

Philip R Lane: The Centenary of Dáil Éireann - coin launch

Speech by Mr Philip R Lane, Governor of the Central Bank of Ireland, at the launch of the €2 circulating coin and €100 gold coin commemorating the centenary of the meeting of the First Dáil, Dublin, 16 January 2019.

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Introduction

Lord Mayor of Dublin, Ceann Comhairle, ministers, ladies and gentlemen, I am honoured to participate in today's launch of these two new coins that commemorate the centenary of Dáil Éireann. There are two coins: a €2 coin that will be in general circulation (one million have been minted), plus a commemorative €100 gold coin.

The Central Bank acts as the agent for the Minister of Finance in issuing all Irish coins, both circulating and commemorative. The first Irish proof set was issued by the Currency Commission in 1928 and commemorative coins have been issued over the decades to mark both key moments in our history as well as the individuals who helped shape it. Through the issuance of the new coins, the Central Bank is pleased to play its part in the Decade of Commemorations.

I would like to thank the Lord Mayor for his welcome to the Mansion House: the momentous gathering of the first TDs in the Round Room is depicted in the new coins.

The Oireachtas and the Central Bank of Ireland

Today's event is a natural opportunity to reflect on the relationship between the Oireachtas and the Bank. This is a multi-layered relationship. At a fundamental level, the mandates and governance structures of the Bank are determined by legislation, as originally laid out in the initial 1942 law and through major revisions such as the Central Bank Reform Act 2010. It is fascinating to read the transcripts of the Oireachtas debates concerning these landmark pieces of legislation, with the various contributions highlighting the range of concerns of Oireachtas members in relation to the role of a central bank in the functioning of the financial system and the wider economy.

In related fashion, the regulatory and supervisory work of the Bank is guided by many individual pieces of legislation, whether domestic in origin or transposed from European directives. Each of these acts requires careful consideration through the various stages of the Oireachtas legislative process. The extensive regulatory reforms of the European and domestic financial systems in the wake of the financial crisis has meant that the Oireachtas has had to devote considerable time to Bank-related legislation over the last decade.

For instance, the Central Bank assisted with fifteen bills during 2018, while nine regulations were put before the Oireachtas. The Bank also routinely provides assistance on the drafting of statutory instruments that transpose EU directives into Irish law.

The emergency nature of some crisis-related measures also puts pressure on the normal conduct of Oireachtas business, as was vividly evident in relation to the September 2008 bank guarantee and the February 2013 liquidation of IBRC.

In addition to the legislative function, the Oireachtas also plays a vital role in holding the Bank to account in terms of the execution of its mandates. As explained in the magisterial book written by Paul Tucker, the independence granted to central banks and financial regulators in fulfilling their mandates must be accompanied by sufficient scrutiny by parliaments if democratic legitimacy is to be maintained (Tucker 2018).

The Oireachtas performs this function through several mechanisms. Each year, many parliamentary questions are put to the Minister of Finance in relation to the work of the Bank. For example, we estimate that there were 384 Bank-related parliamentary questions answered in 2018. In addition, the Bank corresponded with Oireachtas members on ninety-four matters last year.

In addition, the leadership of the Bank appears several times each year before the Oireachtas Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach. In these sessions, committee members can press the Bank's senior management on a wide range of topics in relation to its work across its various mandates. This provides an important mechanism by which the Bank can explain its actions, even if confidentiality requirements inevitably put some limit on transparency in relation to the supervision of individual institutions. In addition, a wider range of Bank staff appear before Oireachtas committees in relation to specific pieces of legislation or technical topics. In total, Bank staff appeared before Oireachtas Committees on eight occasions during 2018.

The Oireachtas has also played a major role in shedding light on the origins and dynamics of the financial crisis through the work of the Joint Committee of Inquiry into the Banking Crisis. In addition to the report of the committee, the statements from many participants and the associated hearings constitute a vital historical record. It is essential that such inquiries take place in order to make sure that the lessons are fully absorbed, which can help reduce the likelihood of future crises (both in Ireland and elsewhere).

A further dimension of the relationship between the Oireachtas and the Bank is the contribution of the surplus income of the Bank to the public finances and the integration of the balance sheet of the Bank into the wider public sector balance sheet.

For budgetary strategy, it is important that the Oireachtas has sufficient understanding of the contribution of the Bank's surplus income in the overall revenues of the government. In this regard, the Parliamentary Budget Office can play a useful role in assisting parliamentarians in the technical analysis of the Bank's income: its 2018 note on this topic is a useful initial contribution to this end (Parliamentary Budget Office 2018).

In relation to the wider financial health of the State, it is important to take an integrated view that recognises that the assets and liabilities of the Central Bank form an important part of the overall public balance sheet. At the same time, even while there are fiscal implications from our balance sheet decisions, it is essential that the Bank's balance sheet is managed independently in line with our central banking mandate, whether in relation to price stability or financial stability. For instance, the balance sheet is currently large for two reasons: (a) the local implementation of the European Central Bank's (ECB) asset purchase programmes; and (b) the remainder of the special portfolio of floating rate notes issued by the government to the Central Bank upon the liquidation of IBRC in 2013.

In turn, the liquidity (against collateral) provided by the Bank to IBRC was just one component of the large-scale system-wide provision of emergency liquidity to domestic banks during the crisis. The expansion and contraction of the balance sheet occurs in pursuit of the policy goals of the Bank and the wider eurosystem – optimising the balance sheet for income purposes is not an independent policy objective.

We spend considerable effort in carefully managing our balance sheet, in order to maintain the necessary financial independence of the Bank, while also delivering surplus income to the government. For example, we have recently published two studies that explain the underlying drivers of our balance sheet and the associated risk management tools that we employ (Donnery et al 2017, Doran et al 2018).

Finally, as members of the eurosystem, our shared accountability for the operation of the ECB is

to the European Parliament, with the President of the ECB appearing before the Committee on Economic and Monetary Affairs on a quarterly basis and the annual report of the ECB scrutinised by the European Parliament. That said, it is desirable that the leadership of the ECB also participates in dialogues with national parliamentarians. To this end, the recent appearance of President Draghi before the Oireachtas Joint Committee provided an important opportunity to exchange views on the work of the ECB and macro-financial conditions in Europe.

Conclusions

Our mission statement reads: “The Central Bank of Ireland serves the public interest by safeguarding monetary and financial stability and by working to ensure that the financial system operates in the best interests of consumers and the wider economy.” Fulfilling our mission involves a close but challenging relationship with the Oireachtas: we operate within the legal framework passed by the Oireachtas and recognise that our decisions and operations are subject to the scrutiny of Oireachtas members, while having the duty to make independent (and sometimes politically controversial) decisions in delivering our mandate. As we celebrate the centenary of the Dáil with the launch of this coin, we look forward to the next century of the relationship between the Oireachtas and the Bank.

I would like to thank our colleagues in the Austrian Mint for their expertise and commitment in minting this beautiful gold coin. I would also like to express my gratitude to Emmet Mullins, who designed both the gold coin and the €2 coin. Emmet is a designer, art director and illustrator based in Dublin. His understanding of the theme and the significance of the historical event is captured in this design, which I am sure will be highly appealing both to the general public and coin collectors.

The Central Bank – on behalf of the Minister for Finance – takes great pride in the issuing of such commemorative coins. It is an important element of our public service role and is a unique way to pay tribute to individuals and events of national importance.

Accordingly, I am delighted to present this gold proof coin marking the centenary of Dáil Éireann to the Ceann Comhairle Seán Ó Fearghaíl TD for display in Leinster House.

References

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