IRELAND'S STOUT BANKERS

Liquid resources – and trusty cheque books – helped the Emerald Isle to survive a crisis in 1970

Words: **Andrew Sawers**

Last month's column cheerfully toyed with the idea of a beer-based economy, inspired by the fine (but seemingly unsuccessful) example of Mesopotamian ruler Urukagina. (If you missed it, just ask your budgie if you can have back your copy of *The Treasurer*. Hopefully, it won't be too guano-laden to read.)

The printing presses for that issue had barely got up to their full revolutions per minute when there was a delightful thud on my desk as a new book arrived with the simple, yet elegant, title, *Money*: *The Unauthorised Biography*, written by academic-turned-fund manager Felix Martin (Bodley Head, £20). But lo and behold, on cracking open Martin's *oeuvre*, I discovered that I'd forgotten about Adam Smith.

It was Smith, you see, who had noted the use of all types of wonderful things that have been used as money in centuries past and cultures afar. My column last month gamely asserted that beer was unlike any other currency in that you could actually consume it. In fact, in 1776, the Scottish father of modern economics had observed that cattle had been used as cash, as was salt in Abyssinia, dried cod in Newfoundland, sugar in the Caribbean and tobacco in Virginia.

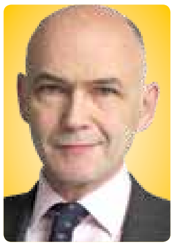
So I got that bit of my column wrong: there have been many more consumable currencies than just beer. Oh, well. My dismay was more than tempered by the discovery (again, garnered from Martin's worthy tome) that I'd got another bit sort of right. And in a most surprising way.

To explain, I'd made the point about the banks closing branches, which then turned into pubs and wine bars, while the public houses of old busily installed cash machines. In fact, Martin relates an episode in modern economic history that I'd never come across before: the great Irish bank shutdown of 1970.

On Monday 4 May in that year, all the banks in Ireland announced that they were closing all their branches – every single one, and with the announcement back-dated to the previous Friday – because of a pay dispute with their employees.

With only limited amounts of cash available, almost all payments had to be made by cheque – but without the security of being able to cash and clear those cheques every day because of the shutdown. Anyone's personal cheque, therefore, became not much more than a vague IOU, with no one having the slightest idea when the banks might reopen or what would happen when everyone's cache of cheques suddenly hit the 'paying in' window at the same time.

Weeks became months, the dispute dragged on, and eventually, by the time the banks reopened in November, more than £5bn of cheques had been written. And although it took until February 1971 to clear the backlog, the system had worked. Amazingly, economic activity had even increased. Let's allow Martin to say something about why it succeeded: "The general consensus after the event was that several features of Irish social life were uniquely conducive to its success: not least, that most famous feature of all, the Irish public house [which behaved] like an ersatz banking system... Public houses had a high degree of information about their customers – one does not, after all, serve drink to someone for years without discovering something of his liquid resources." Which is more than can be said of many bankers these days...



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