd.	28-May-28	4,000	10	28-May-36	11-Apr-38	1.9
Athy Brick Co. Ltd.	12-Feb-34	1,000	5	12-Feb-39	14-Apr-42	3.2
Foynes Harbour Trustees	08-Sep-33	23,000	15	08-Sep-48	16-Aug-56	7.9

5.6 Loans in default

Twenty four firms which received loan guarantees between 1925 and 1940 were unable to meet their loan repayment commitments within the term agreed and the Minister's guarantee was invoked to pay outstanding principal and arrears of interest. Amounts were recovered from the firms, their receivers or liquidators to offset some or all of the payments made by the State. These cases were reported as required by the legislation²³³ at the end of each financial year during which payments were made from the Central Fund. Repayments to the Exchequer followed, in some cases up to two years later, and were recorded in the following annual statements.

The scale of the defaults by companies in the overall picture of the loan guarantee scheme and in financial terms is given in table 5-19:

²³³ S. 6 Trade Loans (Guarantee) Act, 1924; in the 1933 amending Act the same provision was in S.7, and in the renewing legislation of 1939 it was in S. 11.

Table 5-19: Summary of loan defaults

Number of firms with loan defaults			24 firms
Number of guaranteed loans involved			32 loans
Amount of loan principal guaranteed			£385,240
Payments from the Central Fund:			
	for principal	£356,896	
	for interest	£44,067	
	Total payments		£400,963
Repayments to the Exchequer			£66,532
Net cost to the State of the guarantees			£334,431

The table refers only to loans approved from 1925 to 1939. Defaults of loans from this period were reported up to 1946. See Appendix II, Tables A.II-17 and A.II-18

These firms represent 25 per cent of the firms which operated with the assistance of guaranteed loans and the number of their loans amount to 29 percent of the total number of loans. A list of the firms is in the Appendix II Table A.II-16. A more detailed breakdown of the individual loans and the net costs to the Central Fund is shown in the Appendix II Tables A.II-17 and A.II-18 respectively. The net cost to the State of these losses for the loans drawn down under guarantee, that is excluding cases which did not proceed, amounts to 24.5 percent of the guaranteed loans.

Two measures were available to put into perspective the cost of the scheme as expressed by these loan defaults. One was the level of risk involved for the government as expressed by the contingent liability arising from the guarantees. The maximum level of that risk was limited by the legislation²³⁴ and the calculation of the contingent liability was reported to the Department of Finance each year by the Department of Industry and Commerce (a sample is in Table 4-1). A further measure of scheme's impact was the employment generated by the firms and the benefits arising from their expansion. This aspect was also monitored by the Department of Industry and Commerce. Each of these are considered in turn.

A key conclusion from the results of the default loans is that the agreement reached with the banks in 1932 introduced an element of risk sharing between the state and the banks. The cap on the interest rate guaranteed by the state of 2½ per cent meant that the banks carried the risk on the interest charged above that rate. This was a small, but significant, point of principle. The accrued interest charges paid by the Central Fund for loans where the interest rate was uncapped (typically 6 per cent) was a multiple of the payments for the loans approved after 1933 which later defaulted.

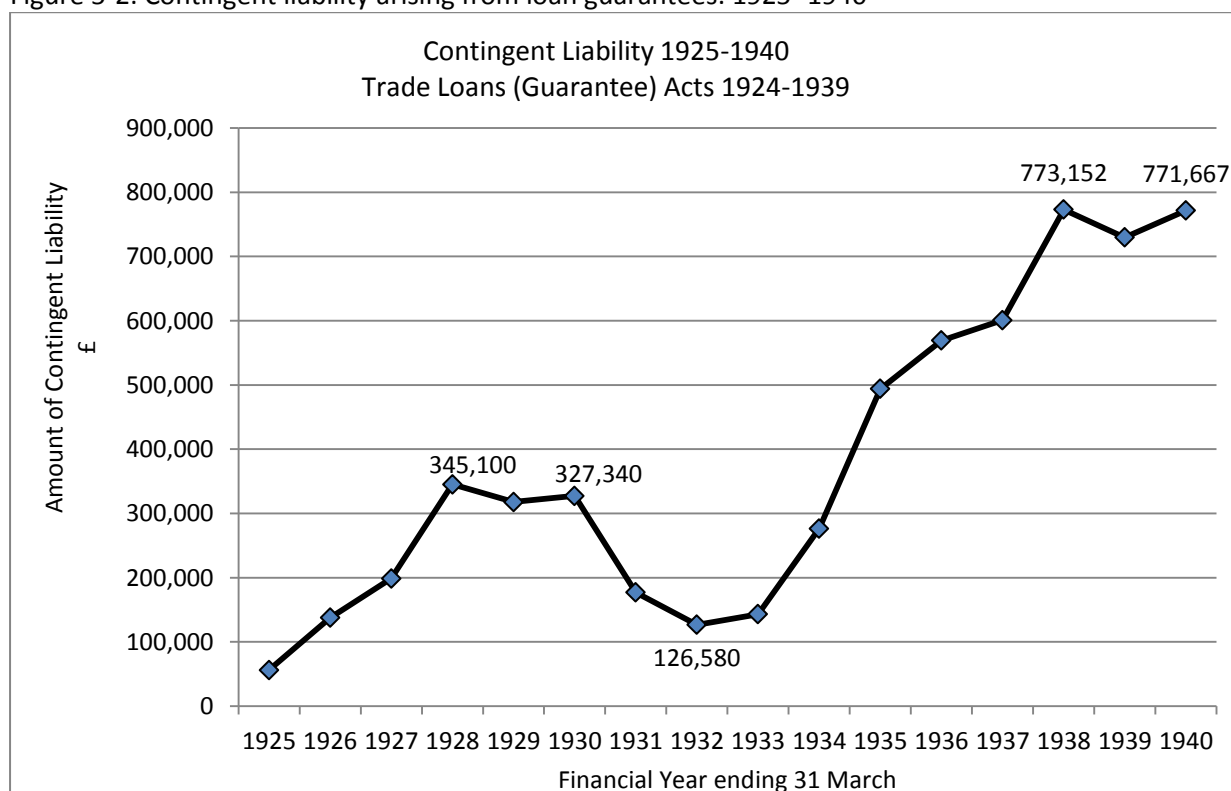
²³⁴ Ss. 1(2) and 2(2) of the Trade Loans (Guarantee) Act, 1924 and amended by S.3(e) of the Trade Loans (Guarantee) (Amendment) Act, 1933.

5.6.1 Contingent Liability

Cebotari (2008) defines contingent liabilities as financial “obligations whose timing and magnitude depend on the occurrence of some uncertain future event outside the control of the government”. The practices adopted from 1924 onwards in reporting guarantees given under the Trade Loans (Guarantee) Acts and the annual accounting for the contingent liability goes some way to anticipating, and meeting, the recommendations of the International Public Sector Accounting Standards (IPSAS).²³⁵ With regard to the loan guarantee scheme, two types of disclosure were adopted from the beginning. The first involved the disclosure of the actual loss which was reported on an annual basis as prescribed in the legislation.²³⁶

Figure 5-2 shows the growth of the contingent liability over the period up to 1940.

Figure 5-2: Contingent liability arising from loan guarantees: 1925 -1940



Source: Finance accounts 1925-1940

The graph shows an early peak of £345,100 following the initial spurt of approvals in phase I, but as noted earlier, there were fewer after 1927 and none from 1929 onwards. In phase II, again there was an early and greater number of early approvals leading up to a plateau over £770,000 between

²³⁵ Cebotari (2008) p.34 Table 2. IPSAS: “When to recognize and disclose contingent liabilities”. The table presents three scenarios (When to recognize and disclose contingent liabilities) of which the relevant one is where “loss is less than likely and more than remote”.

²³⁶ Trade Loans (Guarantee) Act, 1924, S.6, and the corresponding section in later amendments.

1938 and 1940. Thereafter, the contingent liability declined due to the reduced numbers of approvals and the repayment of outstanding loans.

The contingent liability noted in the memorandum to government of 12 January 1944 was £390,000 for the “31 undertakings actively operating with the assistance of the Trade Loans”.²³⁷ Therefore, the contingent liability remained well within the limit set by the legislation, which was a limit of £1,000,000.

5.7 Employment

The employment level attributed to the scheme is more difficult to evaluate. This arises because there were many types of firms involved in the scheme and their loans served different purposes in the developments proposed. For example, in the early phase I cases involving the rescue or restructuring of companies, production was restarted and associated employment revived. Alternatively, newly established companies, particularly in phase II gave employment to new staff from their beginning. On the other hand, a firm such as the Greenmount and Boyne Linen Company employing over 700 people can hardly have employed all of this number as a consequence of the loan whose purposes included working capital and the discharge of bank liabilities as well as the purchase of new equipment. For these reasons, the data must be treated with some reservation.

The employment data are available in two sets. These are a yearly total of employment for the years 1925 – 1937 with associated gross payroll data. I refer to this as a time series of data. The second set gives the numbers of employees in 66 firms for the year 1936. This firm-level data is capable of greater scrutiny and tables of analysis are included in appendix tables.²³⁸ The source data are from the records of the Department of Industry and Commerce. The time series data have a gross amount for the payroll/wages cost for each year and no further details. There is no indication of seasonality or part-time working, nor is there a date during the year as a reference point for the survey; whether calendar year end, financial year end or otherwise. The firm level data for 1936 are similarly lacking in detail. Nevertheless, the latter set of data provides the opportunity to examine the employment across the sectors into which the firms have been categorised.

An examination of the approvals for the year 1936 gives some indication of the development of employment for new companies during that year. The quarterly reports to the Oireachtas for first loans approved during that year numbered 10, six of which are recorded with employment in the year. The companies were all start-up companies registered in the period between December 1934

²³⁷ NAI, TAOIS/S 7945.

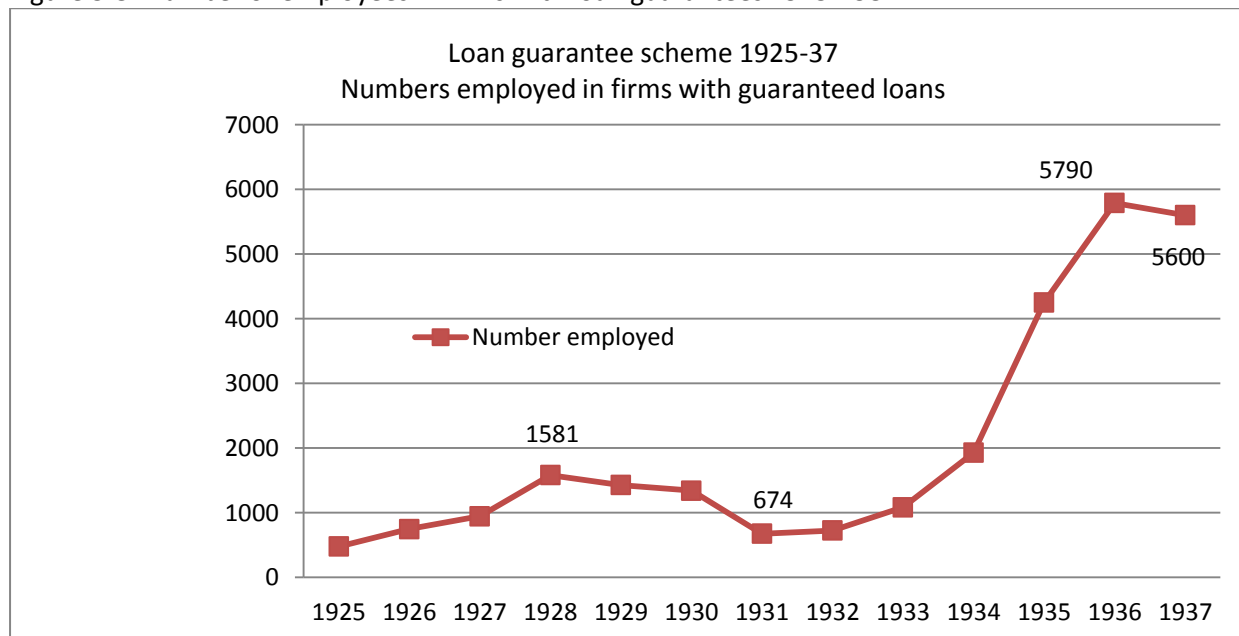
²³⁸ Appendix II Tables A.II-20 to A.II-22 on the employment per sector, payroll data and range of employment in firms, respectively.

(Irish Enamelware Ltd. 104 employees) and June 1936 (William P. Ryan Ltd., 32 employees). The total employment recorded in the companies was 659, an average of 110 employees.

A more general view of employment in the 66 firms according to the sectoral categorisation is given in the Appendix II, Table A.II-20. This table shows the textile, clothing and footwear group (25 firms) with an average employment of 127. This average may be distorted by the inclusion of the Greenmount and Boyne Linen Company with an exceptionally high number of employees (749). The employment in the sector was nearly 55 per cent of the total employment reported for the year 1936 where loans were under guaranteed.

Figure 5-3 shows the growth of employment over the period based on the time series data in the records of the Department of Industry and Commerce. (Source data are presented in Table 3-5)

Figure 5-3: Number of employees in firms with loan guarantees 1925-1937



The details of how and when these data were compiled are not on record. They were presented as part of the case for the renewal of the legislation in 1938-9 and it is reasonable to conclude that they were recorded in conjunction with the monitoring of repayments on guaranteed loans, as was the practice in compiling the contingent liability calculation each year. Attributing the full employment of the firm, if that is the basis for the numbers, to the benefits derived from a guaranteed loan is questionable. Nevertheless, this is the only time series of employment data for the guarantee scheme in the period up to 1937 giving some indication of employment.

The figures reflect the pattern shown in the contingent liability curve (Figure 5-2) with an initial peak in phase I reaching 1,581 employees in 1928 followed by a dip to a low point of 674 in 1931. Phase II

repeated the rise to a peak of 5,790. These figures are not interpreted as the permanent employment of the firms, but rather their employment levels during the period in which they were repaying loans under guarantee. It is reasonable to infer that the employment was maintained after the loans were repaid, but there is no record available to indicate what permanent sustainable employment, if any, accrued as a result of the guarantee scheme.

The firm-level employment data is summarised in Table 5-20.

Table 5-20: Employment, and labour cost expenditure in 1936

Number of firms with guaranteed loans (“loans in operation”)	66
Total amount of loan principal guaranteed	£528,650
Employment	5,790
Salaries, Wages etc., paid	£508,266

Source: adapted from NAI, F 97/3/38 Trade Loans (Guarantee) (Continuation) Bill 1938

In January 1944 the Department of Industry and Commerce sought permission from the government to renew the scheme for a further period of five years and in its submission it reported that 31 undertakings, employing 1,580 were operating with loans under guarantee.²³⁹ This confirms the conclusion that the guarantee scheme had already reached the peak of its impact in 1936 and was into a decline when the legislation was renewed in 1939.

5.8 Conclusion

The main features of the scheme emerging from the data can be distilled into three topics. These are firstly, the firms and their activities; secondly, the financial aspects of the scheme, and finally, the scheme’s employment impact. Details on the firms are patchy, in some cases of smaller firms minimal, in other cases, a variety of sources provides a reliable picture. The financial aspects are the most complete because of the reporting requirement in the legislation, the oversight role of the department of finance (their agreement to give a guarantee, their reporting of contingent liability etc.) and the importance of industrial financing to the success, or otherwise, of the scheme. The third aspect, the employment impact of the scheme, is unsatisfactory in terms of recorded data. This may be due to missing records, but there is a lack of references in internal correspondence to employment as a performance indicator of the scheme. This suggests that the scheme’s employment impact was subordinated in importance and was considered in the wider context of sectoral developments.

The data does not reveal a clear pattern with regard to the location the firms. Some distinctions can be made between the firms approved for loans in phases I and II on a different basis. In the earlier

²³⁹ NAI, INDC/IND/24/10 Trade loan (Guarantee) Act, 1944, memorandum to government, 12 Jan. 1944.

phase, only four firms were newly registered; the remainder were in two groups; on the one hand, established firms requiring finance for their recovery or rescue from liquidation. A second group of firms were exploiting resources or extracting materials (Killaloe Slate, Allihies Copper Mines, and Wicklow Ochre are examples) in specific locations. During the second phase, a similar number of location-specific extractive firms were approved for loans. However, the remaining firms in the later phase were more clearly identified with specific sectors – textiles, clothing and footwear, engineering and general manufacturing, and construction (see Table 5-11). There was bias towards Dublin and Leinster, however, there is no record of the location being a factor in the official consideration of applications for loan guarantees. In addition, there was a relatively small number of firms where location choice was an open factor at the time of applying for a guarantee. These are not clearly identifiable from the records. The likelihood is that the Department of Industry and Commerce was in a stronger position to influence the choice of location in the case of new firms applying for manufacturing licences under the Control of Manufactures Acts. An example of this was the location of Irish Ropes in the redundant cavalry buildings of the British Army in Newbridge, Co. Kildare.²⁴⁰ Therefore, the geographical location of the firms under the loan guarantee scheme did not show a strong geographical pattern with regard to location during the period 1925-40.

The sources of finance for loans guaranteed under the scheme and the conditions applied to those loans changed significantly between phases I and II. In 1925 it was fortuitous that the National Land Bank was in a position to support the scheme with funding voted by Dáil Éireann for that purpose. However, this arrangement was quickly superseded by the establishment of the Industrial Trust Company of Ireland Ltd. in the same year, and the sale of the Land Bank to the Bank of Ireland a year later. In this early phase the Irish Banks Standing Committee did not support the scheme, and the lending conditions were set above the prevailing bank interest rate, in the first instance by the National Land Bank, but the practice was maintained subsequently. This situation was reversed in phase II following the agreement of the Irish Banks Standing Committee in October 1932 to lend to firms approved for loan guarantees, and at a rate below the normal bank rate. A number of factors contributed to this change some of which are discussed in the following chapter.

The scale of loan applications did not reach the anticipated level, nor did it put a strain on the national finances. The 1924 Act provided for guarantees up to a maximum of £1 million; this included the potential for granting loans up to an amount of £50,000,²⁴¹ but in phase I the maximum

²⁴⁰ See Appendix III: Company case notes, and Conlan (2009)

²⁴¹ No loans were granted under the scheme under Section 2 (1) (a) proposals “to promote a reduction in the price of essential commodities”, and the total capital amount for loans and guarantees was allocated to capital proposals in the amending Act of 1926.

contingent liability reached £345,100 in 1928 (Figure 5-2) and declined to £126,580 in 1931. In phase II it reached £773,152 in 1938 and declined again to £390,000 in 1944.

In 1931 the first loan defaults were reported with a net cost to the state of £152,399 (Table A.II-16). This was the highest annual amount incurred by the state, reflecting the higher amounts guaranteed in the early years and also the higher level of interest charges on those early loans. In the succeeding financial year 1931/32, tax revenue generated was £25.5 million (Table A.II-24). By 1937 tax revenue generated had risen to £31 million and the cumulative net cost to the state for default loans (including accrued interest charges) was £206,555. The final net cost to the state for default loans which had been guaranteed between 1925 and 1940 was £334,431.

A further indication of the scale of the loan scheme can be estimated from the survey carried out by the Banking Commission in 1926.²⁴² In that year, the only bank lending under the guarantee scheme was the National Land Bank which returned an amount of £821,526 for “overdraft and loan accounts” lending. At that time, the bank had six loan agreements under the guarantee scheme with an aggregate amount of £156,600. The National Land Bank was by far the smallest of the nine banks which made returns to the Commission. The aggregate figures for investments and lending for all the banks in 1926 is shown in Table 5-21 below.

Table 5-21: Investments and Lending by Irish banks in 1926 (in millions)

	within the state	outside the state	Total
Investments	£3.1	£82.6	£85.7
Lending	£59.8	£34.7	£94.5

Source: author’s calculation from the questionnaire to Irish banks by the Banking Commission 1926 (NLI, JBP, Ms 26,236)

Four of the banks were already lending under the Government of Northern Ireland (Loan Guarantee) Act, 1922. The amounts involved exceeded £1 million. The principal lender was the Bank of Ireland with minor amounts from the Provincial Bank of Ireland, the Ulster and Northern Banks.

²⁴² Unpublished, but in the correspondence in the Brennan Papers relating to the Banking Commission 1926 (NLI, Ms 26, 236, returns of Irish bank balances, 1926)

6.1 Introduction

This chapter takes a wider overview of the loan guarantee scheme between 1924 and 1940 and examines the access to industrial finance which was needed during that period.

Chapter two described how the scheme was started in the nature of an experiment and ran into immediate difficulties, partially overcome in the short-term. Under Fianna Fáil, and following a benign review, it was given a new lease of life with amendments to support the agenda for manufacturing industry. Chapter four showed how the published archival data could be marshalled for analytical purposes into a database, and chapter five has used the database to show the nuances of how the scheme operated.

This chapter reviews the guarantee scheme from the evidence generated from the database and synthesises conclusions with reference to related literature. Overall, I conclude that the development of the guarantee scheme brings into focus the evolution of industrial finance in Ireland at this early stage of industrial development. The database and contemporary records make it possible to distinguish between the operational features and the outcome of the scheme during each of the two phases. Earlier records also show how the transition between the two phases was a catalyst for change in industrial financing. The original purpose of the scheme, promoting industrial employment, was treated with lesser importance to that of finding means of financing industrial development.

In summary, the historical background to industrial finance in nineteenth century provides some background to the task of financing post-war industrial revival in Britain at the beginning of the 1920s. In Ireland at that time, there was the added dimension of the bankers' relationship with the London money market as a repository for Irish savings. Coupled with this was the banking practice in Ireland, as in Britain, of lending short-term against security rather than providing longer term finance to support industrial investment. These circumstances came to light as a stumbling block when the guarantee scheme was first introduced. The chapter outlines some historical background and the difficulties which then arose for the guarantee scheme.

The chapter further describes how industrial finance went through a phased development following the initial problems encountered. A short-term resolution was found in the role of the state-owned National Land Bank and this was followed hastily by the establishment of the public-private Industrial Trust Company of Ireland (ITCI). These financing problems were considered by the 1926

Banking Commission. The Commission recommended the priority that the Agricultural Credit Corporation (ACC) should be set up for the agricultural credit and further recommended that the ITCI be the vehicle for industrial credit for loans guaranteed under the loan guarantee scheme. This solution for industrial credit was unsuccessful. No further development took place until 1932 when a second phase in the evolution came with the Colbert proposal to expand the operation of the ACC to become an “Agricultural and Industrial Credit Corporation”. This proposal presented the opportunity to review industrial finance and the loan guarantee scheme. During this review, the banks agreed terms with the government under which they would be willing to lend to firms approved for loan guarantees. The Committee on Industrial Finance (CIF) then recommended significant amendments to the scheme as described in Chapter 3, and also proposed the establishment of a new specialist credit organisation for industrial finance. This consolidated the positions of the state’s involvement in specialist financial institutions for both agricultural and industrial credit.

A key conclusion is that the guarantee scheme was instrumental in highlighting the need for, and bringing about new financing channels for industrial credit. This result was more significant than the modest achievements towards its original goal of generating greater industrial employment.

The chapter further considers whether the proposal by Colbert was influenced by the Macmillan report and its diagnosis of the so-called Macmillan gap, summarised as “the special difficulty of raising long-term capital for industry in amounts not sufficiently large for a public issue”.²⁴³ There is no record suggesting that it was the case. The circumstances in Britain were more complex than the early stage industrial development Ireland had reached in 1932. Lemass’s determination that “...the State must step in to create a Financial Institution...” went further to meet the need identified by the Macmillan report than was necessary for the purposes of the guarantee scheme alone. It provided a state institution for industrial finance alongside the one for agricultural credit, both of which survived in state ownership to the end of the century.

I conclude from this episode that the Irish solution to the Macmillan gap was reached largely independently of the developments in Britain where a more complex set of outcomes took longer to reach, and the British solution was largely within the private sector.²⁴⁴

The 1926 Banking Commission examined the needs for credit to assist developments in agriculture and industry. These initiatives were linked with the two phase development of the guarantee scheme, as already described. They included the public-private establishment of the ITCI, for

²⁴³ Committee on finance and industry (1931, para. 404).

²⁴⁴ See Frost (1954) and Thomas (1978) Ch. 5.

industrial lending, and shortly thereafter the Agricultural Credit Corporation (ACC), for the agricultural sector. The latter survived, but the former was short-lived and ceased lending to clients with guaranteed loans after 1927, although it continued to be the accepted channel for financing guaranteed loans by Lemass in Dáil debates on the scheme in 1928 and 1929.²⁴⁵ The stimulus for the change was the Colbert proposal to expand the function of the ACC so as to form an “Agricultural and Industrial Credit Corporation”. There was no direct reference to the guarantee scheme in the proposal, but it resulted in the proposal for the significant changes which defined the transition to phase II. In addition, the government decided to establish the Industrial Credit Corporation (ICC) as a new financial institution.²⁴⁶

The analogy of the Macmillan gap is not entirely transferable to the Irish circumstances of the period because of the complex structure of established British industries and also the wider range of financial institutions operating in Britain.²⁴⁷ I draw the conclusion from the transformation in Ireland in 1933 that, insofar as the analogy can be applied, the steps taken were an intervention by the state. Overall, by 1940, as the database shows, some of the deficiencies in industry’s access to finance were addressed. In Britain, the Macmillan gap was addressed differently; partly by the indirect intervention of the Bank of England, and largely by the establishment of new private sector financial intermediaries.

6.2 A phased development of industrial finance

In the aftermath of Independence there was no specialist financial institution in Ireland catering for the needs of industry. Phase I of the loan guarantee scheme revealed the gap in the immediate demand for industrial finance. The banks did not see themselves fulfilling that function. The reason for this had its roots in the operations of the banks in Ireland within the sterling area and with their ready access to the London money market to accumulate the savings of their depositors. Campbell had already noted in 1924 the high cost to potential Irish industrialists of raising capital on the London money market.

Phase II was preceded by a review which mapped out a path forward. The recommendations of the Committee on Industrial Finance (CIF) were adopted thereby consolidating the state’s role in specialist financial institutions which survived to the end of the century. (Figure 6-1)

²⁴⁵ DÉD, Lemass, 16 May 1928, Vote 56 – Industry and Commerce, Vol.23 No. 1 and 13 Jun. 1929, Vote 56 – Industry and Commerce, Vol. 30 No. 11.

²⁴⁶ Industrial Credit Act, 1933

²⁴⁷ Thomas (1978) p.114-121.

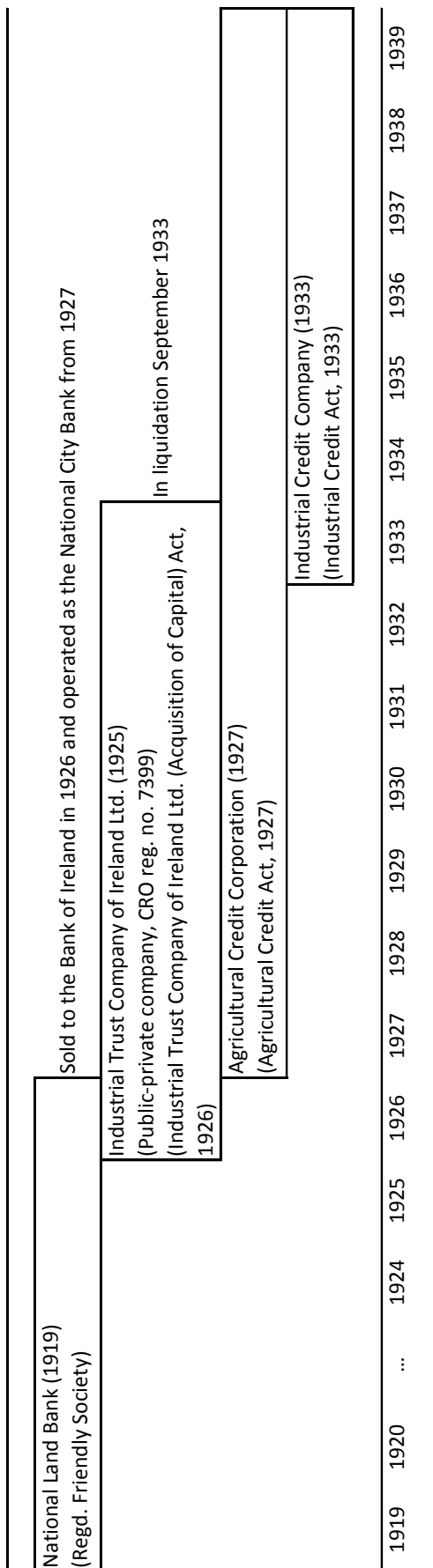
Ireland, with the possible exception of Ulster, was peripheral to the development of industrial finance as it had developed in Britain in the nineteenth century. This was apparently overlooked when the guarantee scheme was introduced in 1924. The database analysis demonstrates the immediate difficulties which arose as a result during the 1920s. The early difficulties with funding projects in the scheme were overcome by the National Land Bank acting as sole lender. As described in Chapter 2, this was quickly replaced by the ITCI as a public-private initiative modelled on “similar trust companies in other countries”.

The phased development which took place in the period up to 1940 corrected the initial deficiency in access to industrial finance. The examination of the database in Chapter five concluded that the operation of the loan guarantee scheme was in two distinct phases; phases which were based on the operations of the scheme. This chapter confirms that conclusion and distinguishes a parallel development of industrial financing, also corresponding with the same two phases. The development of industrial finance in the 1930s was of greater importance because it developed independently of the scheme. The establishment of the ICC went beyond the operation of the scheme, which needed short-term finance. ICC was responsible for opening the new issues market in Dublin which provided for the fixed capital needs of companies. This development was not confined to manufacturing industry alone. Figure 6-1 shows this transition over the period 1919-39.

The progression can be linked to the historical development beginning with the earlier background. In its historical review of the financing of British industry and finance, the Macmillan Committee (1931, para. 377) considered that in the nineteenth century

... its (British industry's) capital was provided privately and it was built up and extended out of profits; in so far as it required banking facilities, it found them from the independent banks, often family banks, which in general had their headquarters in the provinces, and particularly in the Midlands and the North, where the new industries flourished. Moreover, there had existed for many years in this country (Britain) a large class of investors with means to invest, who exercised an independent judgement as to what to invest in, and did not rely as in some countries entirely on their bankers.

Figure 6-1: State involvement in financial institutions 1919-39



The Macmillan report's description of industrial finance in the nineteenth century was not applicable to Ireland which remained largely an agricultural economy with some associated industrial activities. McGowan summarised the financing needs of Irish industry, such as they were, and attributed the lack of a similar development in Ireland to the importance of the agricultural base,

... the absence of a dynamic corporate sector, and the direct links of the small number of large transport, manufacturing and trading firms with the London capital and financial markets.

and

As the nineteenth century progressed, Irish banks relied less on the Bank of Ireland for temporary accommodation as they themselves accumulated sterling liquid assets and British government securities and centred the management of their growing liquidity on London.²⁴⁸

This corresponds with Ó Gráda's more extensive analysis and his view of savings and the Irish banks in the decades before Independence, also noting that, "the banks converted the deposits into liquid resources, held for the most part on the London money market".²⁴⁹

These circumstances also explain the problem which arose when the first batch of applications for loan guarantees was recommended by the advisory committee in 1924-5. Blythe stated in the Dáil that "the applicants have been unable to get the banks to give them loans on conditions conforming with the recommendation of the Committee".²⁵⁰ This initial difficulty shows that the loan guarantee scheme could not replicate the British model of funding projects by public issue of loan stock,²⁵¹ and in addition, it was not the banks' practice to lend long-term, as was proposed. Moynihan misread the situation in describing the episode as the banks "making difficulties"²⁵² when the practice of the banks in Britain at this time was also restricting industrial lending to the short-term. This is confirmed by Kindleberger (1984, p.13) who considers that, after the short speculative boom in Britain in 1919-20,

bank lending to industry after 1921 was limited to short-term advances, and the long-term capital needs of the new growing industries were supplied by the private market and by direct foreign investment from abroad.

²⁴⁸ McGowan (1988-9) *Banking in Ireland*, pp.71, 73.

²⁴⁹ Ó Gráda (1994) pp.365-6. See also Fanning (1983b) *The impact of Independence*, and Lee (1969) *Capital in the Irish economy*.

²⁵⁰ DÉD, vol. 10 no. 9 c.700, Blythe, 6 Mar. 1925.

²⁵¹ Two harbour projects funded by public issue of loan stock were exceptional in being 'public authorities', within the definition of the legislation, and each project was the subject of separate legislation.

²⁵² Moynihan (1975) p.37.

Furthermore, the “difficulty” encountered with the banks in Ireland at the early stage of the loan guarantee scheme should have been anticipated from the contribution of Guinness²⁵³ in the Seanad. In the debate on the second stage of the Trade Loans (Guarantee) Bill, 1924, he raised the issue of the banks’ role in lending under the scheme:

... all these loans (under the UK Trade Facilities Act) are for long periods for 20 or 30 years, ... it is not the function of banks to lend money for such periods. Banks lend on security for comparatively short periods, and they do not finance capital expenditure of that description.²⁵⁴

The Minister, McGilligan did not respond directly to Senator Guinness, and appeared not to appreciate the likely outcome if the banks were not prepared to lend.

As a result of this lack of preparedness there were early difficulties with funding projects in the scheme. The first problems were overcome by the National Land Bank acting as lender. As described in Chapter 2, this was quickly replaced by the ITCI as a public-private initiative modelled on “similar trust companies in other countries”. This was the recommendation of the 1926 Banking Commission, which also recommended the establishment of the ACC.

The recommendation of the Banking Commission to establish the ACC in preference to the development of industry was indicative of the dominant view of Hogan as Minister for Agriculture accepted by the government of the time. It is further reflected in the third interim report of the Commission that “It is not yet certain how far the country may desire to attempt industrialisation...”.²⁵⁵ In its Final Report the Commission underlined this subordinate position of industry relative to agriculture:

The Government has taken a substantial interest in the Industrial Trust Company (of Ireland Ltd.), the commercial banks of the country being also large stockholders therein. To this institution has already been committed a considerable part of the actual financing of the Trade Loans Acts.

.. We have refrained from recommending any effort to establish a (further) new type of institution, and we have contented ourselves with expressing generally the opinion that Governmental aid to industry should be limited to a minimum and confined to emergency conditions, and to making certain suggestions for the more expeditious handling and better safeguarding of the advances made under the Trade Loans Guarantee Acts.²⁵⁶

²⁵³ He was a director of the Bank of Ireland since 1909; and governor from 1922 onwards (Boylan, 2009). Therefore he was *ex officio* chairman of the Irish Banks Standing Committee.

²⁵⁴ SÉD, vol.3 no.13 c.817, Guinness, 10 July 1924.

²⁵⁵ Banking Commission (1926) p. 32, para. 3 *New and Struggling Industries*.

²⁵⁶ Banking Commission (1927) p.53 para. 64 *Difficulty of Trade Guarantees*.

The ITCI did not flourish and the loan guarantee scheme went into a decline. Negotiations took place during the course of the Banking Commission's work for the sale of the National Land Bank to the Bank of Ireland. Senator Douglas acted on behalf of the Minister for Finance,²⁵⁷ and the sale was completed before the Banking Commission completed its work. This left the ITCI as the principal official source of lending for the scheme. The database shows that a small number of further loans after 1927 were completed without the involvement of the ITCI. The lenders in these cases were in two cases the successor to the National Land Bank, the National City Bank, and in one other case, an insurance company, Friends Provident and Century Life.

Significantly, in all cases during phase I of the scheme the rate of interest charged on loans was above the bank rate, thus making the scheme relatively unattractive (and even more so due to the complexity of the formal agreements required). This precedent was set by the National Land Bank when it was the only bank willing to lend to firms with approval for guaranteed loans. The rate adopted at that time was noteworthy because the practice continued for the remainder of phase I. The significance has two aspects. The first is that authority behind the decision and the people involved i.e. the Department of Finance and a state-owned bank. The second is the continuity of the practice following the establishment of the ITCI and the subsequent sale of the National Land Bank by the state to the Bank of Ireland.

The basis for the rate of interest was confirmed in the case of Dungarvan Co-operative Creamery Ltd. when Ferguson requested the Department of Finance to approve the loan following the decision of the directors of the National Land Bank who "... would not be prepared to finance any guaranteed loans at a rate less than six per cent."²⁵⁸ The provisional approval of the Minister for Finance had been given provided that the rate of interest was "not in excess of the current Irish Banks' rate" which was then at five per cent per annum. The request continued

... it does not seem possible to make further progress in the matter unless sanction be given to the guaranteeing of the loan subject to a rate of interest of six per cent per annum. It is suggested therefore that the Minister for Finance should convey his sanction to the giving of the guarantee subject to the loan bearing interest at six per cent per annum.²⁵⁹

²⁵⁷ The related correspondence is in the files of the Office of the Attorney General. NAI,AGO/68/26. The Dáil was notified of the sale by the Minister for Finance, Blythe, on 20 Jul. 1926, (DÉD, vol.16 No.21 c.2215 *et seq.*) See also Hall (1949) pp. 340-52 for the history and sale of the Bank.

²⁵⁸ NAI, F 97/14/24, Ferguson to Finance, 20 Oct. 1925.

²⁵⁹ *Ibid.*

The loan application for the co-operative was approved by the Minister for Finance and was included in the quarterly report for the period ending 31 January 1926. The offer of a loan guarantee was later declined by the co-operative and the proposal was reported as withdrawn.

The authority of the participants in the decisions is underlined by the fact that the managing director of the National Land Bank, Lionel Smith Gordon, was also a member of the Trade Loans Advisory Committee which recommended the loan guarantee. The assistant secretary of the Department of Finance, J.J. McElligott, was a director of the bank as a nominee of the Minister for Finance.

The higher rate of interest was continued by the ITCI, and later by the National City Bank. This may have arisen from the resignation of Smith Gordon from the Trade Loans Advisory Committee at the end of 1925, when he was co-opted to the board of the ITCI and was later appointed its managing director. The secretary of the National Land Bank, Timothy Caffrey, was appointed managing director of the National City Bank after the ownership transferred to the Bank of Ireland, thus maintaining some continuity with regard to the guarantee scheme.

The higher rate of interest partly explains the lack of attraction of the scheme for normal business developments. These circumstances contrast with the operation of the Trade Facilities Act in Britain which served as a model for the loan guarantee scheme in Ireland. Keynes described concisely the British scheme under the Trade Facilities Act in 1924 as follows:

... the assistance given is limited to helping the borrower to borrow more cheaply than he would otherwise - say, at 5 per cent, instead of 6 or 6½ percent. This is all there is in it. It is a modest subsidy. It is not a risk sharing or risk-shouldering scheme.²⁶⁰

This “modest subsidy” did not apply to the guarantee scheme in Ireland during phase I. Therefore, the relatively unattractive nature of scheme as it had begun may explain the higher proportion of rescue and restructuring projects which resorted to the scheme for access to finance. In addition, there was an equal number (six) of withdrawn proposals during the early years, which could be interpreted as the unattractive nature of the scheme and firms negotiating better terms with a commercial bank without the need for a state guarantee.

The Minister intended at the end of 1925 not to continue the scheme²⁶¹ after it had been renewed for the first time earlier that year, but, the scheme continued. As described in Chapter 2, in 1929 he again saw the scheme having limited potential (“the series of Acts ... have exhausted their utility”), and proposed alternative informal means of introducing industrialists to financial sources, if not

²⁶⁰ Keynes (1972) p. 231-32, letter to the *Nation and Atheneum*, 7 June 1924.

²⁶¹ “I reviewed the circumstances at that time (December 1925) and made up my mind ... that there was no necessity to have the Act continued for another year.” (DÉD, McGilligan, 17 Jun. 1926, Vol. 16 No. 12 c.1257).

introducing alternative legislation. The scheme was nevertheless maintained and renewed even though no further applications were approved before the change of government in 1932.

The stimulus for the change was the Colbert proposal in 1932 to expand the function of the ACC so as to form an “Agricultural and Industrial Credit Corporation”, as described in Chapter 3. There was no direct reference to the loan guarantee scheme in the proposal, but it resulted in the proposal for the significant changes to the Trade Loans (Guarantee) Act which widened the eligibility of the scheme and streamlined its operation. The introduction of these changes defined the transition to phase II. At the same time, the government decided to establish the ICC. Taking this step with the agreement of the banks to provide loans to firms approved by the scheme also introduced a corresponding transition in access to industrial finance. These developments in industrial finance consolidated the positions of the state’s involvement in specialist financial institutions as shown earlier in Figure 6-1.

The ITCI was in difficulty after the financial turmoil of 1929 and eventually went into voluntary liquidation in September 1933.

6.3 The Macmillan committee – a gap identified

A further dimension to this development is question of the influence, if any, arising from the work of the Macmillan committee on finance and industry in Britain.²⁶² In one short paragraph its report summarised a problem seemingly shared with Irish industry – the so-called Macmillan gap. Whether or not there was influence is uncertain. However, the establishment of the ICC was a step well in advance of the response to the problem in Britain as described by Frost (1954) and Thomas (1978). This supports the conclusion above, that the guarantee scheme was indirectly the catalyst for the improvement in the access to finance for small firms. This is supported by the records of ICC’s role in developing a new issues market in Dublin. On the other hand, its contribution to lending under the guarantee scheme was quite modest and corresponded to its position as a new specialist financial institution in competition with the established banks after they had agreed terms with the government for lending to firms with guaranteed loans. Table 5-15 shows that ICC provided 11.0 per cent of the loan principal borrowed in phase II, or 8.2 per cent of the total for the period 1924-40.

The value of new issue investments raised on the Dublin market under ICC’s sponsorship was considerably greater than the aggregate of the guarantee scheme. In the period 1933-36 it was sponsor for over £4 million of new issues raised. The development of this market for new issues in industrial and commercial firms in Dublin was therefore more significant than the amounts raised in

²⁶² It was established in November 1929 and reported in 1931. Committee on finance and industry (1931).

medium-term borrowings under the loan guarantee scheme. Therefore, I conclude that the advent of the ICC in providing industrial finance offered some companies a gateway to access long-term fixed capital at a later stage. Irish Ropes Ltd. and the Milford (Donegal) Bakery Co. Ltd. were examples of this development among firms in the database.²⁶³

The report of the CIBCC (1938b) published the new issues on the Dublin Market for the period 1933-36. ICC was sponsor for 21 of the 47 new issues which are summarised in Table 6-1 below. The appendix names ten other sponsors or co-sponsors of issues, all in single figures. The ICC sponsorships amounted to 62% of the new issues during the period 1933-36 with an aggregated value of £4,027,200. The financial services of ICC were therefore more extensive than its lending to industrial clients alone. This service included a number of loans guaranteed under the scheme, but this appears to have been a small proportion of its industrial lending.

Table 6-1: New issues of industrial and commercial shares on the Dublin market 1933-36

	1933	1934	1935	1936	Total
Debenture stock	£125,000	£539,200	£500,000	£450,000	£1,614,200
Preference and preferred shares	£35,750	£1,901,190	£460,000	£408,125	£2,805,065
Ordinary shares		£439,377	£663,250	£974,600	£2,077,227
	£160,750	£2,879,767	£1,623,250	£1,832,725	£6,496,492
Number of issues	3	15	16	13	47

Source: adapted from Report of the Commission of Inquiry into Banking, Currency and Credit (1938) Appendix 5

I conclude from these early results of ICC's engagement with the industrial sector that the concept of an "Irish Macmillan gap" was addressed by the combination of the loan guarantee scheme opening access to bank finance, and the initiative of ICC in opening up the new issues market in Dublin. This fulfilled the financing needs of industry under two of the headings identified by Lemass in making his case to the Cabinet in March 1933.²⁶⁴ In the first case, the loan guarantee scheme provided access to "fixed interest loans to finance extensions of business" through the banks and ICC. In the second case, the opening of a market for new industrial and commercial issues went some way to meeting the needs for fixed capital investments.

Colbert (1938 p.17-8) interpreted the trend in these investments as attracting new investors "who never appeared previously in investment lists". Withdrawals from deposits for this purpose represented a change in investment habits such that the banks had to reduce and realise some of

²⁶³ See Appendix III case notes

²⁶⁴ NAI, TAOIS/S/6467, Lemass, Memorandum to Cabinet on "Industrial Finance" 24 Mar. 1933. See section 3.3.3 above.

their “liquid assets and British government securities” in London. If that was indeed the case, then a significant turning point had been reached.

The wider conclusion from this development is that the loan guarantee scheme was a means of providing seed capital for a small number of companies which later consolidated their position in the market and developed further with long-term capital for later developments.

6.4 The loan guarantee scheme 1924-1940 and industrial development

The financial and industrial environment in Ireland changed from the beginning of the loan guarantee scheme up to the time when it was again renewed in 1939. In this setting, the impact of the scheme has to be judged differently for the two phases because of their distinct natures, including the fact that that the scheme might have been terminated in 1929, or even earlier. McGilligan’s readiness to do so did not materialise so that there was continuity of the legislation until Lemass was appointed minister, introducing a new style and a different vision.

Lemass, apart from his distinctive qualities and background, had a longer period of preparation to deal with the guarantee scheme than his predecessor, McGilligan. Within the Economic Committee of the Dáil, which was established in November 1928,²⁶⁵ he had the scope to advance his ideas for industry and Commerce. He acknowledged that the scheme had “produced good results in so far as they have resulted in the starting of some industries and the preservation of others”. He recognised that “there is a considerable disinclination on the part of the owners of capital to put it into Irish enterprises, and ... that there is no scarcity of such capital”.²⁶⁶ He also appreciated the nature of the challenge in reaching “the balance between industry and agriculture”.²⁶⁷

A factor to consider throughout the period was the use of tariffs to protect industry. The Fiscal Inquiry Committee (1923) recommended against the introduction of tariffs, nevertheless a series of ‘experimental tariffs’ were introduced (Ferguson, 1944). The firms involved were closely monitored by the Department of Industry and Commerce, independently of the loan guarantee scheme. As soon as Lemass was minister the significance of tariffs changed as evident from the exchange with McGilligan in the short debate in the Dáil on the 1932 amendment of the scheme.²⁶⁸ Most of the

²⁶⁵ DÉD, Economic Committee, Terms of Reference, 21 Nov. 1928, vol.27 no. 4 c.429.

²⁶⁶ DÉD, Lemass, 16 May 1928, Vote 56 – Industry and Commerce, Vol.23 No. 1 c..1444-5.

²⁶⁷ DÉD, Lemass, 13 Jun. 1929, Vote 56 – Industry and Commerce, Vol. 30 No. 11 c. 1336.

²⁶⁸ DÉD, Trade Loans (Guarantee) Bill, 1932, Second Stage, 30 June 1932, vol. 42 no.14.

firms approved in phase II relied on tariff protection, in many cases applying for tariff protection at the same time as their application for a loan guarantee.²⁶⁹

Phase I of the scheme has already been characterised as a failed experiment (section 6.3). The main feature of this phase was the funding problem encountered in the early years. The early problem was resolved temporarily by replacing the National Land Bank with the trust company (ITCI) as the principal source of loans, but that was unsuccessful and did not produce any better results. The firms which were approved for loans guarantees could be categorised into three groups: one group was of revived or restructured firms, a second group of extractive operations (slate, ochre and copper ores), and a third mixed group of manufacturing firms. The first two groups were high risk ventures and the external market environment was responsible for some failures. Nevertheless, according to the data for employment in firms with loans under guarantee for the year 1936, six of the firms approved up to 1929 were providing employment for 581 people. There were no employment returns on the two harbour developments (Dundalk and Waterford) and two firms had repaid their loans in full. The remaining eight firms were in difficulties or had already defaulted on their loan repayments. It is not possible to give a comparable summary for the firms approved from 1929–40 because the equivalent data is not available. Employment data are available at firm level only for the year 1936.

The conclusion for phase I is that the expected number of applications did not materialise; the exact number of applicants is not clear from the records, but the number approved fell considerably short of the early expectations. Phase II was influenced by the aim in the Fianna Fáil manifesto to organise “... manufacturing industry to meet the needs of the community ...”. This determined the tone of the amendment to the loan guarantee scheme in 1933, particularly its focus on manufacturing industry.

6.4.1 Location of firms and regional distribution

The geographical distribution of the loan funds shows no strong regional concentrations, rather a lack of investment in rural counties. No proposals were approved for the counties Roscommon and Sligo in Connacht, and Carlow and Longford in Leinster, and there were no loans approved for Connacht during phase I.

The regional distribution of loan expenditure from the database uses the classification in Tables 4-3 and 4-10 rather than the modern NUTS classification. Table 6-2 below shows the regional distribution of the loans invested and Table 6-3 the percentages for those investments.

²⁶⁹ Commission of inquiry into banking currency and credit (1938b) Appendix No. 21 p. 530 *et seq.*

Table 6-2: Regional distribution of loans expenditure

Province/region	Phase I		Phase II		Total	
	Number of loans	net principal	Number of loans	net principal	Number of loans	net principal
	N	£	N	£	N _{Total}	£
Connacht	0	0	7	225,000	7	225,000
Dublin	8	89,100	21	333,350	29	422,450
Leinster (excl. Dublin)	7	139,900	23	268,200	30	408,100
Munster	10	105,500	24	147,121	34	252,621
Ulster	2	8,740	9	49,300	11	58,040
Total	27	343,240	84	1,022,971	111	1,366,211

There were also some distorting effects (at the county level) brought about by a small number of relatively high investments in combination with a low number of much smaller investments in the county. Examples of this are the concentration of four of the top largest proposals (by net principal amount) located in County Louth where there was a total of six projects approved; on the other hand, the investment in the Galway Harbour development (£200,000) was one of four loans approved for the county. Two firms in the county were approved for a total of three loans with a total of £11,000 invested. These distorting effects are evened out to some extent in the regional picture, although Leinster (excluding Dublin) is unevenly represented in phase I by the concentration of four of the largest investments (by net principal amount) located in County Louth. On the other hand, the investment in the Galway Harbour development (£200,000) distorts the Connacht picture.

The regional distribution of loan expenditure, in percentage terms (Table 6-3), demonstrates the weakness of Connacht and the border counties.

Table 6-3: Regional distribution - Percentage of the loan expenditure

Province/region	Phase I	Phase II	Total
	%	%	%
Connacht	0.0	22.0	16.5
Dublin	26.0	32.6	30.9
Leinster (excl. Dublin)	40.8	26.2	29.9
Munster	30.7	14.4	18.5
Ulster	2.5	4.8	4.2
	100.0	100.0	100.0

The choice of where firms established their businesses involved a number of factors which were not considered in the criteria for approving loan guarantees. There are differences between the two phases in this respect. In phase I the location of firms was largely determined by the nature of the projects. For example, the revival or restructuring of existing firms was a feature as was the extraction of ores or other materials from known deposits. There were fewer cases of new ventures during that early period.

In phase II, there were more start-up companies as a result of the self-sufficiency policies adopted. The Economic Committee of the Cabinet approved the establishment of an Industrial Development Branch of the Department of Industry and Commerce in May 1932. The new branch was

.. charged with the examination of proposals for the establishment of new industries and the development of existing industries and with the administration of the Trade Loans (Guarantee) Acts.²⁷⁰

As a result, consultations with Department of Industry and Commerce were more common due to the need in some cases to meet the requirements of the Control of Manufactures Acts, 1932 and 1934. Daly (1992 p.65) quotes R.C. Ferguson, assistant secretary in the Department of Industry and Commerce in his evidence to the Commission on Vocational Organisation (1944) “few factories were set up without prior consultation with it [Industry and Commerce] or against its advice”. This consulting role of the department is a factor in assessing the geographical impact of the loan guarantee scheme.

When Campbell first proposed a loan guarantee scheme he anticipated that “reliable information could be obtained as to the possibility of helping industrial development”²⁷¹. This was implemented in the early post-independence years with a combination of Industrial Advisory Committees²⁷² and the monitoring of “experimental tariffs”. Ferguson (1944) described how tariffs and quotas were adjusted to match the manufacturing firms’ capacities to supply the market. The loan guarantee scheme required monitoring of firms in two respects. At one level, the repayments of loans under guarantee were recorded so that an accurate calculation of the state’s contingent liability could be reported to the Department of Finance each year. This was at a high level of accuracy since the Minister was a party to the loan agreement with the bank. The second level of monitoring was the impact on employment. This aspect was the principal basis on which the department argued for the further retention of the scheme in 1938. However, the data surviving is poor on detail, as already noted in Section 5.7. The records are limited to the period during which there were loan repayments outstanding, and bear no relationship to the sustainability of the employment or any direct relationship with the investments funded by the loans.

An additional factor in considering the location of firms was the impact of the Shannon electrification scheme. The roll-out of the national electricity grid provided a range of location options for the department’s advice to start-up companies and also for the development of existing

²⁷⁰ NAI, S6274, Cab. Ec. C. 2, 21 May, 1932.

²⁷¹ NAI, TAOIS/S 3373, Campbell to Executive Council, 30 Oct. 1923.

²⁷² 35 such committees were set up by 1928. (DÉD, McGilligan, 16 May 1928, Vote 56 – Industry and Commerce, Vol.23 No. 13 c.1402).

firms. The proposal to harness the Shannon for a hydroelectric scheme was under consideration when the Trade Loans (Guarantee) Bill, 1924, was being considered in the Oireachtas. The contract between the government and Siemens-Schuckert of Berlin was signed on 13 August 1925 and the power station at Ardnacrusha was officially open in July 1929.²⁷³ A significant feature of the project was the establishment of the Electricity Supply Board as a unified national electricity utility, a development in advance of the fragmented electricity supply structures in Britain and other countries. The electricity network in Ireland eventually incorporated existing private or local authority networks in towns and cities. The timing of the ESB development and the roll-out of the new national grid may explain the higher proportion of restructured and rescued firms approved for loans during phase I.

Firms supported by the loan guarantee scheme in phase I were serviced by the new electricity network in five locations, four of which were located in the Dublin metropolitan area which had its own network. The remaining nine were dependent on their own generation of electricity or on town supplies, that is, their locations were yet to be connected to the national grid.²⁷⁴

Firms approved for loan guarantees during phase II were located to a greater extent in towns and cities with access to the electricity network. Excluding the firms which did not proceed, the proportion which had access to the 38kV network was 80 per cent (58 firms).

From this I conclude that the electricity network was a contributory factor in the locations of proposals in phase II. However, this was unlikely to be a consideration in a number of cases, for example, pre-existing businesses or location specific projects, such as extractive industries or the harbour developments. Nevertheless, the proportion of start-up businesses was higher in phase II and therefore the new network contributed to a balance of locations between towns and cities.

6.4.2 Sectoral development

The focus moved to manufacturing industry in phase II. This was incorporated in the legislation by the definition in the 1933 amendment²⁷⁵ and by amending the purpose from capital to manufacturing undertakings. The changes in the financing arrangements, described already, also played a part in determining the number of applicants for support. Another significant factor was the combination of tariff protection and quota restriction introduced from 1932 onwards. The procedure by which the tariffs were decided involved consultations between existing producers, and intending producers, of products with officials of the Department of Industry and Commerce. This meant that

²⁷³ Manning and McDowell (1984) pp.39 and 50.

²⁷⁴ *Ibid.* p.48.

²⁷⁵ Trade Loans (Guarantee) (Amendment) Act, 1933, S.1 definitions.

in many cases new entrants to manufacturing industries sought tariff protection at the same time as they applied for the support of the guarantee scheme to finance the proposal.

Tables 5-10 and 5-11 show the contrast between phases I and II in the sectors. Overall, the growth in the sector of textiles, clothing and footwear during phase II was due to the imposition of tariffs, and in some cases, quota restrictions. These fiscal measures encouraged new entrants, a proportion of whom sought the support of the guarantee scheme to source the necessary funding. The same applies to the group of firms in the category of engineering and general manufacturing where there was a similar growth driven largely by protection for the manufacture of products whose import was substituted by tariff protected manufacturers. On the other hand, the reason for the increased number of firms in the construction category was based on the housing policies introduced. These firms were manufacturing building supplies such as roof tiles, timber, bricks and building fittings.

The Banking Commission noted the “large extension of ministerial powers in relation to industrial development”.

Most of the undertakings for which guarantees have been given in recent times are concerned with enterprises of which the success or failure may be largely dependent upon the exercise of the powers in question, that fact cannot fail to be a source of embarrassment when decisions which should have regard to the public interest generally have to be made in matters involving the exercise of ministerial powers affecting that particular business.

For this and other reasons, the Banking Commission had

... no hesitation in reaching the conclusion that the scheme of Trade Loan Guarantees should be terminated forthwith and that the legislation enabling such guarantees to be given should be repealed.²⁷⁶

The Minister did not accept the Commission’s recommendation and later sought and received government approval for the further extension of the scheme.

A separate warning sign was noted by the economist O’Brien in marginalia to the drafting of the Commission’s report.²⁷⁷ He noted that

The Government must make up its mind whether it wants to promote production for home consumption or for export. Different measures are needed for the two objectives. In the early days of protection, “self-sufficiency” was an aim requiring no justification, but the new realization of the value of exports has completely changed the industrial problem.

²⁷⁶ Commission of inquiry into banking currency and credit (1938b) para. 455 p.280.

²⁷⁷ NLI, JBP, Ms. 26, 349, The file contains working drafts of the final report of the CIBCC, 1938, of which Brennan was chairman. The contents included comments by individual Commission members, the most comprehensive from George O’Brien, on the working drafts of the section dealing with “Long-term credit for industry”. A covering note is dated 3 June 1937.

and

... the Government must also make up its mind whether it intends to rely on the ordinary profit incentives to build up new industries. If it does, it should interfere far less than it does at present; if not, it should provide the capital itself; ... private capital can only be tempted by unduly expensive terms, e.g. preference shares of many new companies.

These issues did not become apparent until the following decade. This can be seen from the default records in Tables A.II-15, A.II-16 and A.II-18. Eleven firms (17 loans) defaulted on their loan after 1940.

6.4.3 Employment

The data for the employment generated by, or attributed to the loan guarantee scheme has been presented in table 3-5 and discussed in section 5.7. A summary reflection on this aspect of the scheme focuses on two peaks reached in the period 1924-40, one in each of the two phases. These are shown in table 6-4 below, and in figure 5-3 which shows a dip in the year 1937. This downward trend from the peak reached in 1936 is confirmed by the figure recorded for 1943 which matched the early peak in 1928. No further research was undertaken into employment data after 1937.

Table 6-4: Employment in firms with loan guarantees in 1928, 1936 and 1943

Year	Number of firms with guaranteed loans	Total of employees	Average number employed
1928	15	1,581	105
1936	66	5,760	87
1943	31	1,580	51

Sources: adapted from NAI, F 97/3/38 Industry and Commerce to Finance (undated) ca. 1937, and NAI, TAOIS/S/7945, Memorandum to Cabinet, 12 Jan. 1944

These results are modest when compared with the published data for the Census of Industrial Production. O'Brien (1932) published data for the increased numbers of people employed in industrial sectors on 1 September 1930 as compared with those employed at the date when tariffs were introduced in those industries.²⁷⁸ These are not representative of the sectors involved in the loan guarantee scheme in phase I. The data shows, nevertheless, an increase in employment of 13,404. This is indicative of the impact achieved by the “experimental tariffs” of the early post-independence years.

An alternative benchmark for reviewing the employment impact of the loan guarantee scheme is presented in Table 6-5 which is based on the Census of Industrial Production 1926-38.

²⁷⁸ O'Brien (1932) p.142.

Table 6-5: Employment in transportable goods sectors 1926-1938

Year	Total Employment	Intercensal increase in employment	Average annualised increase in employment
1926	67,620		
		5,002	1,000
1931	72,622		
		27,118	3,874
1938	99,740		

Source: Adapted from Bielenberg and Ryan (2013) Table 4.1, from the Census of Industrial Production 1926-1938

The annualised increases in employment for the periods 1926-31 and 1931-38 reflect the different approaches to manufacturing industries during the two phases of the loan guarantee scheme. Given that the data for the firms with loan guarantees are lacking in many details to make a valid comparison, it is nevertheless reasonable to conclude that the achievement of the guarantee scheme were quite modest.

A further reason for questioning the validity of attributing the full employment of the firm to the credit of guaranteed loans is the treatment of the 13 cases where working capital was the sole purpose of the money borrowed. These firms are shown in Table 6-6.

Table 6-6: Guaranteed loans for the sole purpose of working capital

Firm name	Principal £	Date reported	Activity/business
Haulbowline Industries Ltd.	5,000	31/10/1933	Ship breaking for scrap
Drogheda Manufacturing Co. Ltd.	1,000	31/07/1934	Manufacture of clothing
Byrne Mahony & Co.	12,000	31/10/1934	Flour milling
Irish Oil and Cake Mills Ltd.	40,000	31/07/1935	Manufacture of cattle feed
Tipperary Glove Co. Ltd.	5,000	31/07/1935	Manufacture of gloves
Irish Enamelware Ltd.	6,000	31/01/1936	Enamelware manufacture
Traly Footwear Ltd.	5,500	31/01/1936	Footwear manufacture
O'Brien Bros. Ltd.	15,000	30/04/1936	Manufacture of woollens
Blaney Shoe Co. Ltd.	6,000	31/07/1936	Footwear manufacture
Burkes Chemical Manufactory Ltd.	2,500	31/10/1936	Manufacture of sheep dips
Industrial Vehicles (Ireland) Ltd.	4,000	30/04/1937	Engineering
Ballysax Brick and Tile Co. Ltd.	3,000	31/10/1937	Manufacture of bricks
Dubarry Shoemakers Ltd.	2,000	31/07/1938	Footwear manufacture

The aggregate employment in these firms in 1936 was 836. Four of the firms later defaulted on their loans.

6.5 The aftermath

The loan guarantee scheme reached its zenith in the year 1936-37 with the highest number of employees in firms with loans under guarantee and greatest number of firms involved. Thereafter the scheme declined in importance as a measure in support of industrial development. More

specifically, the implementation of the more rigid procedures agreed between the Department of Industry and Commerce with that of Finance contributed to reducing the number of small proposals. In addition, there were new opportunities opened for industrial finance and long-term capital for firms. The guarantee scheme became a relatively minor method of government intervention in support of industry.

The scheme continued after the five year term of the 1939 Act for a further five year term and was thereafter renewed up to 1957. After 1940 the scheme went through a lean period with 11 loans approved in the decade to the end of 1950 (Table 6-7 below). A further 35 loans were approved up to the final loan approved in 1957.

Table 6-7: Number of loans approved for guarantee in the period 1941-57

Period	N _{LOANS} approved	notes
1941-45	2	Two further loans were approved and both were withdrawn during the same period.
1946-50	9	One further loan approved in 1950 was withdrawn in 1951
1951-55	27	No withdrawals were reported during the period
1956-57	8	The final loan approved for guarantee was reported for the period ending 22 December 1957.

Source: calculated from the statutory returns (NAI, INDC/IND/24/17)

The data on loans approved in 1941 and later, and on the companies associated with them, are not included in the database.

The range of the loan amounts approved is shown in Table 6-8.

Table 6-8: Loan amounts approved for guarantee in the period 1941-1957

Period	Number of loans approved for guarantee	Range of loan amounts		
		Less than £10,000	£10,000 - £100,000	More than £100,000
1941-45	2	1	-	1
1946-50	9	5	3	1
1951-55	27	15	9	3
1956-57	8	2	5	1
Total	46	23	17	6

Source: calculated from the statutory returns (NAI, INDC/IND/24/17)

No research or analysis has been done to determine whether changing policies account for the varying pattern of approvals; for example, why there were 27 approvals between 1951 and 1955 when no more than 11 were approved in the previous decade. In addition, there appear to be some wider applications of the scheme in sectors which, by the names of the companies, appear to be outside the definition of manufacturing, for example, Donegal Democrat, Coastal Shipping Ltd., and Shamrock Cruising Ltd. These questions remain for further research.

The overall conclusion with regard to the final phase of the scheme is that it was of lesser importance as a support measure for industrial financing. The easier access to bank finance, including the ICC, and access to specialist institutions for the hire purchase and leasing of plant reduced the need for the loan guarantee scheme.

6.6 Conclusion

The first stage of the scheme was in the nature of an experiment which encountered a number of obstacles. Chief among these was access to industrial finance; that is, finance for business growth or fixed capital for establishing or expanding industry. The quest for finance became the main target for phase I of the scheme. The problem of finance for industry had not been fully considered before the scheme was started and the warning that the banks were not in a position to lend was not heeded. The choice of going to the money market was not a relevant option (as the Macmillan Committee later identified) because the scale of the projects was too small. The problem of finance was not resolved in phase I.

The task of adjusting the balance in employment between agriculture and industry was treated differently in each of the phases. A clear priority was given initially to agriculture. The guarantee scheme was seen as an incentive to industry and a low risk option for the public purse. This was augmented by selective “experimental tariffs”, in spite of the general reluctance to interfere with, or impact on free trade for agricultural exports. In addition, industrial advisory committees were established by the Department of Industry and Commerce to establish a dialogue with a range of industrial sectors. The limited tariffs were more effective during phase I in generating employment than were the small number of firms supported by the guarantee scheme.

Lemass dominated the economic thinking in the Fianna Fáil Party in the Dáil from 1927; he recognised the challenges in the loan guarantee scheme; its modest achievements, but also the difficulty of attracting Irish savers to invest in Irish industry. When Lemass succeeded McGilligan as Minister for Industry and Commerce in 1932, he put a stronger emphasis on manufacturing industry to achieve self-sufficiency. This policy was supported by tariff and quota measures. The review of industrial finance in 1932-3 recommended amendments to the scheme alongside the establishment of the ICC. Both of these steps were implemented and the banks also agreed a basis for lending to firms approved under the scheme. The database shows how the changes resulted in an increase in the number of firms approved for loans and the increase in employment, at least during the term of the loan repayments.

ICC's activity in the financial market provided some loans under the scheme, but its main contribution was invigorating the Dublin money market and opening access to new issues for industrial and commercial firms. This appeared to stem, or even reverse, the flow of Irish savings to the safe haven of the London money market.

The aim to redress the imbalance between those employed in agriculture and those in industry gained some pace during the 1930s, but the contribution of the guarantee scheme to that trend remained modest. The scheme reached a peak of employment in 1936 and was in decline thereafter.

State guarantees were used during the emergency period following 1940 to support the activities of some special "semi-state" companies. The government also introduced alternative methods to support industry with grants. New financial institutions were in a position to provide financial services to industry. The changed environment from 1940 onwards reduced the significance of the guarantee scheme as a support measure for industrial finance.

Chapter 7 : Conclusions

In this thesis I have examined the loan guarantee scheme, under the Trade Loans (Guarantee) Acts 1924-1939, from its origins up to 1940. I have built a database from archival records and examined the operation and impact of the scheme as a measure to provide access to industrial finance and with the ultimate aim of providing new industrial employment to supplement those engaged in agriculture.

The thesis contributes to a wider knowledge of the development of industrial policy in three broad areas based on the evidence of the loan guarantee scheme. The first identifies two distinct phases up to 1940 as the basis for examining the guarantee scheme. These can be characterised in different ways: for example, by the governing political parties in each period, Cumann na nGaedheal and later Fianna Fáil, respectively. Alternatively, from an operational perspective the phases were in turn, experimental, followed by a developmental phase. Some commentators (Kennedy, 1988, Meenan, 1943) identify the periods as *laissez faire* and 'protectionist', respectively. The database analysis shows that before the Fianna Fáil government came to office the scheme had only modest achievements to show; the number of firms availing of the scheme was small; a significant proportion was engaged in rescuing or restarting previous enterprises; a higher proportion of those approved for guarantee withdrew and did not proceed, and in the final years, approvals dried up completely. This period served as a pilot phase after which the scheme could have been either abandoned, or modified.

The succeeding period under Fianna Fáil can be characterised as a development stage when there was a threefold increase in the number of loans approved. This is largely due to the protection given by tariffs and quotas introduced as part of the self-sufficiency policies. The guarantee scheme was an additional incentive for newly established firms. In addition, the sourcing of finance was eased by the agreement of the commercial banks to lend in the case of state guaranteed loans at an agreed rate of interest below the normal bank lending rate. Other factors included Lemass's experience of the scheme since his entry to the Dáil in 1927 and his dominant role in determining Fianna Fáil's economic policies. The amended legislation in 1933 focused on manufacturing industry and made loans for working capital eligible.

The second area of knowledge in which the thesis contributes to a greater understanding is that of tracing an evolution of industrial finance coinciding with the development of the guarantee scheme. I deduce this from my analysis of the database. The early state involvement in the scheme in 1925 through the National Land Bank was an unplanned involvement hastily replaced by the private

sector initiative of the Industrial Trust Company in which the state took a minority shareholding. A major cause of the scheme's poor performance in phase one was due to the unattractive interest rate charged, in contrast with the "modest subsidy"²⁷⁹ applicable in the Trade Facilities Act in Britain. The subsequent agreement of the banks in 1932 and the establishment of the Industrial Credit Company were a direct result of the need to improve access to industrial finance, a need identified by the review of the guarantee scheme.

Finally, the thesis contributes to a more detailed understanding of the administrative methods used in the development of the scheme. These include some inconsistencies and contradictions, particularly in the second phase. Some examples include the practice of government appointed directors on the boards of private companies; the hasty amendment in 1934 to enable a guarantee to be given for a proposed housing development required that house building be defined as a manufacturing activity, and the inconsistent use of the power to grant loans under the 1933 amendment. The use of state guarantees for loans was later extended considerably during the "Emergency" by the Department of Supplies, but this goes beyond the scope of the loan guarantee scheme.

I conclude from the cases examined that the loan guarantee scheme became a support measure for a wide range of private initiatives – from glass houses to housing estates, and from a liquid milk supplier to a chocolate manufacturer. In addition, a number of significant public infrastructural projects (four harbour developments) were included during the period up to 1940.

7.1 Two distinct phases: experimental and later development

The first conclusion regarding two distinct phases is based on the development of the scheme under the different approaches of the Cumann na nGaedheal and Fianna Fáil governments. From a political perspective, the legacy of Griffith's protectionist ideas found few adherents in the policies adopted by his successors during the early years in government (Daniel, 1976). Access to the British market for agricultural produce dominated the need to maintain the *status quo* under free trade conditions, and therefore set the political priority to avoid tariffs or restrictive conditions on imports. The evidence gathered by the Fiscal Inquiry Committee in 1923 supported this position, particularly when existing industries requested that they did not want to see the imposition of tariffs; in addition, there were no requests for 'infant industry' protection from newly started companies. This situation was consolidated by the eventual establishment of the Tariff Commission in 1926 with its slow and deliberative introduction of 'selective protection'.

²⁷⁹ Keynes, *op. cit.*

The loan guarantee scheme was an attempt to foster new areas of employment “for an experimental period ... while strictly limiting the public liability”²⁸⁰. This was within the framework of the inherited orthodoxy of a *laissez faire* environment which was maintained by the Department of Finance. The concentration of limited industrial activity in food processing and drink continued unbroken with these sectors constituting about two-thirds of manufacturing output. The remainder of other industries were protected by the sheltered home market or logistic factors such as transport costs or access to raw materials. The aim of the Department of Industry and Commerce to tackle the low level of industrial employment was therefore limited to the moderate protection introduced through annual budgetary measures, the recommendations of the Tariff Commission, and the loan guarantee scheme.

The commercial consideration of how the financial institutions would respond to the needs of new industries for medium or long term finance under the scheme was not given *ex-ante* consideration. The availability of capital was not a problem; but it was “arguable that risk capital was hard to come by”²⁸¹. The scheme was introduced in a tentative and experimental manner combined with the dominant role of the Department of Finance in policy terms. Ó Gráda mitigates the charge of a banking cartel with the conclusion that the “the small share of bank lending destined for manufacturing in the 1920s, if not in the 1930s, probably reflected a lack of demand more than an unwillingness on the part of the banks to do business”.²⁸² If this were the case, the contention could be further evidence for Kennedy’s hypothetical explanation “that Ireland suffers in some way from an entrepreneurial deficit”.²⁸³ This line of argument is further supported by the trends in career choices well established before independence where the security of professional careers and trade, were preferred over those in industrial enterprises (leaving aside politics and the public services). These factors were not likely to change in the period immediately after independence.

Campbell’s original proposal foresaw the guarantee scheme as a means of gathering reliable information to help industrial development. This was more effectively achieved with the developments which followed from the work of the Committee on Economic Statistics, 1924-5.²⁸⁴ Arising from this work, a statistics branch was established in the Department of Industry and Commerce, the forerunner of the Central Statistics Office. Its initial tasks included the Census of Production, and the Census of Population, both to take place in 1926, and with priority given to the latter census. This provided the department with a better means of understanding the needs of

²⁸⁰ See fn. 50 above

²⁸¹ Kennedy *et al.* (1988) p.9

²⁸² Ó Gráda (1994) p.372

²⁸³ Kennedy (1988) p.120

²⁸⁴ Linehan (1998) p. 61 *et seq.*

small industry. Industrial advisory committees were established for this purpose involving representatives of industries and the department. About 35 of these committees were set up by 1928.²⁸⁵ It is therefore reasonable to infer that the original intention to use the loan guarantee scheme as a pilot measure to establish a dialogue with industrial sectors declined in importance. This may explain the relatively poor outcome of the guarantee scheme in the 1920s as the industrial advisory committees became more effective in responding to industries.²⁸⁶

An additional feature of the early decade can be noted in the administrative and political fields. The outcome of the Blythe Committee and the resulting Ministers and Secretaries Act, 1924,²⁸⁷ established the primacy of the Department of Finance and “a reassertion of the principle of Treasury control”.²⁸⁸ This touched upon the guarantee scheme which was still in discussion between the two departments of Finance, and Industry and Commerce. Brennan, however, was unsuccessful in his attempts to persuade Blythe that Finance should have ultimate control of the scheme. Nevertheless, when the scheme commenced and it became necessary to resort to the Industrial Trust Company as a funding solution, it was McElligott, assistant secretary, who proposed the necessary legislation to the Executive Council.²⁸⁹ Subsequently, the Banking Commission, of which McElligott was a member, recommended the trust company as the preferred solution for the credit needs of industry. The government then sold the National Land Bank to the Bank of Ireland, and maintained its separate identity. The end result was that by the time the trust company began its work in support of the scheme, it was the principal source of funding for guaranteed loans. The National City Bank, successor to the National Land Bank, later provided loans to two further projects in 1928.

It would appear that the trust company was initially able to deal with a backlog of loans approved, rather than any fresh applications arising. The conditions offered by the trust company were, however, no better than those previously on offer from the Land Bank and the guarantee scheme remained a route to a lender of last resort for industrial applicants. Detailed records of companies

²⁸⁵ DÉD, McGilligan, 16 May 1928, Vote 56 – Industry and Commerce, Vol.23 No. 13 c.1402

²⁸⁶ The Banking Commission 1926, Third Interim Report, p.32, acknowledged the difficulties of “New or struggling industries” and recommended the ITCI solution as a means of overcoming the problem of industrial finance.

²⁸⁷ The transformation brought about by the Ministers and Secretaries Act, 1924, eliminated a large number of autonomous bodies and “sought to provide a new and basic structure for a functioning administrative system under political and parliamentary control”. MacCarthaigh’s (2011) analysis, however, deals with the longer period 1924-48 as the first of four roughly equal periods in the state’s administrative-political development up to 2010. In this regard, it does not explore the features distinguishing the Cumann na nGaedheal period of government from the succeeding period under Fianna Fáil. The period 1924-48 is categorised as “single party dominant types of government” (see MacCarthaigh, Table 1, p.28).

²⁸⁸ Fanning (1978) p.74

²⁸⁹ NAI, TAOIS/S/4154, memorandum 22 Nov 1924

are unfortunately not available to verify this conclusion.²⁹⁰ The reason for fall-off in approvals was not immediately clear when Brennan queried the matter a decade later.²⁹¹

McGilligan referred a number of times in the Dáil to giving consideration to ending the scheme. The first instance was as early as 1926 when the trust company was already registered by the chairman of the scheme's Advisory Committee.²⁹² The later occasion was in 1929 when the ITCI was no longer lending to proposals approved for guarantees. McGilligan then felt that the Acts had "exhausted their utility".²⁹³ He did not see the lack of bank lending as the main hindrance to progress. I infer from this that McGilligan was prepared to accept that the loan guarantee scheme as an experiment had run its course. No alternative was offered to modify the scheme, but the option to abandon it completely was not taken. It is reasonable to conclude that the operation of the industrial advisory committees was providing satisfactory feedback from industry leading to the targeted application of "experimental tariffs".

McGilligan had been given the added responsibility for External Affairs following the assassination of Kevin O'Higgins in July 1927. In that new capacity, he continued the work started by O'Higgins at the 1926 Imperial Conference to secure the autonomous status of the Dominions within the British Empire. He left a more permanent legacy through this work as the head of the Irish delegation to successive Imperial Conferences up to the eventual enactment of the Statute of Westminster in 1931 (Harkness, 1969). One might question if his dual brief was detrimental to the need for progress on the industrial front at home, but the successful completion of the Shannon electrification scheme in 1929 was an achievement to match his accomplishments on the international stage.

During the first phase some progress was made with new employment by the application of tariffs. The Tariff Commission was set up in 1926, notwithstanding the Fiscal Inquiry Committee in 1923 not recommending general tariff protection for Irish industry.²⁹⁴ Nevertheless, a series of "experimental tariffs" were introduced from 1924 onwards. These tariffs and quotas were fine-tuned by the Department of Industry and Commerce (Ferguson, 1944) to the extent that their impact on employment was more significant than the actual impact of the loan guarantee scheme. The results

²⁹⁰ The case of the Gresham Hotel is an exception. See the comments of Sen. Dowdall in the Seanad in 1933 quoted in the case note in Appendix III

²⁹¹ See fn. 94 above, Brennan's query to Bayne in 1937 – "why were there no loan approvals?"

²⁹² DÉD, McGilligan, 17 Jun. 1926, Vol. 16 No. 12 c.1257. Trade Loans (Guarantee) (Amendment) Bill, 1926. Telford, the chairman, and another member of the committee, Smith Gordon, manager of the National Land Bank requested permission to step down at the end of 1925 so that they could be directly involved in the work of the ITCI.

²⁹³ DÉD, McGilligan, 13 Jun. 1929, Vo. 30, No.11, c.1337, Vote 56 – Industry and Commerce. See footnote 89 above

²⁹⁴ The Tariff Commission Act, 1926 and Fiscal Inquiry Committee (1923)

shown by O'Brien (1932, Table on p.142) correspond with the results taken from Table 6-5 above, adapted from Bielenberg and Ryan (2013).²⁹⁵ The Cumann na nGaedheal government limited its approach to maintaining a consistent approach to free trade even as the trend towards protectionism grew in Britain from as early as 1923. The experience with "experimental tariffs" and the industrial advisory committees may also have validated an earlier criticism of Keynes's that the Trade Facilities Act was a "comparative failure".²⁹⁶

Keynes regretted that the British Trade Facilities Act was dependent on the initiative of private enterprise alone. He did not see how the Act could get private enterprise to undertake major capital projects of national importance such as adapting road-building to the needs of motor transport or the economical means of transmitting electrical power. Such projects required an initiative of capital spending by the state because "unaided private enterprise is not capable of dealing with (them)... , even when their technical soundness is beyond doubt". Capital investment of this nature, funded by state borrowing, was unacceptable in the Treasury View of that period. Therefore when the capital projects from private initiatives dried up, particularly for "home" projects,²⁹⁷ the Trade Facilities Act was discontinued.²⁹⁸

Campbell, also Brennan and McElligott in Finance, were probably aware of these developments in Britain. The early experience with the loan guarantee scheme yielded considerable problems for relatively modest employment increases in a number of risk-prone rescued firms with limited growth potential. By way of contrast, the combination of the industrial advisory committees with experimental tariffs provided better results in sectoral development, rather than relying on the initiative of individual firms under the loan guarantee scheme. I infer from this interpretation that the decline in project proposals in the late 1920s stems from an acceptance that the experiment had run its course.

The impact of the Great Depression brought about a forced change in the government's reliance on free access to the British market for Irish agricultural produce as Britain began to introduce restrictive measures.

²⁹⁵ The O'Brien table was aimed at highlighting the increase in employment from the dates on which tariffs applied. The results are therefore indicative because they are not from consistent start dates as is the case with the Census of Production.

²⁹⁶ "we must make new experiments to stimulate capital investment at home" Keynes (1972)p. 223, 28 May 1924, to the editor of The Times.

²⁹⁷ TNA, T160/107 Niemeyer to Financial Secretary, 2 Mar. 1926.

²⁹⁸ The announcement was made by Churchill in his Budget speech in 1926 that the Act would not be renewed in the following year. (*HC Deb*, Churchill, 26 April 1926 vol 194 cc1695-6).

It (the Great Depression) resulted in an unacknowledged convergence in the economic policies of Cumann na nGaedheal and Fianna Fáil: the former was forced to introduce a number of protectionist measures as a consequence of changes in British economic policy and would probably have introduced more if returned to office in 1932. (Daly, 2011)

The database shows that by the time Fianna Fáil came to office the scheme had only modest achievements to show; the number of firms availing of the scheme was small; a high proportion of those approved for guarantee had withdrawn and did not proceed, and in the final years, approvals dried up completely. My conclusion is that this period served as a pilot phase after which the scheme could be either abandoned, or modified.

The Fianna Fáil approach to the scheme in 1932 had the advantage of preparation time in the period from their entry to the Dáil in 1927. This was helped by the establishment of Dáil Economic Committee in 1928 in which Lemass was a member. The policy agenda of Fianna Fáil in 1932 put a strong emphasis on manufacturing industry to achieve self-sufficiency to replace manufactured imports. This focus was in contrast with the circumstances of 1923-4 when the scheme was introduced. The impulse for change in the scheme in 1932 was the Colbert proposal to extend the role of the Agricultural Credit Company by including industrial financing. The Committee on Industrial Finance was given the task of examining this proposal in detail. Their recommendations gave the scheme a fresh start either by its continuation as an interim measure, pending the establishment of a new financial institution, or as a continuing parallel scheme. The latter course was taken.

The role and membership of the Committee on Industrial Finance is another feature of the changes in administration. The committee was selected from the cohort of new recruits to the civil service in the previous decade. The review they carried out was the first official, but limited, evaluation of the scheme. The report made no reference to employment generated, nor to the actual or estimated future costs of the scheme. The report formed the basis for the decisions of the Executive Council to continue the scheme as the committee recommended.

The nature of the changes, combined with the five year term of the legislation, justify treating the loans approved in the following period separately from the earlier pilot phase. This development phase of the scheme was different both in the sectoral development which took place and also in the applications to which the loans were applied, especially with the inclusion of working capital as an eligible purpose for which loans could be guaranteed. The 1933 amending Act applied specifically to manufacturing undertakings. The loan guarantee scheme thereby became a support measure in

the self-sufficiency programme which included tariff protection and the Control of Manufactures Acts (1932 and 1934).

The database shows that there was a threefold increase in the number of loans approved in phases II compared with phase I. This is largely due to the protection given by tariffs and quotas. An additional factor was the easier sourcing of finance in this development phase. The commercial banks agreed to lend in the case of state guaranteed loans at an agreed rate of one half per cent below the normal bank lending rate.

My conclusion from the interrogation of the database is that phase II was a short-lived development phase. An initial surge of first-time loans approved reached a peak in 1934 and tailed off to a trickle by the end of the decade (see Figure A.II-4).

7.2 Industrial finance

The state's direct involvement in finance began when it inherited the National Land Bank which was established by the first Dáil in 1919. The early objective to become "a financial centre for the development of Irish industry"²⁹⁹ was still a distant aspiration in 1924 when the first loans were approved under the loan guarantee scheme. The bank then became the sole lender for the scheme. The government quickly accepted a private sector proposal to establish a public-private trust company (ITCI) as an alternative solution to this role for the bank. This was the first time the government took a minority shareholding in a private company. The solution was implemented during the course of the Banking Commission's work in 1926.

I conclude from the pattern of the loans approved in 1925-27 and the financial institutions which provided funding during that period highlighted the inadequate means of industrial financing at that time. It was fortunate that the National Land Bank was capable of filling the gap temporarily when the commercial banks made it known that they were not be in a position to lend. The 1926 Banking Commission confirmed the role of the trust company (ITCI) as the preferred means of industrial finance. At the same time, the Commission outlined the role of an institution for agricultural credit which the government adopted and established the ACC.³⁰⁰ Industrial finance remained a secondary priority to agricultural credit.

²⁹⁹ Hall (1949, p.342) quoting the first circular canvassing deposits which was issued by the bank in 1919.

³⁰⁰ Agricultural Credit Act, 1927. The shareholding offer to the general public (300,000 shares) elicited a poor response and the Minister for Finance, by default, was the major shareholder. The allocation provided in the Act for the banks was 200,000 shares.

No further action was taken until Colbert proposed in 1932 that ACC's powers be expanded to become an "Agricultural and Industrial Credit Corporation". However, the government decided to establish the Industrial Credit Company as a separate entity and appointed Colbert as its Chairman and Managing Director. ICC then played a more significant role in mobilising a money market for new issues in Dublin than its relatively minor contribution to financing guaranteed loans under the scheme. Colbert was of the view that this opening of a Dublin money market reversed the established flow of Irish deposits onto the London market.³⁰¹ More notably, the development of the new issues market raised significantly more fixed capital for predominantly manufacturing firms than was the case with the loan guarantee scheme.³⁰²

My conclusion with regard to industrial finance is that the environment for lending and raising fixed capital was advanced to a more stable state; the banks began lending for business development and a new issues market opened a path to fixed capital for new and established firms. It is reasonable to infer that the guarantee scheme was a catalyst in bringing about this development. This came independently of any formal consideration of the Macmillan report, or as part of the review in 1932 by the committee on industrial finance. The direct involvement of the state in providing specialised financial services is shown in Figure 6-1.

A further dimension to the changes in this development phase is the small element of risk-sharing.³⁰³ The banks agreed to lend in the case of loans approved for guarantee by the state. The interest rate covered by the guarantee was capped at two and one half per cent and the variable lending rate was subject to a minimum of four per cent. The banks thereby accepted the risk on the interest rate above the cap. The interest rate cap therefore represented a small but significant point of principle in the scheme. The analysis of the database shows that the accumulated arrears of interest in default loans from phase I, before the agreement, were considerably more than later, when the guaranteed interest rate was capped. (See Tables A.II-17 and A.II-18)

A growing number of other financial intermediaries were active on the Irish market in the period after 1940. These firms offered financing services in areas such as hire purchase and leasing arrangement for plant and equipment. Firms such as United Dominions Trust and Bowmakers were in this category. In addition, there were mortgage companies such as the Property Loan and

³⁰¹ Colbert (1938) *The Irish Free State*

³⁰² Based on the Appendix 5 of the CIBCC Report (Commission of inquiry into banking currency and credit, 1938b), ICC sponsored new issues amounting to more than £4 million for over 40 firms in the period 1933-6.

³⁰³ The level of risk sharing involved is miniscule compared with the modern approaches to the funding of SMEs through partial credit guarantee. See Honohan (2010), Beck *et al.* (2010), Green (2003)

Investment Trust Company³⁰⁴ which were prepared to lend to small enterprises. However, none of these companies loaned sums to the firms approved for guarantees up to 1940, and therefore they do not appear on the database.

7.3 Inconsistencies and contradictions

A number of inconsistencies and contradictions arise throughout the period which remain unexplained and which bring into question the uniformity of the decision-making in the operation of the scheme. The ad hoc nature of some decisions showed the lack of guidelines or a policy framework.

One feature of the scheme is the appointment of directors to companies in receipt of guarantees without any reasons on record.³⁰⁵ The practice began with the earliest rescue cases of Alesbury Bros. Ltd., in Edenderry, the Irish Glass Bottle Company in Dublin, and the Fresh Meat Company in Drogheda. In each case a single director was appointed. The departmental records on the companies do not make reference to their appointment and there are no apparent guidelines for their responsibilities as government appointees. It must be assumed therefore that their responsibilities are confined to their statutory obligations as directors of the individual companies. Two further cases arose in phase II and in each case there were two directors appointed. These were Irish Homes Ltd., the Mount Merrion house building project, and the Peat Fuel Company. In each of the two cases there are company case notes in Appendix III. A common feature of all cases is that there are no departmental records of reports from the directors.

The Irish Homes case is exceptional in that the loan was refinanced within a year of the loan being guaranteed and the government appointed directors resigned from the company shortly thereafter. From these resignations it could be inferred that the purpose of the directorships was one of stewardship over the repayment of the guaranteed loans. However, in the other four cases, no loan repayments were made in three cases where interest rates were above the prevailing bank rates, and in the final case, the Peat Fuel Company, the case note in Appendix III details the additional grants-in-aid approved by the Dáil to enable the company to continue its development work. The latter case is also exceptional in having a final report, a joint report with recommendations from

³⁰⁴ This company was established originally by a number bank directors, including Lord Glenavy of Bank of Ireland and Timothy Caffrey, National City Bank. (Incorporated 9 Nov. 1932, CRO reg. no. 8350). The company specialised in mortgages for the private house market. In 1939 it had a loan book of ca. £400,000.

³⁰⁵ These directorships are listed in Table A.II-23

both director in the private papers of Prof. Purcell, one of the directors.³⁰⁶ No final report from the government appointed directors have been discovered in the other company or departmental files relating to the firms.

Another enigma is the parallel development of Peat Fuel Company and the Peat Development Board. Both companies were registered in the same month, a week apart. The company case note on the Peat Fuel Company in Appendix III gives an account of the background to the (unsuccessful) development of peat briquetting at Lullymore. The private company was established to facilitate the experimental work on a process developed in Scotland and in pilot operation in Denmark. The company was under-capitalised in spite of a guaranteed loan of £90,000 and additional grants-in-aid to fund the completion of the “experiment”. The Peat Development Board, on the other hand, was set up by the state to organise a workforce for turf production using ‘modern’ mechanical harvesting methods. The company had social rather than commercial objectives.

The failure of the Peat Fuel Company was due to under-capitalisation for the development work needed. The original shareholders were, apparently, not prepared to invest further in the venture. The report of the two government directors signposted the necessary step to complete the experimental phase of the development, but it took some time before the Turf Development Board recovered production to the level at which it had been abandoned. This was a case where a private enterprise initiative, originally from the British and Foreign Fuels Company and subsequently the Peat Fuel Company, was supported by the loan guarantee scheme, failed and was liquidated. Bord na Móna was the successor to the Turf Development Board to which the assets and know-how were transferred when the Peat Fuel Company was liquidated.

I conclude that the guarantee scheme was an inappropriate means of funding a demonstration project to show how the peat resources could be exploited. However, there was no other procedure established for the development of projects of “national importance”.

Finally, the Trade Loans (Guarantee) Acts were the earliest measures to encourage the development of new industrial activities after independence. The scheme addressed, in a limited way the financing needs of new and existing firms. It was an attempt to adjust the balance in employment between agriculture and industry. However, this required actions to develop the necessary technical capability or to exploit existing technical advances outside the country. This aspect of industrial development was not undertaken until later than the period of this research. Some limited work was

³⁰⁶ This contains the joint final report to the Minister for Industry and Commerce from Purcell and Ferguson, directors of the Peat Fuel Company. (Purcell and Ferguson, 1939). A copy of this report was not discovered in departmental records.

undertaken the technical field with the establishment of the Industrial Research Council in 1934, but its resources were negligible (a budget of £5,500)³⁰⁷ and its capacity to undertake research was dependent on the universities. The limitations in the size of the Irish market required a stronger emphasis on competitiveness so that export opportunities could eventually be developed. The shortcomings of a self-sufficiency policy framework limited the progress of Irish industry by limiting the competitive aspects needed for export trade. The necessary change did not happen until after the publication of *Economic Development* (1958).

The guarantee scheme was an exceptional measure in 1924. Its direct impact was marginal even in the short term, but the procedure of the state providing guarantees continued for decades and survives in different forms to the present.³⁰⁸ Further research is needed to paint a complete picture including the other important aspects of development, those of technical progress and expansion of trade.

Hawtery,³⁰⁹ reviewed the Banking Commission's report in 1939. In the section of the report dealing with "Capital for Agriculture, Capital for Industry, State borrowing and lending and Indebtedness of Local Authorities" he noted the scale of deposits and the lack of investment in enterprise.

The eight joint-stock banks hold no less than £130 millions of sterling assets, and of their deposits in Ireland, amounting, exclusive of interbank deposits, to £112 millions, time deposits represent no less than £90 millions. These time deposits seem to form a semi-permanent investment *completely divorced from enterprise*. The Government has endeavoured to stimulate economic development by drawing on the country's accumulated resources, but has hitherto met with only a very modest success. (emphasis added) (Hawtery, 1939)

This was a reflection on the depositors rather than on the banks and goes some way to support the view that an entrepreneurial spirit was lacking. Meenan's assessment (1943) that "we have suffered greatly in the last ten years from indiscriminate and reckless encouragement of industries that have no hope of expansion" is partly confirmed by the number of defaulting loans under the scheme in the period up to 1946. 16 firms with 23 loans, approved between 1934 and 1938, defaulted in the period from 1936 to 1946 (see Table A.II-17).³¹⁰

³⁰⁷ D'ÉD, Lemass, Vote 56 – Industry and Commerce, Industrial Research Council, Vol.50 No. 14 c.2135-36,

³⁰⁸ The Credit Guarantee Act, 2012 and the Credit Guarantee (Amendment) Act, 2016

³⁰⁹ Monetary economist; at the Treasury from 1904 to 1947 (Bigg, 2008). Brennan wrote to him in March 1939 taking issue with regard to what Hawtery had referred to in his review of the report as "two lapses of historical accuracy". (NLI, JBP, Ms. 26, 214)

³¹⁰ It should be noted that Meenan was not referring specifically to the guarantee scheme.

The overall conclusion is that the loan guarantee scheme facilitated the borrowing needs of a limited number of firms, but the original aim of achieving a better balance of employment between agriculture and industry was not realised.

Appendices

Appendix I: Data tables

This Appendix supplements the set of tables and figures in Chapter 4. They include the extracts from the completed data tables for firms and for events.

Tables are also included for the full sets of primary codes for the sectors and for the purposes for which the loans were borrowed.

Figure A.I-1: Extract from the data table - Firms

code_firm	name	code_sector_01	code_location_county	code_location_town
alesbury_bros	Alesbury Bros. Ltd.	manufacturing_furniture	offaly	Edenderry
allihies_copper	Allihies Copper Mines Ltd.	mining_copper	cork	Allihies
apex_manufacturing	Apex Manufacturing Co. (1935) Ltd.	textiles_cloth	dublin_county	Blackrock
arigna_colliery	Arigna Collieries Ltd.	fuel_coal	leirim	Arigna
ashtown_tin_box	Ashtown Tin Box Co. Ltd.	packaging_metal	dublin_city	Ashtown
associated_properties	Associated Properties Ltd.	construction_houses	dublin_city	Drimnagh
athy_brick	Athy Brick Co. Ltd.	construction_materials	kildare	Athy
balleece_wood_quarry	Balleece Wood Whinstown Quarry Co. Ltd.	construction_materials	wicklow	Rathdrum
ballysax_brick	Ballysax Brick and Tile Co. Ltd.	construction_materials	kildare	Ballysax
bantry_textiles	Bantry Textiles Ltd.	textiles_cloth	cork	Bantry
blaney_shoe	Blaney Shoe Co. Ltd.	footwear	monaghan	Castleblaney
boyles_hosiery	Boyle's Hosiery & Knitwear Co.	clothing_knitwear	waterford	Dunganvan
burkes_chemical	Burkes Chemical Manufactory Ltd.	agricultural_chemicals	cork	MacCurtain Street
byrne_mahony	Byrne Mahony & Co.	food_flour	dublin_city	Ushers Island
carrickmacross_knitwear	Carrickmacross Hosiery & Knitwear Co. Ltd.	clothing_knitwear	monaghan	Carrickmacross
carrick_slate_quarry	Carrick Slate Quarry Co. Ltd.	construction_materials	tipperary	Carrick-on-Suir
carrick_tannery	Carrick-on-Suir Tannery Co. Ltd.	leather	tipperary	Carrick-on-Suir
castlelyons_coop	Castlelyons Co-operative Creamery Ltd.	food_creamery	cork	Castlelyons
castle_hosiery	Castle Hosiery Co. Ltd.	clothing_hosiery	dublin_city	Blackhall Place
cloyne_clay	Cloyne Colloidal Clay Co. Ltd.	construction_materials	cork	Cloyne
coombe_coach_and_motor	Coombe Coach & Motor Works Ltd.	engineering_motor_assemb	dublin_city	Coombe
cornelius_oconnor	Cornelius O'Connor and Sons Ltd.	food_liquid_milk	tipperary	Cashel
diarmuid_ua_biorain	Sioda Teo.	textiles_knitted_fabric	donegal	Croly
dinan_dowdall	Dinan Dowdall & Co. Ltd.	construction_woodwork	dublin_county	Walkinstown
drogheda_manufacturing	Drogheda Manufacturing Co. Ltd.	clothing	louth	Drogheda
dubarry_shoe	Dubarry Shoemakers Ltd.	footwear	galway	Ballinasloe
dundalk_harbour	Dundalk Harbour Commissioners	harbour	louth	Dundalk
dungarvan_coop	Dungarvan Co-Operative Creamery Ltd.	food_creamery	waterford	Dunganvan

Figure A.I-2: Extract from the data table – Events

event_id	code_firm	period_reported	phase_of_scheme	lending_inst	principal	guarantee_or_loan	guarantee_type	event_type
1	killaloe_slate	1925-04-30	1	National Land Bank	8000	G	I & P	guarantee_approval
2	urney_choc	1925-04-30	1	National Land Bank	11100	G	I & P	guarantee_approval
3	waterford_coop	1925-04-30	1		3500	G	I & P	guarantee_approval
4	alesbury_bros	1925-04-30	1	National Land Bank	28500	G	I & P	guarantee_approval
5	mitchelstown_coop	1925-04-30	1	National Land Bank	3500	G	I & P	guarantee_approval
6	moyletts_manufacturing	1925-04-30	1		1500	G	I & P	guarantee_approval
7	irish_glass_bottle	1925-07-31	1	National Land Bank	50000	G	I & P	guarantee_approval
8	killeen_paper	1925-07-31	1	National Land Bank	4000	G	I & P	guarantee_approval
9	dungarvan_coop	1926-01-31	1		3500	G	I & P	guarantee_approval
10	alihies_copper	1926-01-31	1	Industrial Trust Company	20000	G	I & P	guarantee_approval
11	mullan_mills	1926-01-31	1	Industrial Trust Company	6000	G	I & P	guarantee_approval
12	waterproof	1926-04-30	1	National Land Bank	1500	G	I & P	guarantee_approval
13	dundalk_harbour	1926-04-30	1	Public Issue of Loan Stock	55000	G	I & P	guarantee_approval
14	farney_development	1926-07-31	1		5000	G	I & P	guarantee_approval
15	gresham_hotel	1927-01-31	1		35000	G	I & P	guarantee_approval
16	cornelius_oconnor	1927-01-31	1		6000	G	I & P	guarantee_approval
17	carrickmacross_knitwear	1927-04-30	1	Industrial Trust Company	5000	G	I & P	guarantee_approval
18	irish_fresh_meat	1927-04-30	1	Industrial Trust Company	60000	G	I & P	guarantee_approval
19	waterford_harbour	1927-04-30	1	Provincial Bank	50000	G	I & P	guarantee_approval
20	wicklow_ochre	1927-10-31	1	Industrial Trust Company	4000	G	I & P	guarantee_approval
21	carrick_slate_quarry	1927-10-31	1	Industrial Trust Company	4500	G	I & P	guarantee_approval
22	swift_brook_paper	1927-10-31	1	Friends Provident & Centu	4500	G	I & P	guarantee_approval
23	irish_fresh_meat	1927-10-31	1	Industrial Trust Company	10000	G	I & P	additional_loan
24	banry_textiles	1928-04-30	1	National City Bank	4000	G	I & P	guarantee_approval
25	dundalk_harbour	1928-10-31	1		-20000	G	I & P	reduced_loan
26	killaloe_slate	1929-07-31	1	National City Bank	4000	G	I & P	additional_loan
27	carrickmacross_knitwear	1929-07-31	1		-2260	G	I & P	reduced_loan
28	ashtown_tin_box	1932-10-31	1	Bank of Ireland	9500	G	P	guarantee_approval
29	ballece_wood_quarry	1932-10-31	1	Hibernian Bank	1400	G	I & P	guarantee_approval
30	weatherwell_tile	1933-01-31	1	Bank of Ireland	3000	G	I & P	guarantee_approval
31	irish_industries	1933-01-31	1	National City Bank	5000	G	I & P	guarantee_approval
32	drogheda_manufacturing	1933-04-30	1		1000	G	I & P	guarantee_approval
33	milford_bakery	1933-04-30	1	Northern Bank	2000	G	I & P	guarantee_approval
34	metal_requisites	1933-07-31	1	National City Bank	2000	G	I & P	guarantee_approval

Table A.I-1: Primary sector codes

name	code		
Agricultural (chemicals)	agricultural_chemicals	Agriculture and Food	
Agricultural (feedstuff)	agricultural_feedstuff		
Food (flour)	food_flour		
Food (bakery)	food_bakery		
Food (chocolate)	food_chocolate		
Food (confectionery)	food_confectionery		
Food (creamery)	food_creamery		
Food (liquid milk)	food_liquid_milk		
Food (meat processing)	food_meat_processing		
Horticulture	horticulture		
Textiles (cloth)	textiles_cloth	Textiles, clothing and footwear	
Textiles (knitted fabric)	textiles_knitted_fabric		
Textiles (tapes)	textiles_tapes		
Textiles (thread)	textiles_thread		
Clothing	clothing		
Clothing (gloves)	clothing_gloves		
Clothing (hosiery)	clothing_hosiery		
Clothing (knitwear)	clothing_knitwear		
Clothing (shirtmaking)	clothing_shirtmaking		
Clothing (waterproof)	clothing_waterproof		
Footwear	footwear		
Construction (bricks, tiles)	construction_bricks_tiles		Construction
Construction (fittings)	construction_fittings		
Construction (houses)	construction_houses		
Construction (materials)	construction_materials		
Construction (roof tiles)	construction_roof_tiles		
Construction (sawmilling)	construction_sawmilling		
Construction (woodwork)	construction_woodwork		
Manufacture (paper)	manufacture_paper	Manufacturing and engineering	
Manufacture (printing, ink)	manufacture_printing_ink		
Manufacture (sacks, bags)	manufacture_sacks_bags		
Manufacturing (blinds)	manufacturing_blinds		
Manufacturing (enamelware)	manufacturing_enamelware		
Manufacturing (furniture)	manufacturing_furniture		
Manufacturing (handtools)	manufacturing_handtools		
Manufacturing (pottery)	manufacturing_pottery		
Manufacturing (rope, twine)	manufacturing_rope_twine		
Manufacturing (warehousing)	manufacturing_warehousing		
Engineering (foundry)	engineering_foundry		
Engineering (metal)	engineering_metal		
Engineering (metal furniture)	engineering_metal_furniture		
Engineering (nut, bolts)	engineering_nuts_bolts		
Engineering (motor assembly)	engineering_motor_assembly		
Packaging (bags)	packaging_bags		
Packaging (glass)	packaging_glass		
Packaging (metal)	packaging_metal		
Fuel (coal)	fuel_coal		resources and infra- structure
Fuel (milled peat)	fuel_milled_peat		
Mining and quarrying	mining		
Harbour development	harbour		
Leather	leather	misc.	
Leisure (hotel)	leisure_hotel		

Table A.I-2: Codes for the purpose of loans

code_purpose	description	code_purpose_02
acquiring_building	Acquisition of building without alterations	fixed_asset_acquisition
acquiring_fixed_assets	Acquisition of fixed Assets	fixed_asset_acquisition
acquiring_land	Acquisition of land	fixed_asset_acquisition
construction_extension	Construction of additional new floor areas	fixed_asset_construction
construction_newbuild	Construction of new premises	fixed_asset_construction
construction_rebuild	Rebuilding a premises on the same footprint	fixed_asset_construction
houses_newbuild	Building new houses	housing_development
mining_development	Development site for mineral exploitation	fixed_asset_construction
quarry_development	Development of site for quarrying of materials	fixed_asset_construction
sched_civil_work	Civil Engineering site development and construction (without buildings) only for harbour developments	fixed_asset_construction
site_development	Development of site infrastructure before construction	fixed_asset_construction
plant_equipment	Purchase of Plant and Equipment	fixed_asset_purchase
construction_renovate	Renovation of an existing structure	fixed_asset_construction
houses_renovate	Renovation of existing houses	fixed_asset_construction
working_capital	Working capital	shortterm_finance
discharging_liabilities	Discharging liabilities	shortterm_finance

Appendix II: Additional Tables

This Appendix II contains a set of tables and figures supplementing those in Chapter 5.

They fall into three groups: firms, finance and employment.

The appendix also contains general information concerning appointments of receivers, government appointed directors, and the trend of new company registrations in the period 1924-40.

Table A.II-3: Geographical distribution of firms by region and county

Region	County	Number of firms		
		with loan approvals	Gross principal approved	Average loan principal
		N _{FIRMS}	£	£
Connacht	Galway	3	209,000	69,667
	Leitrim	1	7,000	7,000
	Mayo	2	7,000	3,500
	Total	6	223,000	37,167
Dublin	Dublin City	22	355,850	16,175
	Dublin County	10	105,500	10,550
	Total	32	461,350	14,417
Leinster (excl. Dublin)	Kildare	6	104,600	17,433
	Kilkenny	1	10,000	10,000
	Laois	1	6,000	6,000
	Louth	6	209,000	34,833
	Meath	2	14,000	7,000
	Offaly	1	28,500	28,500
	Westmeath	1	1,600	1,600
	Wexford	1	5,000	5,000
	Wicklow	4	11,900	2,975
Total	23	390,600	16,983	
Munster	Clare	3	38,250	12,750
	Cork	13	70,050	5,388
	Kerry	3	12,000	4,000
	Limerick	3	30,500	10,167
	Tipperary	7	39,500	5,643
	Waterford	6	61,500	10,250
Total	35	251,800	7,194	
Ulster	Cavan	2	9,000	4,500
	Donegal	5	22,500	4,500
	Monaghan	5	33,000	6,600
Total	12	64,500	5,375	
TOTAL		108	1,391,250	12,882

Notes:

1. The numbers of loan approvals include all approvals, including those which were later withdrawn.
2. The amounts of principal are those first approved. Additional loans are not included, nor are there allowances for reduced loans as they were later notified.

Table A.II-4: List of all firms (Companies and individuals)

Alesbury Bros. Ltd.	Kelson Ltd.
Allihies Copper Mines Ltd.	Kilkenny Woollen Mills (1929) Ltd.
Apex Manufacturing Co. (1935) Ltd.	Killaloe Slate Quarry Co. Ltd.
Arigna Collieries Ltd.	Killeen Paper Mills Ltd.
Ashtown Tin Box Co. Ltd.	Kingswear Clothing Works Ltd.
Associated Properties Ltd.	Lee Foundry Ltd.
Athy Brick Co. Ltd.	Limerick Shoe and Slipper Works Ltd.
Balleece Wood Whinstown Quarry Co. Ltd.	Louisburgh Slate Quarries Ltd.
Ballysax Brick and Tile Co. Ltd.	L. Jordan Ltd.
Bantry Textiles Ltd.	McCairns Motors Ltd.
Blaney Shoe Co. Ltd.	McGrath Bros. (Blinds) Ltd.
Boyle's Hosiery & Knitwear Co.	Metal Products Ltd.
Burkes Chemical Manufactory Ltd.	Metal Requisites Ltd.
Byrne Mahony & Co.	Metal Utilities Ltd.
Carrickmacross Hosiery & Knitwear Co. Ltd.	Milford (Donegal) Bakery Co. Ltd.
Carrick Slate Quarry Co. Ltd.	Miller and Co. Ltd.
Carrick-on-Suir Tannery Co. Ltd.	Monaghan Curing Co. Ltd.
Castle Hosiery Co. Ltd.	Moylett's Manufacturing Co. Ltd.
Cloyne Colloidal Clay Co. Ltd.	P. Moylett & Co. Ltd.
Coombe Coach & Motor Works Ltd.	Mullan Mills Ltd.
Cornelius O'Connor and Sons Ltd.	New Ross Tanning Co. Ltd.
Síoda Teo.	O'Brien Bros. Ltd.
Dinan Dowdall & Co. Ltd.	James O'Flynn & Sons Ltd.
Drogheda Manufacturing Co. Ltd.	Oswald & H. Jamison (Dublin) Ltd.
Dubarry Shoemakers Ltd.	Peat Fuel Co. Ltd.
D. O'Leary & Co.	Mr. P.J. Corbett
Edward Donaghy and Sons.	M. Porteous & Co. Ltd.
Farney Development Co. Ltd.	Russell Bros. Ltd.
Glenside Printing Ink Co. Ltd.	Sabin Clothing Co. Ltd.
Glentown Slate Quarries Ltd.	Samuel Holmes Ltd.
Greenmount and Boyne Linen Co. Ltd.	S.A. Wiltshire & Co. Ltd.
Gresham Hotel Ltd.	Slane Manufacturing Co. Ltd.
Gypsum and Bricks Ltd.	Smithfield Manufacturing & Trading Co. Ltd.
Haulbowline Industries Ltd.	Southern Concrete Brick and Tile Works Ltd.
Hubbard Bros. Ltd.	Spixpan Co. Ltd.
Industrial Vehicles (Ireland) Ltd.	Stedfast Shoes Ltd.
Irish Clog Manufacturers Ltd.	Swift Brook Paper Mills Ltd.
Irish Enamelware Ltd.	Thomas Fahy
Irish Fresh Meat Ltd.	Tinode Brick & Tile Co. Ltd.
Irish Glass Bottle Co. Ltd.	Tipperary Glove Co. Ltd.
Irish Homes Ltd.	B. Toone & Co. (Ireland) Ltd.
Irish Industries Ltd.	Traly Footwear Ltd.
Irish Linen Thread Manufacturing Co. Ltd.	Urney Chocolates Ltd.
Irish Oil and Cake Mills Ltd.	Waterford Electrical and Chemical Works Ltd.
Irish Ropes Ltd.	Waterproofs Ltd.
Irish Tapes Ltd.	Weatherwell Tile Co. Ltd.
Irish Whiting Manufacturers Ltd.	Western Sack and Bag Co. Ltd.
JF O'Gorman (1933) Ltd.	Wicklow Ochre and Mineral Grinding Co. Ltd.
John McGuinness	William P. Ryan Ltd.
J.R. Smyth & Sons	W.P. McCarter & Co. Ltd.

Table A.II-5: Co-operatives and creameries

Dungarvan Co-operative Creamery Ltd.
Mitchelstown Co-operative Agricultural Society Ltd.
Waterford Co-operative Society Ltd.
Castlelyons Co-operative Creamery Ltd.

Table A.II-6: Harbour authorities

Dundalk Harbour Commissioners
Waterford Harbour Commissioners
Foynes Harbour Trustees
Galway Harbour Commissioners

Table A.II-7: Firms with multiple guaranteed loans (1925-1940)

Firm	Reporting period	Loan amount £	Notes
Killaloe Slate Quarry Co. Ltd.	1925-04-30	8,000	The second additional loan was withdrawn
	1929-07-31	4,000	
	1934-10-31	6,400	
Mullan Mills Ltd.	1926-01-31	6,000	Additional loan defaulted
	1934-07-31	2,800	
Irish Fresh Meat Ltd.	1927-04-30	60,000	One loan agreement: defaulted on the full amount
	1927-10-31	10,000	
Metal Requisites Ltd.	1933-07-31	2,000	
	1935-10-31	1,000	
	1937-10-31	1,100	
Irish Ropes Ltd.	1933-10-31	5,000	
	1934-07-31	6,000	
	1936-04-30	10,000	
Burkes Chemical Manufactory Ltd.	1934-01-31	3,000	Defaulted on both loans
	1936-10-31	2,500	
Cloyne Colloidal Clay Co. Ltd.	1934-01-31	4,000	Defaulted on all loans
	1935-10-31	2,700	
	1937-10-31	7,000	
	1938-07-31	15,000	
Industrial Vehicles (Ireland) Ltd.	1934-10-31	4,000	
	1937-04-30	4,000	
Tinode Brick & Tile Co. Ltd.	1935-01-31	4,000	Defaulted on both loans
	1935-10-31	3,500	
Kelson Ltd.	1935-01-31	1,600	
	1936-07-31	1,000	
Ballysax Brick and Tile Co. Ltd.	1935-04-30	1,600	Defaulted on both loans
	1937-10-31	3,000	
Dubarry Shoemakers Ltd.	1937-10-31	6,000	
	1938-07-31	2,000	

Table A.II-8: Sectors of activity: Textiles, clothing & footwear

Sub-sectors	N _{FIRMS}
Textiles (cloth)	
Textiles (knitted fabric)	
Textiles (tapes)	
Textiles (thread)	
Clothing	
Clothing (gloves)	
Clothing (hosiery)	
Clothing (knitwear)	
Clothing (shirt making)	
Clothing (waterproof)	
Footwear	
Total	32

Table A.II-9: Sectors of activity: Engineering & manufacturing

Sub-sectors	N _{FIRMS}
Engineering (components)	
Engineering (foundry)	
Engineering (metal)	
Engineering (metal furniture)	
Engineering (motor assembly)	
Engineering (nut, bolts)	
Manufacture (paper)	
Manufacture (printing, ink)	
Manufacture (sacks, bags)	
Manufacturing	
Manufacturing (blinds)	
Manufacturing (enamelware)	
Manufacturing (furniture)	
Manufacturing (hand tools)	
Manufacturing (pottery)	
Manufacturing (rope, twine)	
Manufacturing (warehousing)	
Packaging (bags)	
Packaging (glass)	
Packaging (metal)	
Total	31

Table A.II-10: Detailed sectors of activities

Textiles Clothing & Footwear (32 firms)	Engineering & Manufacturing (31 firms)	Agriculture & Food (14 firms)
Textiles (cloth)	Engineering (components)	Agricultural (chemicals)
Textiles (knitted fabric)	Engineering (foundry)	Agricultural (feedstuff)
Textiles (tapes)	Engineering (metal)	Food (bakery)
Textiles (thread)	Engineering (metal furniture)	Food (chocolate)
Clothing	Engineering (motor assembly)	Food (confectionery)
Clothing (gloves)	Engineering (nut, bolts)	Food (creamery)
Clothing (hosiery)	Manufacture (paper)	Food (flour)
Clothing (knitwear)	Manufacture (printing, ink)	Food (liquid milk)
Clothing (shirt making)	Manufacture (sacks, bags)	Food (meat processing)
Clothing (waterproof)	Manufacturing	Horticulture
Footwear	Manufacturing (blinds)	
	Manufacturing (enamelware)	Resources & Infrastructure (8 firms)
	Manufacturing (furniture)	Harbours
Construction (20 firms)	Manufacturing (hand tools)	Mining
Construction (bricks, tiles)	Manufacturing (pottery)	Mining (copper)
Construction (fittings)	Manufacturing (rope, twine)	Fuel (coal)
Construction (houses)	Manufacturing (warehousing)	Fuel (milled peat/briquettes)
Construction (materials)	Packaging (bags)	
Construction (roof tiles)	Packaging (glass)	Miscellaneous (3 firms)
Construction (sawmilling)	Packaging (metal)	Leather
Construction (woodwork)		Leisure (hotel)

Finance:

Table A.II-11: Summary of loans guaranteed 1924-1940

	Amount £	N _{FIRMS} /N _{LOANS}
Gross amount of first loans approved	1,391,250	N _{FIRMS} = 108
Additional loans approved	82,000	N _{LOANS} = 17
Gross amount of principal approved for guarantee	1,473,250	
Loan agreements not concluded or otherwise withdrawn	(74,500)	N _{LOANS} = 14
Notified reductions in the amount of loan principal	(32,539)	
Net total of loan principal borrowed	1,366,211	N _{FIRMS} = 95 N _{LOANS} = 111

Table A.II-12: Reported reductions in loan amounts

Name	reduction £	New Amount £	Date reported
Dundalk Harbour Commissioners	£20,000	£30,000	31 Oct 1928
Carrickmacross Hosiery & Knitwear Co. Ltd.	£2,260	£2,740	31 July 1929
Waterford Harbour Commissioners	£9,100	£40,900	30 Apr 1936
Lee Foundry Ltd.	£1,100	£1,150	31 Jan 1937
Lee Foundry Ltd.	£79	£1,071	31 July 1937

Table A.II-13: Ten largest loans: sources of finance

Lending sources	No. of loans N _{LOANS}	Loan principal £	Percentage of total %
Commercial banks	3	265,900	33
Public issue of loan stock	2	235,000	29
State or Semi-state financial institutions	3	210,000	26
Insurance company	2	90,000	11
Total	10	800,900	100

Table A.II-14: Ten largest loans: categories of expenditure

Category of expenditure	No. of loans N _{LOANS}	Net expenditure £	Percentage of total %
Harbour infrastructures	3	275,900	34
Housing development	2	225,000	28
Company rescue/revival	2	120,000	15
Company start-up	1	90,000	11
Company development	2	90,000	11
Total	10	800,900	100

Table A.II-15: Loan performance over the term of the loan

Category of loan	Firms N _{FIRMS}	Loans N _{LOANS}	comments
1 Loans with records of guarantee discharges	19	19	Notable for early repayments; (see Table 5-20 below)
2 Loans in default	24	32	Oireachtas reports of Central Fund payments under S.6 (Table 5-22)
3 Loans without records of guarantee discharge.	52	60	These loans are presumed to have been paid off in an orderly manner.
Total	95	111	

Table A.II-16: Firms which defaulted on loans guaranteed 1925-1940

Firm name	Default reported to Oireachtas	First loan approval reported	Principal guaranteed	Central Fund		Repayments to the Exchequer	Net Cost to the Exchequer
				Principal + Interest	Payments of		
	31-Mar	year	£	£	£	£	£
Irish Glass Bottle Co. Ltd.	1931	1925	50,000	65,798	2,081	63,717	
Allihies Copper Mines Ltd.	1931	1926	20,000	19,400	1,973	17,427	
Irish Fresh Meat Ltd.	1931	1927	70,000	78,446	20,529	57,917	
Cornelius O'Connor and Sons Ltd.	1931	1927	6,000	6,686	863	5,823	
Wicklow Ochre and Mineral Grinding Co. Ltd.	1931	1927	4,000	5,320		5,320	
Carrickmacross Hosiery & Knitwear Co. Ltd.	1931	1927	2,740	2,560	365	2,195	
Alesbury Bros. Ltd.	1932	1925	28,500	38,554		38,554	
Carrick Slate Quarry Co. Ltd.	1936	1927	4,500	4,458		4,458	
P. Moylett & Co. Ltd.	1936	1934	8,500	8,668	741	7,927	
Louisburgh Slate Quarries Ltd.	1936	1934	6,000	6,078	2,861	3,217	
Irish Clog Manufacturers Ltd.	1938	1934	1,000	1,013		1,013	
Drogheda Manufacturing Co. Ltd.	1939	1933	1,000	914	181	733	
Burkes Chemical Manufactory Ltd.	1939	1934	5,500	4,926	2,853	2,073	
Peat Fuel Co. Ltd.	1940	1934	90,000	89,266	4,993	84,273	
Cloyne Colloidal Clay Co. Ltd.	1941	1934	28,700	28,077	4,835	23,242	
Ballysax Brick and Tile Co. Ltd.	1941	1935	4,600	4,625		4,625	
B. Toone & Co. (Ireland) Ltd.	1941	1935	8,000	2,816	8	2,808	
McGrath Bros. (Blinds) Ltd.	1941	1936	1,500	1,520		1,520	
O'Brien Bros. Ltd.	1941	1936	15,000	15,440	15,631	-191	
Síoda Teo.	1942	1936	10,000	6,209	6,482	-273	
Coombe Coach & Motor Works Ltd.	1944	1934	2,000	530		530	
Mullan Mills Ltd.	1945	1926	8,800	611		611	
Ballece Wood Whinstown Quarry Co. Ltd.	1945	1932	1,400	971		971	
Tinode Brick & Tile Co. Ltd.	1946	1935	7,500	8,077	2,136	5,941	
			385,240	400,963	66,532	334,431	

Table A.II-17: Details of firms which defaulted on loan guarantees 1925-1940

Firm	Guaranteed loan principal	Default reported to the Oireachtas	Date of loan Guarantee	Term of loan years	Planned loan discharge date
	£	31 March			
Irish Glass Bottle Co. Ltd.	50,000	1931	31/07/25	20	31/07/45
Allihies Copper Mines Ltd.	20,000	1931	31/01/26	10	31/01/36
Cornelius O'Connor and Sons Ltd.	6,000	1931	31/01/27	9	31/01/36
Carrickmacross Hosiery & Knitwear Co. Ltd.	2,740	1931	30/04/27	10	30/04/37
Irish Fresh Meat Ltd.	60,000	1931	30/04/27	15	30/04/42
Irish Fresh Meat Ltd.	10,000	1931	31/10/27	15	31/10/42
Wicklow Ochre and Mineral Grinding Co. Ltd.	4,000	1931	31/10/27	6	31/10/33
Alesbury Bros. Ltd.	28,500	1932	30/04/25	19	30/04/44
Carrick Slate Quarry Co. Ltd.	4,500	1936	31/10/27	10	31/10/37
P. Moylett & Co. Ltd.	8,500	1936	31/01/34	14	31/01/48
Louisburgh Slate Quarries Ltd.	6,000	1936	30/04/34	12	30/04/46
Irish Clog Manufacturers Ltd.	1,000	1938	31/10/34	12	31/10/46
Drogheda Manufacturing Co. Ltd	1,000	1939	30/04/33	10	30/04/43
Burkes Chemical Manufactory Ltd.	3,000	1939	31/01/34	11	31/01/45
Burkes Chemical Manufactory Ltd.	2,500	1939	31/10/36	10	31/10/46
Peat Fuel Co. Ltd.	90,000	1940	30/04/34	20	30/04/54
Cloyne Colloidal Clay Co. Ltd.	4,000	1941	31/01/34	11	31/01/45
Cloyne Colloidal Clay Co. Ltd.	2,700	1941	31/10/35	11	31/10/46
Cloyne Colloidal Clay Co. Ltd.	7,000	1941	31/10/37	10	31/10/47
Cloyne Colloidal Clay Co. Ltd.	15,000	1941	31/07/38	12	31/07/50
B. Toone & Co. (Ireland) Ltd.	8,000	1941	31/01/35	12	31/01/47
Ballysax Brick and Tile Co. Ltd.	1,600	1941	30/04/35	10	30/04/45
Ballysax Brick and Tile Co. Ltd.	3,000	1941	31/10/37	10	31/10/47
O'Brien Bros. Ltd.	15,000	1941	30/04/36	13	30/04/49
McGrath Bros. (Blinds) Ltd.	1,500	1941	31/10/36	12	31/10/48
Síoda Teo.	10,000	1942	30/04/36	15	30/04/51
Coombe Coach & Motor Works Ltd.	2,000	1944	31/10/34	11	31/10/45
Mullan Mills Ltd.	6,000	1945	31/01/26	10	31/01/36
Mullan Mills Ltd.	2,800	1945	31/07/34	10	31/07/44
Balleece Wood Whinstown Quarry Co. Ltd.	1,400	1945	31/10/32	8	31/10/40
Tinode Brick & Tile Co. Ltd.	4,000	1946	31/01/35	12	31/01/47
Tinode Brick & Tile Co. Ltd.	3,500	1946	31/10/35	12	31/10/47
TOTALS	385,240				

Table A.II-18: Details of default loans guaranteed 1925-1940: costs to the Central Fund

Firm name	Date receivers appointed	Payments from the Central Fund		Repayments to the Exchequer	Net cost of the Guarantee
		Principal	Interest		
		£	£	£	£
Irish Glass Bottle Co. Ltd.	01/09/26	50,000	15,798	2,081	63,717
Allihies Copper Mines Ltd.	19/08/30	18,000	1,400	1,973	17,427
Cornelius O'Connor and Sons Ltd.	26/02/29	6,000	686	863	5,823
Carrickmacross Hosiery & Knitwear Co. Ltd.	22/10/30	2,440	120	365	2,195
Irish Fresh Meat Ltd.	11/02/29	70,000	8,446	20,529	57,917
Wicklow Ochre and Mineral Grinding Co. Ltd.	16/05/29	4,000	1,320		5,320
Alesbury Bros. Ltd.	08/09/33	28,500	10,054		38,554
Carrick Slate Quarry Co. Ltd.	08/10/35	4,000	458		4,458
P. Moylett & Co. Ltd.	26/08/34	8,500	168	741	7,927
Louisburgh Slate Quarries Ltd.	09/09/35	6,000	78	2,861	3,217
Irish Clog Manufacturers Ltd.		1,000	13		1,013
Drogheda Manufacturing Co. Ltd.		900	14	181	733
Burkes Chemical Manufactory Ltd.		2,400	13	2,853	2,073
Burkes Chemical Manufactory Ltd.		2,500	13		
Peat Fuel Co. Ltd.		86,649	2,617	4,993	84,273
Cloyne Colloidal Clay Co. Ltd.		3,200	717	4,835	23,242
Cloyne Colloidal Clay Co. Ltd.		2,160			
Cloyne Colloidal Clay Co. Ltd.		7,000			
Cloyne Colloidal Clay Co. Ltd.		15,000			
B. Toone & Co. (Ireland) Ltd.		2,691	125	8	2,808
Ballysax Brick and Tile Co. Ltd.		1,440	185		4,625
Ballysax Brick and Tile Co. Ltd.		3,000			
O'Brien Bros. Ltd.		15,000	440	15,631	(191)
McGrath Bros. (Blinds) Ltd.		1,500	20		1,520
Síoda Teo.		6,191	18	6,482	(273)
Coombe Coach & Motor Works Ltd.		361	169		530
Mullan Mills Ltd.					
Mullan Mills Ltd.		442	169		611
Balleece Wood Whinstown Quarry Co. Ltd.		856	115		971
Tinode Brick & Tile Co. Ltd.		7,166	911	2,136	5,941
Tinode Brick & Tile Co. Ltd.					
TOTALS		356,896	44,067	66,532	334,431

Table A.II-19: Receivers appointed to firms with guaranteed loans 1930-38

Firm name	Receiver	Date of appointment
Allihies Copper Mines Ltd.	Vincent Crowley	04 Nov 1930
Irish Fresh Meat Ltd.	Vincent Crowley	04 Nov 1930
Cornelius O'Connor and Sons Ltd.	Vincent Crowley	04 Nov 1930
Wicklow Ochre and Minerals Grinding Co. Ltd.	Vincent Crowley	04 Nov 1930
Irish Glass Bottle Co. Ltd.	John Mackie	31 Aug 1931
Carrickmacross Hosiery & Knitwear Co. Ltd.	H.M. Bowesman	01 Dec 1930
Alesbury Bros. Ltd.	Gabriel Brock	
P. Moylett & Co. Ltd.	M. Lynch	16 Oct 1934
Louisburgh Slate Quarries Ltd.	M. Lynch	09 Sep 1935
Carrick Slate Quarry Co. Ltd.	T. Condren Flinn	08 Oct 1935
Kingswear Clothing Works Ltd.	M. Lynch	
Irish Clog Manufacturers Ltd.	M. Lynch	4 Sep 1937
Drogheda Manufacturing Co. Ltd.	T. Condren Flinn	31 Aug 1938
Burkes Chemical Manufactory Ltd.	Vincent Crowley	

Source: adapted from NAI, F 97/3/38 *Trade Loans (Guarantee) (Continuation) Bill 1938*, Memorandum Industry and Commerce to Finance, "Position on 1 September 1938".

Table A.II-20: Employment per sectors in firms with guaranteed loans in 1936

Sector	Number of firms	Employment	% of total employment	Average employment
Textiles, clothing & footwear	25	3,168	54.7	127
Engineering, manufacturing	20	1,133	19.6	57
Construction	13	792	13.7	61
Agriculture, food	4	409	7.1	102
Resources, infrastructure	2	236	4.1	118
Miscellaneous	2	52	0.9	26
Total	66	5,790		88

Table A.II-21: Payroll by sectors in firms with guaranteed loans in 1936

Sector	Firms	Employment	Payroll	Average payroll per employee
	N _{FIRMS}	N _{EMPLOYEES}	£	£
Textiles, clothing & footwear	25	3,168	245,476	77.5
Engineering, manufacturing	20	1,133	120,919	106.7
Construction	13	792	65,546	82.8
Agriculture, food	4	409	46,521	113.7
Resources, infrastructure	2	236	27,453	116.3
Miscellaneous	2	52	2,351	45.2
Total	66	5,790	508,266	87.8

Table A.II-22: Range of employment in 66 firms in 1936

employment range	< 25	26-100	101-200	201+	Total
No. of firms	17	25	19	5	66
Employment in firms	290	1,270	2,502	1,728	5,790
average employees per firm	17	51	132	346	88

Table A.II-23: Government appointed directors to firms with loan guarantees

Company	Appointed Directors	Notes
Alesbury Bros. Edenderry	Sen. James Douglas John Douglas & Sons Ltd. Dublin	Businessman Chairman of the National Land Bank
Irish Glass Bottle Co. Ltd. Ringsend, Dublin	John Mackie Craig Gardiner & Co. Dublin	Chartered accountant
Irish Fresh Meat Ltd., Drogheda	W.F. Power Kilmallock, Co. Limerick	
Irish Homes Ltd. 3 St. Andrew Street Dublin	Vincent Crowley Dublin	Accountant, Member of the advisory panel for the loan guarantee scheme
	Denis Feighery Dublin	Consulting engineer, Member of the advisory panel for the loan guarantee scheme
Peat Fuel Co. Ltd 39/41 Dame Street Dublin	R.C. Ferguson Department of Industry and Commerce	Assistant secretary, (Trade and Industry Division)
	Pierce F. Purcell Ashton, Killiney Co. Dublin	Consultant Professor of Civil Engineering, University College Dublin

Source: NAI, F97/2/25 Alesbury Bros. Ltd., memorandum 20 November 1934, Industry and Commerce to Finance.

New Company registrations 1924-1940

Figure A.II-3: Company registrations and loan approvals 1925-1940

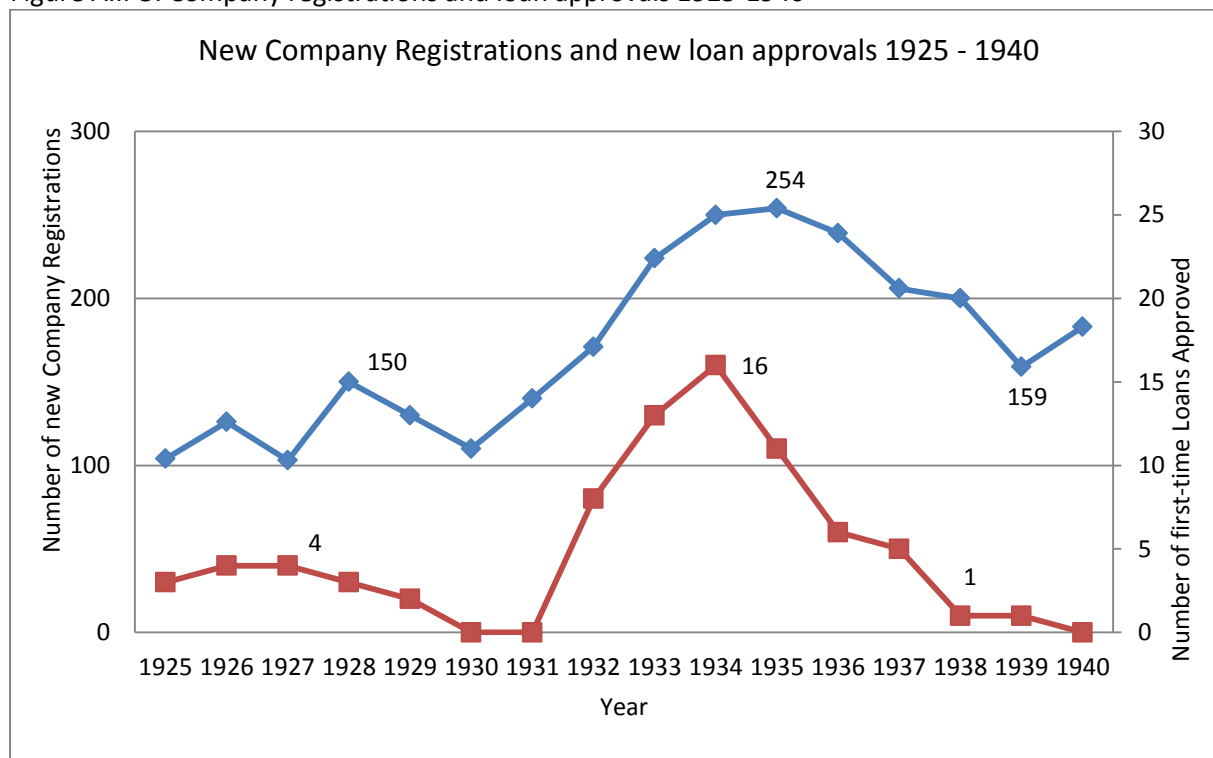


Table A.II-24 : Summary of tax revenue generated for the tax years 1923/24, 1931/32 & 1936/37

	1923/24	1931/32	1936/37
Customs	£8,243,000	£8,257,000	£10,016,000
Excise	£9,200,000	£5,460,000	£6,119,000
Motor Vehicle duties	£390,500	£941,000	£1,079,000
Estate etc. duties	£994,000	£1,274,000	£1,118,000
Stamp duties	£514,000	£367,000	£968,000
Income Taxes	£5,385,000	£3,820,000	£4,738,000
Sur-tax and Super-tax		£789,000	£546,000
Corporation Profits tax	£350,000	£246,000	£535,000
Excess Profits tax	£119,000	£132,000	£168,000
Miscellaneous	£2,277,754		
non tax revenue		£4,210,419	£5,747,710
Total	£27,473,254	£25,496,419	£31,034,710

Source: Annual Finance Accounts

Appendix III: Company case notes

This appendix contains company case notes on a selection of seven firms.

These cases exemplify the diversity in the range of firms which applied for loan guarantees. They range from cases which did not proceed after approval, to cases with different additional funding histories; some were successful and others less so.

The appendix includes companies three from phase I and four from phase II. Two of the companies did not proceed after approval; two companies were approved for multiple loans. In one case the company withdrew from a guaranteed loan but was refinanced with fixed capital through an issue of stock. Another company defaulted in the start-up phase of an experimental process, and one final case was refinanced after one year without seeking a further guarantee.

Dungarvan Co-operative Creamery Ltd.

The Dungarvan Co-operative Creamery Ltd. was the first co-operative to contact the Department of Finance as soon as the legislation was passed.³¹¹ Nevertheless, it took six meetings with the Advisory Committee before a final revised proposal was agreed with a set of projected costs and a repayment plan. The final proposal was approved for a guarantee on a loan of £3,500 for the extension of an existing dairy premises and the installation of additional equipment. This approval was reported for the period ending 31 January 1926.

The co-operative was asked to raise additional capital from its members, including the necessary working capital. Two factors in the records suggest reasons for the eventual withdrawal of their proposed project.

Firstly, the National Land Bank, with whom the co-operative was negotiating the loan, insisted on an interest rate of 6% when the prevailing rate with other Irish banks was 5%. This was reported to Finance by Industry and Commerce with the recommendation that the Minister for Finance should nevertheless approve the loan guarantee even at the higher rate of interest.³¹² In addition, the conditions recommended by the Advisory Committee³¹³ included one that the loan was to be secured “on the assets to be constructed with the guaranteed loan and to be secured in addition thereto by a joint and several guarantee signed by the members of the Committee of Management”.³¹⁴

It is possible that the combination of these conditions contributed to the decision by the co-operative not to proceed with the loan guarantee scheme. However, the Second Interim Report of the Banking Commission, 1926, considered the financing of the agricultural industry and recommended that an Agricultural Credit Corporation should be established.³¹⁵ This recommendation was adopted by the government after the final report was published in 1927 (the Agricultural Credit Act, 1927). The later Commission of Inquiry into Banking Currency and Credit (1934-38) questioned the number of co-operative societies applying for loan guarantees without, apparently, taking into consideration that their applications pre-dated the establishment of the Agricultural Credit Corporation in 1927. The likelihood is that the funding of development plans for co-operatives in the agricultural sector were improved by the establishment of the Corporation.

The loan guarantee scheme did not offer any special advantage in this case.

³¹¹ NAI, F 97/14/24, *Irish Agricultural Organisation Society: Dungarvan Co-operative Creamery Ltd., Application for loan under Trade Loans (Guarantees) Act for construction work*; memorandum Industry & Commerce to Finance 22 Aug. 1924

³¹² *Ibid.* Ferguson, Ind. & Comm. To Finance, 20 Oct. 1925

³¹³ The Advisory Committee included the Managing Director of the National Land Bank, Smith Gordon, “who had been previously engaged in the co-operative movement under Sir Horace Plunkett” (WIT, 18 Oct. 1924 “Trade Loans Advisory Committee Appointed” p.7)

³¹⁴ *Op. cit.* “Extract from minutes of the meeting of the Advisory Committee held on 12th May, 1925” para. 156.

³¹⁵ Appendix to the Second Interim Report (Banking Commission, 1926)

The Gresham Hotel Company

The Gresham Hotel proposal was part of the funding needed to rebuild, furnish and reopen the hotel as a going concern. This followed the extensive damage in the conflict, artillery shelling and resulting fire at the beginning of the Civil War during the week of 5 July 1922.³¹⁶ The hotel company was later approved for a loan guarantee of £35,000 under the loan guarantee scheme, as reported for the period ending 31 January 1927. However, in the following period, ending 30 April 1927, the loan was report as 'withdrawn'. The rebuilding programme involved considerable employment during the construction and fitting out phases and significant further re-engagement of staff when the hotel was reinstated in operation. The approval of the loan under the loan guarantee scheme met the aim of the legislation in that a business with an established tradition was able to resume and re-employ its staff.

Senator J.C. Dowdall, the Cork businessman and politician, was then a director and later chairman of the Gresham Hotel Company. He was also the government's nominee to the Compensation (Ireland) Commission which was established in 1922.³¹⁷ At the time, he was a director of the Munster and Leinster Bank. His brother, T.P. Dowdall, served as a member of the first Advisory Committee of the loan guarantee scheme from October 1924 until June 1926.³¹⁸ The loan guarantee scheme was not the only means of funding for the reconstruction of the hotel. The company was not eligible for compensation from the Compensation (Ireland) Commission because there was no damage to the hotel in 1916. However, the Damage to Property (Compensation) Act, 1923, provided for compensation for the Civil War conflict. According to O'Connor (1965), an application by the Gresham Hotel Company for compensation was heard before the Recorder on 9 February 1924 and the eventual award was £93,500.³¹⁹ There was some delay following the award decision while the owners of the company considered selling the site with the entitlement to the compensation award. This did not come to pass. The reconstruction programme was undertaken, completed, and the hotel re-opened for business 16 April, 1927.

The amount of compensation agreed by the courts may have satisfied the borrowing needs of the company and the decision to approve the loan guarantee came when the work was almost completed.

The application for a guarantee on a proposed loan of £35,000 was additional to the compensation awarded and represented a portion of the total cost of "rebuilding and furnishing the hotel". It

³¹⁶ IT, 6-8 June 1922

³¹⁷ TNA, CAB/24/136: C.P. 3968, *Compensation (Ireland) Commission, Warrant of Appointment* 15 May 1922

³¹⁸ A replacement committee was agreed by the Executive Council 9 July 1926 (NAI, S 7937)

³¹⁹ NAI, FIN/COMP/2/28/1102 *Gresham Hotel Company*. This is confirmed by the compensation file of the Department of Finance: The original claim was for £227,134. 10s. 8p. This included the building, its contents, stock-in-trade and loss of profits. The eventual award was £74,000 for the structural damage and £19,500 for contents (file no. 411/1341(2) 3 March 1925)

transpired that the loan was raised from another source. In the Senate years later³²⁰, Senator Dowdall recalled that

... I had a personal interest (in the Trade Loans scheme) that I approached the Trade Loans Committee about, I succeeded in getting sanction for a loan of £50,000, but I considered the restrictions so onerous that I turned it down, went to a bank and borrowed the money there.

³²⁰ SÉD, Vol.16 No. 25 c.1726 Dowdall, Trade Loans (Guarantee) (Amendment) Bill, 1933, Second Stage

Killaloe Slate Quarry Company

The Killaloe Slate Quarry Company was approved for a loan of £8,000 in 1925 for the purchase of plant and equipment. The loan was funded by the National Land Bank. An additional loan was approved in 1929 for a further amount of £4,000 for the same purpose. This time the loan was borrowed from the bank's successor the National City Bank in the ownership of the Bank of Ireland. Both of these loans were eventually repaid in full.

The owner of the company, J.B. Driscoll, was involved in the purchase and restoration of the derelict Ormonde and Victoria Slate Quarries situated near Carrick-on-Suir.³²¹ For this purpose, a loan guarantee was approved for a new company to be formed, the Carrick Slate Quarry Company.³²² This decision was reported for the quarter ending 31 Oct 1927. A loan of £4,500 was approved to acquire the fixed assets of the derelict company, and for plant and equipment. The funding was through the Industrial Trust Company. Resources, including staff expertise, were diverted from the Killaloe operation in the revival of the Ormonde and Victoria Quarry. However, the restoration was unsuccessful and a receiver was eventually appointed to the company in October 1935.

A second additional loan of £6,400 was approved for the Killaloe Quarry Company in 1934.³²³ The loan was for the purpose of further quarry development, plant and equipment and working capital. The development did not proceed, as reported one year later. It is likely therefore that the difficulties in the Carrick Slate Quarry Company at that time were among the reasons for the expansion of the Killaloe operation being curtailed in 1935.

The Killaloe operation continued for decades afterwards. The firm was dissolved in April 2012.³²⁴

³²¹ NAI, IND/MIN/1/2, *Carrick Slate Quarry Company*.

³²² CRO, Registration no. 7657 (registered 6 October 1927).

³²³ Quarterly report for the 3 months ending 31 Oct. 1934.

³²⁴ CRO, Registration no. 7194.

Milford (Donegal) Bakery Company

The Industrial Credit Company initiated new means for small companies to access funding for their development. An example of this is the case of the Milford (Donegal) Bakery Company. No other case arises where a bank loan was agreed, funded and was later withdrawn from the guarantee scheme. The amount involved was £2,000. The company was first registered July 1933 (CRO Reg. 25 No. 8504), although the approval had been reported for the quarter ending 30 April 1933. An agreement was signed between the firm, the Minister for Industry and Commerce and the Northern Bank, 25 August 1933.³²⁵ Notwithstanding this agreement, the quarterly return to the Oireachtas for the period ending 31 July 1934 reported that the loan guarantee was not proceeding.³²⁶ This company was later dissolved.

This draws a line under the involvement of the company in the loan guarantee scheme. However, the financing of the firm's development by a different route may have been the reason for the withdrawal from the agreement and the firm's dissolution.

A new company was registered in 1936 (CRO Reg. No. 9332). The new company applied for certification under Section 7 of the Finance Act 1932.³²⁷ The particular section of the legislation provided for the partial relief from income tax, for the shareholders, on the dividends from investments in particular classes of enterprises.³²⁸ The Industrial Credit Company sponsored a new issue on the Dublin market in 1936 for the company offering 40,000 £1 Ordinary Shares and the same number of 6% cumulative preference shares. The latter was fully subscribed and the former did not reach 50% (£18,700 was raised from the shares offered).³²⁹ This confirms the early achievements of the Industrial Credit Company in facilitating access to industrial finance in the short space of time since the company's establishment. The issue on behalf of the Milford Company was relatively small by comparison with the new issues listed in Appendix 5: that is, 42% of the average Preference share issues and 30% of the average Ordinary share issues.

The company is therefore one of the earliest examples of firms availing of the services of the ICC to sponsor the issue of shares (fixed capital) rather than using the loan guarantee scheme for short-term borrowing of a lower amount.

³²⁵ NAI, INDC/IND/24/363, *Milford (Donegal) Bakery Co.*, Northern Bank correspondence. The bank certified that £4,000 had been subscribed in share capital, 14 August 1933.

³²⁶ <http://opac.oireachtas.ie/AWData/Library3/Library2/DL054016.pdf>.

³²⁷ NAI, INDC/IND/28/80 *Milford (Donegal) Bakery and Flour Mills Limited: application for certificate under the Section 7 of the Finance Act 1932*

³²⁸ Curiously, Section 7 (5) of the Act provides a meaning for "industry" ("In this section the word "industry" means .."), however, the word "industry" is not used in the Section, other than in references to the Minister for Industry and Commerce.

³²⁹ Commission of Inquiry into Banking Currency and Credit (1938b, Appendix 5, p.424)

Irish Ropes Ltd.

The Irish Ropes operations in Newbridge (Droichead Nua), Co. Kildare, began in 1933 with the assistance of a guaranteed loan of £5,000 which was borrowed from the National Bank. The company initially manufactured ropes and twines for the Irish market.

Table A.III-25: Irish Ropes Limited: guaranteed loans

Reporting date of approval (Period ending)	Amount borrowed (£)	Term of loan (Years)
31 October 1933	5,000	11
30 April 1934	6,000	15
30 April 1936	10,000	15

Further developments required additional loans which were approved under the loan guarantee scheme. Following the establishment of the Industrial Credit Company in 1934, Irish Ropes refinanced the guaranteed loans with that institution. In addition, ICC contributed a shareholding of £20,000 in a private placement.³³⁰

The company was established in 1933 by Eric Rigby Jones, from the firm of H. & G. Jones and Co. Ltd., Liverpool, when he started negotiations to lease the former cavalry barracks³³¹ in Newbridge (Droichead Nua), Co. Kildare, from the Department of Finance. The proposal to manufacture ropes and twine for the Irish market was followed by experimental weaving of sisal floorcoverings in 1937, the first in a series of developments by the company. Progress was stalled during the war years during which the company was also involved in experimental flax production. The eventual successful diversification into sisal floorcoverings³³² was followed by the later development of plastic replacements for sisal in ropes, twines and floorcoverings. The company exceeded its initial employment targets and employed more than 1,000 at the peak of its operations by the 1970s.

The ICC involvement began from the development stage when the company “was in need of further capital”. The aim of the ICC at that time was to “float the company publicly as soon as it was able to

³³⁰ NLI, JBP Ms 26,290(A) correspondence between Brennan and Colbert in relation to the final report of the Banking Commission 1934-38 and the merits of redeemable preference shares to fund company developments.

³³¹ Newbridge had extensive barracks for the cavalry because of the easier access to The Liffey’s water than was available on the Curragh. The buildings dated from the nineteenth century. The headquarters of Bord na Mona, established in 1946, were later housed in adjoining redundant cavalry buildings.

³³² The artist Louis le Brocquy and later the Bauhaus designer Margaret Leischner were engaged to design the Tintawn range of sisal carpets (Conlan, 2009)

show a few years record of profits and dividends. The company is doing very well, is under excellent management, and I have no doubt but that it will be highly successful.”

According to Colbert, Irish Ropes Ltd. had a total share capital of 40,000 Ordinary Shares of £1 each, fully paid up. The ICC shareholding of 20,005 shares gave it a controlling interest at that time, 1937.³³³ The other shareholders were Eric Rigby-Jones plus minority holdings by a number of Irish shareholders and the firm of H. & G. Jones and Co. Ltd., Liverpool.³³⁴

Irish Ropes was one of the more successful manufacturing companies established in the 1930s. The loan guarantee scheme was a contributing factor in the funding requirements at the beginning, but in the course of its first decade in operation, the role of the Industrial Credit Company assumed greater significance.

³³³ NLI, JBP, Ms. 26,289 Banking Commission 1934-38, correspondence Brennan and Colbert, 7-12 May 1937

³³⁴ CRO, Irish Ropes Ltd., Reg. no. 8483

Peat Fuel Company

The Peat Fuels project was an experimental and speculative private enterprise venture to produce peat briquettes. The project left a lasting legacy,³³⁵ in spite of its difficult origins and ultimate failure. The loan guarantee scheme was the vehicle used to support a start-up enterprise to manufacture the briquettes. There were several deviations and novel aspects to the project's progress. The proposal involved the harvesting of "raw" (milled) peat and using a new drying process to reduce the moisture content of the peat to a required level for briquetting.³³⁶ A loan of £90,000 for the Peat Fuel Company³³⁷ was approved for guarantee and reported to the Oireachtas for the quarter ending 30 April 1934.³³⁸ The lender was the Industrial Credit Corporation. This was the largest loan approved under the scheme up to that date. The company failed to reach its production (and sales) targets and ceased operations in 1939. The net cost to the Exchequer was the highest of the cases recorded in the database (see Tables 4-22 and 4-23). Nevertheless, the Peat Fuel case is exceptional in being a private sector precursor of the successful operations of the state owned, Bord na Móna, established in 1946.

The Peat Fuel Company established the harvesting method for milled peat production at an acceptable level of moisture content. This was eventually used successfully for the manufacture of peat briquettes and later as the principal feedstock for the peat-fired electricity generating stations of the ESB.

The approval of this project followed a complex route. It began when an earlier proposal from a British company, Fuels Development Ltd., on behalf of British and Foreign Fuels Co. Ltd., incorporated in Canada, sought approval for a guarantee on a loan of £130,000. This proposal was intended to be based at the site of the bog owned by Sir John Purser Griffith³³⁹ in Turraun, Co. Offaly, and Griffith was to be a participant in the project.³⁴⁰ He had purchased and developed the site in the 1920s and it was used by his company, the Leinster Carbonising Company, for

³³⁵ Andrews (1954 p.145) acknowledged the significance of the Peat Fuel Company project.

The experience gained by the Peat Fuel Company gave Bord na Móna an advantageous start in their efforts to mill and briquette peat and, so successful has their experiment been in the milling of peat, that the whole future programme of peat for power stations will be based on this process.

³³⁶ The drying process was already in pilot operation in Denmark following its development at an experimental station in Dumfries, Scotland.

³³⁷ Incorporated on 10 July, 1934 (NAI, Dissolved Company File D8735 *Peat Fuel Company*)

³³⁸ Laid before the Oireachtas 24 May 1934

³³⁹ Biographies by Cox (1998, 2009)

³⁴⁰ Griffith was later a shareholder in the Peat Fuel Company.

experimental development of semi-automatic sod-peat production, supplying the Dublin market. Professor Pierce Purcell³⁴¹ (Long, 2009) was commissioned by the Department of Industry and Commerce to advise the Minister on “... the merits of this process and the claims of the promoters with particular reference to the applicability of the process to conditions in the Irish Free State.”³⁴² Purcell’s conclusion following his visits to Dumfries in Scotland, and Kaas in Jutland (the development site and the pilot production site respectively) was that

... the Saorstát Government should take the necessary steps that this scheme for producing peat briquettes be tried out as soon as possible. (and in spite of certain factors “yet to be worked out”) ... I think, however, it is a fair commercial risk and with the prospect in the case of success of meeting a proportion of our internal fuel requirements and of giving a corresponding increase in employment in this country and that the risk is worth taking.

The suitability of the Turraun site was a concern because it placed “an unfair burden of transport charges on the industry” in supplying the Dublin Market. Nevertheless, it had the advantage of the drainage work already undertaken which, in Purcell’s estimation, foreshortened the period to begin briquette production and generate sales income.

There are, however, good reasons for putting up at Turraun as a first development a factory of 25,000 tons capacity as the adoption of any other site would postpone production for a further 18 months to 2 years. The capital cost of the smaller factory will in all probability not exceed £100,000 including working capital.

The members of the Advisory Committee of the loan guarantee scheme, however, agreed that they would be

unable to view the application favourably as an ordinary commercial proposition, but having regard to the national importance of such a project, they did not desire to reject the application...³⁴³

Instead, they sought a meeting with the acting Minister for Industry and Commerce to discuss their concerns. Following further negotiations with the promoters the Executive Council decided to send a revised proposal to the Advisory Committee “to report on the scheme as a commercial

³⁴¹ The papers of Professor Pierce Purcell are archived in the NAI but are not catalogued. The papers in three boxes contain, *inter alia*, significant records of the progress reports of this project, including the final report and recommendations of the two nominee directors which were presented to the Minister for Industry and Commerce. (NAI, 2005/68/181-3, *Prof. Pierce Purcell Papers*). I am grateful to Brian Donnelly, Senior Archivist, in the National Archives of Ireland, for bring these records to my attention.

³⁴² NAI, F 97/11/33 Peat Industry: Proposed establishment of a Peat Briquetting Plant; Purcell’s report of 18 May 1933.

³⁴³ *Ibid.* Extract from the minutes of the Advisory Committee Meeting held 16 June 1933

proposition".³⁴⁴ This time the committee gave an ambivalent recommendation for which Industry and Commerce sought the sanction of Finance. The outcome was again interpreted differently and Finance found it "extremely difficult to draft a letter agreeing to a proposal and incorporating in it criticism which show that there is no real agreement with the proposal".³⁴⁵ The proposal was further modified in discussions between the representative of British and Foreign Fuels and the secretary of the Department of Industry and Commerce, including the recognition by the promoters that the "industry is to be regarded as national in conception and in character".³⁴⁶ Nevertheless, the impasse remained unresolved and there was no final approval of the British and Foreign Fuels' proposal.

The new proposal by the Peat Fuel Company was based on the same technical development and the drying equipment. However, there were two significant differences from the earlier qualified recommendation to the Government by Purcell. Firstly, the site chosen was not the Turraun site but another site owned by Griffith in Ticknevin, Co. Kildare. This was supplemented by an adjoining 4,470 acres of bogland purchased from the Land Commission in the vicinity of Kilpatrick and Lullymore. It is not clear from the records why this significant change was made in view of Purcell's comments about the likely delay of up to 2 years in starting from an undeveloped site. Secondly, Purcell had recommended that the target of a "first development" production should be scaled down to half of the 50,000 tons per annum originally proposed. These two modifications contributed to the difficulties encountered in the first years, and its ultimate failure.

The Peat Fuel Company was registered on 10 July 1934³⁴⁷ with 4 Irish Directors, 3 British and two Government nominees, Professor Purcell and R.C. Campbell, assistant secretary of the Department of Industry and Commerce. The Irish directors included Lord Glenavy,³⁴⁸ former secretary of the Department, as chairman, and Frederick Griffith, son of Sir John Griffith. The British directors represented the interests of the companies supplying the know-how. Their financial contributions were partly in the form of preference shareholding. The company was awarded a licence under the Control of Manufactures Act, 1932, "to make ... for sale peat and its derived products, including peat briquettes".³⁴⁹

³⁴⁴ *Ibid.* letter 4 July 1933 Seán Ó Muimhneacháin, Roinn an Úachtaráin, to Finance

³⁴⁵ *Ibid.* Bayne to Codling, 7 September 1933

³⁴⁶ *Ibid.* Brown, British and Foreign Fuels Ltd. to Industry and Commerce. 12 October 1933

³⁴⁷ NAI, Dissolved Company Files D8735 *Peat Fuel Co. Ltd.*

³⁴⁸ Andrews, in his autobiography (1982,), credits Glenavy with having convinced Lemass of the merits of the project. This is cited in Dempsey's biography of Campbell (2009b). This is not clear from any departmental records examined and may be from Andrews' direct contacts with Lemass to whom he reported at that time.

³⁴⁹ NAI, IND/TID/1207/623 Peat Fuel Co. Ltd. Control of Manufactures Licence

Two major problems prevented the company meeting the target of 50,000 tons per annum of briquettes. The first problem was the delay in overcoming the drainage problems of the Irish bogs making it difficult to harvest milled peat. The second was the difference in climatic conditions between Ireland and Denmark, contributing to a lower number of working days and poorer drying conditions during the harvesting season. The company needed further cash to continue the development in 1936 and was granted permission by Finance to borrow a further £20,000, without guarantee, on the security of a debenture ranking in priority to the guaranteed loan. A year later, the company was again in need of funds and was supported by Industry and Commerce with a grant-in-aid of £35,000. According to the Banking Commission Report (1938b, para. 472), this loan had the condition that the Government should have the right after 1 April 1939 to convert the debenture securing the loan into 35,000 "A" ordinary shares of the Company, each share entitled to two votes. In that eventuality, the control of the company would be transferred to the Government. A further grant-in-aid of £30,000 was paid in 1938 from the voted moneys of the Department of Industry and Commerce so that "the experiment would be brought to a conclusion". The company again failed to meet its production and sales target and ceased operations in 1939. The outstanding amount of the guaranteed loan, £86,649 plus £2,617 accrued interest, was paid by the Central Fund. This was the most costly guaranteed loan in the scheme (see Tables 4-22 and 4-23). The Minister for Industry and Commerce appointed a receiver on 6 March 1940, and subsequently acquired the assets and stock of the company on foot of the mortgage debentures on the assets arising from the grant-in-aid.³⁵⁰ The assets were transferred eventually to the Turf Development Board and later to Bord na Mona in 1946.

The Turf Development Board was established, with Government support, at the same time as the Peat Fuel Company.³⁵¹ Its aim was the development of (sod) turf harvesting by traditional methods for supply to towns and cities. Todd Andrews was appointed to the civil service (Industry and Commerce) by a decision of the Executive Council and he registered the Board as a private limited company for the purpose of organising the Board's turf harvesting campaign.³⁵²

The final report of the two government directors on the board of Peat Fuel was that there remained a need for further experimentation before the complete process (harvesting, drying and briquetting)

³⁵⁰ This is inferred from the company records of the Peat Fuel Company. (NAI, Dissolved Company files, D8735)

³⁵¹ CRO, Dissolved Company Files. 8739. Registered 16 July 1934. The Peat Fuel Company was registered on 10 July 1936.

³⁵² NAI, TAOIS/S 2318, Mr. Christopher Andrews, Appt. to the Civil Service. 19 May 1933 the Executive Council decided, Item no. 1 "... it would be in the public interest that Mr. Christopher Andrews should be appointed as a Superintending Officer in the Department of Industry and Commerce." See also Andrews (1982 p.119 "... it would be necessary for me to enter the civil service...")

could be considered a commercial proposition. The harvesting problems had been largely overcome but a satisfactory level of production had not been reached. It was therefore not possible to confirm the capability of briquetting at the full annual production of milled peat. The report further recommended that the possibility of combining milled peat production for briquettes should be combined with the supply of milled peat for electricity generation. This latter recommendation was not implemented. However, the report gave the level of production during this experimental period. This is compared in the Table below with the subsequent production by the Turf Development Board under the later management.

Table A.III-26: Pilot production of milled peat and briquettes in tons (1936-45)

year	Peat Fuel Ltd.			Turf Development Board Ltd.					
	1936-7	1937-8	1938-9	1940	1941	1942	1943	1944	1945
milled peat	3,900	32,215	78,200	23,000	46,400	34,560	47,850	52,540	65,000
Briquettes	1,106	6,585	14,000	n/a	11,500	13,200	17,200	17,900	n/a

Sources: Peat Fuel Ltd: NAI, 2001/118/3 *Prof. Pierce Purcell Papers*, and Turf Development Board Ltd: Clarke (2010)

The 1938 harvesting by the Peat Fuel Company was the highest level of milled peat production in this time series. The peat briquette production of 1938 was not exceeded until 5 years later. The first use of milled peat in electricity generation by the ESB was in the Ferbane Power Station which was commissioned in 1956 (Manning and McDowell, 1984). Questions of transfer pricing and security of supplies were continuous sources of disagreement between the ESB and Bord na Móna. The recommendation in the Purcell/Ferguson report (Purcell and Ferguson, 1939) that briquette production should be co-located with electricity generation does not appear to have been considered seriously.³⁵³

The case illustrates the flexibility exercised by both departments in their wish to progress an experimental project within the prevailing constraints. Finance was prepared to consider that funds might be provided to the newly established Industrial Credit Company as a mechanism for a state shareholding in the Peat Fuel Company, outside of the loan guarantee scheme.³⁵⁴ They were also mindful of the significant contribution the development of peat resources could be in reducing the

³⁵³ Since the de-regulation of the electricity market based on the Electricity Regulation (Amendment) (Single Electricity Market) Act 2007, Bord na Móna has diversified from its core business of turf/peat products and is now, *inter alia*, an electricity generator and supplier to the market. The Edenderry Power station, which it operates was originally peat-fired and is now co-fired from milled peat and biomass. In that respect the Purcell/Ferguson recommendation has come to pass when peat production is in its declining phase due to environmental considerations and the limited peat resources remaining. (see <http://www.bordnamona.ie/company/our-businesses/powergen/edenderry-power-plant/>)

³⁵⁴ NAI, F 97/11/33 *Peat Industry*. Bayne to Codling 7 September 1933

state's dependence on imported coal. Industry and Commerce, on the other hand, could not find a satisfactory solution to the issue of royalty payments for the technology which had been a stumbling block in the original negotiations with the British and Foreign Fuels Company.

Purcell reported to the Government on the relative merit of the Turraun bog which had been the site used by Griffith for experimental work during the 1920s. This was later changed to the undeveloped site at Kilpatrick and Lullymore. The change contributed to the project's ultimate failure due to lack of funding to continue the development, especially the preliminary drainage work needed on the bog. The records don't give any explanation for this change. A second recommendation was the scaling down of the target, effectively using the Turraun site as a pilot project with lower cost (and risks).

The conclusion from this case study is that the loan guarantee scheme provided the government with a means of having an important 'experiment' of national importance undertaken in/by the private sector. However, the loan guarantee scheme was no more than the starting catalyst. There remain a number of unanswered questions:

1. The shareholders in the Peat Fuel Company appear to have been unwilling to invest further in the development. Records of the ICC may exist indicating their views on further finance for the development, but these have not been sought; nor is there any indication that the ICC was in favour of issuing shares on the market. The Report of the Banking Commission 1934-38 (1938b, Appendix 5) shows the number of new issues on the Dublin market for the period 1933-1936. During that period the Industrial Credit Company sponsored 21 new issues which raised over £4million. Considering the suggestion by Bayne 7 September 1933 (footnote above), it seems reasonable that a public offering of new shares would be an equally valid option. However, there is no record that this was considered.
2. The 1933 amendment to the Trade Loans (Guarantee) Act allowed the Minister for Industry and Commerce to grant a loan for such a development but the opportunity was not taken. Instead, the Minister opted to give a 'grant-in-aid' with conditions in the two successive years needed to reach a conclusion. This leads to the conclusion that the loan guarantee scheme, including the amendments in the 1930s, was limited in its capacity to support this kind of development.
3. The particular sites eventually chosen, Ticknevin/Lullymore, was considered inferior to the original smaller, more developed site at Turraun. Nevertheless, the proposal proceeded without taking into account the likely, and later proved actual, additional cost of delayed development.
4. The parallel progress of the Turf Development Company, registered one week after the Peat Fuel Company, and later the beneficiary of the assets and know-how when Peat Fuel was liquidated,

seems a curious coincidence. In addition, Sir John Purser Griffith eventually sold the Turraun site to the Turf Development Company in 1936.³⁵⁵ It seems reasonable to conclude that the Minister's preference was that the development should transfer to a state-owned enterprise rather than remain in the private sector.

These are questions outside the scope of this research into Industrial Finance and the Trade Loans (Guarantee) Acts. The official histories of the ESB (Manning and McDowell, 1984) and Bord na Móna (Clarke, 2010) do not deal with this detail of their joint development. The questions require more detailed examination.

³⁵⁵ According to Andrews (1982 p.135-6)

Irish Homes Ltd.

At the meeting of the Economic Committee of the Cabinet, 16 May 1932, the Minister for Industry and Commerce 'reported that he had received applications for guarantees for loans for housing purposes'.³⁵⁶ One scheme was for the erection of 1,400 houses on Mount Merrion Estate. The Minister was advised that there was no legal difficulty about giving the guarantees, although there was no precedent in connection with housing. The Economic Committee saw no objection to "granting the applications if the schemes were financially sound, and of considerable magnitude." The Minister for Industry and Commerce later interpreted the question of scale in the following terms: "In practice that decision meant that only schemes involving not less than 200 houses would be considered".³⁵⁷

Irish Homes Ltd., a building company in the course of registration, applied for a guarantee on their proposed borrowing of £50,000 for their development plans in Mount Merrion, Co. Dublin. The formal application was received by the Department of Industry and Commerce on 30th May, 1933. The company was eventually registered on 3rd November 1933.³⁵⁸ The registered subscribers to the company's share capital included John Kenny, a building contractor, and two other directors.

The approval process was completed and a draft Guarantee Agreement was signed and the case was noted for inclusion in the Statutory Returns on 6th December, 1933. However, in drafting the legal documents, issues arose with regard to the expenditure proposed and whether it was permissible to give a guarantee within the meaning of the Acts. The circumstances which arose were resolved by introducing the Trade Loans (Guarantee) (Amendment) Act, 1934, which extended the meaning of "manufacturing undertaking" in the Trade Loans (Guarantee) (Amendment) Act, 1933. Effect was given retrospectively to the amended meaning as from the passing of the 1933 Act.

The S.6 Statutory Return for the three months ending 31st January, 1934, included Irish Homes Ltd.

1. The Proposal:

The company proposed to acquire 220 acres of land in Mount Merrion on the Stillorgan Road, Dublin, and to develop the site with the necessary roads and services infrastructure for a total of 1,400 to 1,500 houses in the price range £650 to £950 each, including their contribution to the infrastructure. Kenny's company had a successful track record in the competitive tendering for

³⁵⁶ NAI, S 6274 *Economic Committee of the Cabinet 1932*.

³⁵⁷ SÉD, Lemass, 21 Feb 1934, V. 18 No. 6 c. 424

³⁵⁸ NAI, Dissolved companies, D 8561 *Irish Homes Ltd*.

housing projects with Dublin Corporation’s developments in Merino and elsewhere on the northside of the city in the 1920s.

The proposal sought a guarantee for a loan of £50,000 for a period of 12 year with repayment to commence two years after the date of receipt of the loan. The loan amount would be spent on the site purchase (£18,000) and the construction of houses and infrastructure. Initially, sixty houses would be built. The immediate demand for the houses was estimated at 500 units.

The projected employment was based on constructing 100 houses per annum. The employment required for this scale of operation was estimated as shown in Table A6-2 below.

Table A.III-27: Projected Employment per 100 houses constructed (Irish Homes Ltd.)

Unskilled labourers	100
Carpenters	20
Bricklayers	30
Plumbers	8
Plasterers	26
Painters	9
Electricians	3
Total	196

The indirect employment expected from the development, such as the manufacture of building materials and transport services, was projected as a further 150 men, approximately.

John Kenny & Sons were to be the main contractor and McManus (2002) records that, similar to other building contractors at that time in Dublin, their business included the manufacture and supply of building materials. A newspaper report of the opening of the first house noted that the “furniture was manufactured in the workshops of Messrs. J. Kenny and Sons, the contractors”.³⁵⁹ The opening by the Minister for Industry and Commerce, Sean Lemass, featured the all-electric aspects of the house and the use of Irish products; “native fuels, Irish plans, Irish furniture, Irish materials.”

2. Advisory Committee Assessment and Recommendation:

The Trade Loans Advisory Committee of the Department of Industry and Commerce considered the application during the course of three meetings in June 1933. The meetings were attended by the directors of Irish Homes Ltd. and their legal advisor and resulted in the agreement as to the level of investment by the directors and the a personal guarantee of £15,000 by Mr. Kenny whose building company would enter into a binding contract with Irish Homes Ltd. for the proposed building project.

³⁵⁹ IP, 12 December 1934

The loan was eventually provided by the Hibernian Bank and the formal guarantee was given by the Minister for Industry and Commerce 18 April 1934.

3. “Working Capital” and “Manufacturing Undertaking”

In the course of preparing the necessary agreement with Irish Homes Ltd., the Minister received legal advice that he was not authorised to give a guarantee in this particular case. The Trade Loans (Guarantee) Act, 1924, in Section 1(4) prohibited the Minister from giving a guarantee on loans the principal purpose of which was “working capital”. In the Irish Homes case the expenditure was proposed to cover the purchase of land, building materials and working expenses, such as wages and contractors’ and other expenditure. This was considered to be in the nature of working capital, even though there was no clear definition of that term in legal precedents. This was the legal advice from the Office of the Attorney General and also this view was confirmed by independent counsel.

The term “manufacturing undertaking” was defined in Section 1 of Trade Loans (Guarantee) (Amendment) Act 1933 as “an undertaking of which the object or principal object is the manufacture or production in Saorstát Éireann of goods or articles for sale”. Section 4 (d) of this Act also removed the restriction on working capital for a manufacturing undertaking (“shall not apply to any guarantee given in respect of a loan raised in connection with or for the purposes of a manufacturing undertaking”). The legal opinion was that “I find it impossible to draft any guarantee which will be within the Trade Loans (Guarantee) Acts 1924-1933, and at the same time in accord with the facts of the case” because Irish Homes Ltd. was not a manufacturing undertaking within the meaning of the Act. The amending Act of 1934 was introduced to resolve this impasse. The Department of Finance agreed to this solution and suggested that the proposed redefinition of “manufacturing undertaking” might also include mining and extractive industries. The legislation, when drafted, concentrated on the issues arising from the Irish Homes case alone.

4. The amending act, 1934

The Executive Council meeting of 26th January 1934 authorised the preparation of a Bill to amend the Trade Loans (Guarantee) Acts so as to provide³⁶⁰

- a. that the definition of “manufacturing undertaking” should include an undertaking of which the object or principal object is the erection and equipment in Saorstát Éireann of dwelling houses, including the acquisition and development of land necessary for such purposes;
- b. that the amendment should have effect from the date of the passing of the Trade Loans (Guarantee) Act, 1933.

³⁶⁰ NAI, IND/24/24; letter from Roinn an Uachtaráin, 29 Jan 1934

The Bill was introduced in the Dáil (First Stage) 31 January 1934. On the second reading, the Minister recounted the background, including the information that the initial application which did not proceed was received two years previously, he attributed the need for the legislation to the differences of legal opinions and the doubts raised by “certain legal gentlemen” who were consulted when the debenture deeds were being prepared. He justified his own opinion by reference to

A similar Act (which) had been interpreted in Great Britain in precisely the same way as we propose to interpret it, the fact that these doubts were raised gave rise to certain complications, and after consultation with the Attorney General it was decided to put the matter beyond all doubt by introducing this legislation...³⁶¹

It is not clear which particular British legislation the Minister had in mind. There were legislative development in Britain at the time relating to the Local Authority housing, but these seem removed from the private housing initiative proposed by Kenny.³⁶² There was one application under the Northern Ireland legislation by which the Coalisland Housing Co. Ltd. which was approved in 1923 for a loan of £60,000 to provide workers’ housing for a coal mining project.³⁶³ There were similar projects approved under the Trade Loans (Guarantee) Act 1924; the 1925 approval of Killeen Paper Mills Ltd. in Co. Dublin and the approval in 1926 of Mullan Mill Ltd. in Co. Monaghan, both of which included the renovation of workers’ housing as part of larger undertakings. However, neither of these were strictly comparable housing scheme developments on green-field sites.

The Final consideration of the Bill in the Dáil, Risteárd Mulcahy asked if the Minister was making any arrangements “to get information as to the number of private houses that are being built.” The Minister replied that he had no machinery to get such information, and added that “It does not arise under this Bill because it is certainly not intended that the Trade Loans (Guarantee) Act should be used to further private housing operations.” Without further debate, the Bill then completed all stages in the Dáil.³⁶⁴

In the Seanad³⁶⁵ Sen. Johnson questioned the legal basis for limiting the number of houses to 200. He was particularly interested in its potential application to public utility societies. It elicited the response from the Minister that

... if the Bill is passed it is, of course, quite clear that a State guarantee may be given for a loan raised for the purpose of financing a building scheme of any kind

³⁶¹ DÉD, 8 Feb 1934, V.50 No. 8 c. 1280

³⁶² The British Government’s housing policies at that time are described in Bowley (1945) *The Third Experiment* - Chapters VII-IX.

³⁶³ (Ministry of Finance, 1934) Ministry of Finance reference 456/23 in Statement A

³⁶⁴ DÉD, 16 Feb 1934 V. 50 No. 11 c. 1694

³⁶⁵ SÉD, 21 Feb 1934, V. 18 No. 6 c. 424

or size... I merely state that Government policy under present circumstances would not be to use that power except for schemes of a particular type. The reason for that is that adequate facilities for other housing schemes are being provided by other measures, and through a number of schemes already in operation to encourage the speculative builder to get into building activity.

The Minister was ambiguous in response to Sen. Johnson query as to whether the public utility societies would satisfy the “very special circumstances” justifying the exercise of the powers in the Act. The Bill was passed by the Seanad 28 February 1934.

5. The Mount Merrion Development

The development in Mount Merrion was a progression on two fronts. Irish Homes Ltd. was not the sole building contractor in the area. McManus (2002 p. 379) puts the Irish Homes development in the wider context of the evolution from local authority housing in the city (e.g. in Marino) to the 1930s development of housing for owner occupation, and a further stage into “a private garden suburb”. It illustrates the evolution in the planning of suburban housing schemes in Dublin which was evident in earlier projects in Drumcondra and Glasnevin. The second noteworthy aspect of the development was the role played by John Kenny as a typical developer of the period as well as a building contractor with the vertical integration within his business of manufacturing building materials and furniture alongside the building of houses.

An internal minute of the Department of Industry and Commerce noted that there were “six or eight speculative builders operating on a small scale in Mount Merrion”. The concern was expressed that if Irish Homes acquired possession of the whole of the Mount Merrion Estate these small operators might be put out of business. Kenny’s response to this was that he would allow other builders to have whatever sites they required subject to commercial arrangements, and that they built houses of a similar type to those proposed. McManus names four other builders who were active in Mount Merrion at that time, based on Dublin Corporation housing records (McManus, 2002 p.381).

There is no cross-reference in the Industry and Commerce records to the any support given to the Irish Homes development by the Department of Local Government and Public Health. The Irish Press reported that the promoters had secured a grant of £50,000 from that Department.

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