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# The 1916 Rising and the revolutionary origins of the Irish Department of Finance

Gary Tobin<sup>1</sup>

*Department of Finance*

On Easter Monday 1916 a 26-year-old UCD graduate and Kerryman in the British civil service named James J. McElligott, who had been working in the Local Government Board in Dublin for three years, went to the races at Fairyhouse. The day started off well for McElligott as he won ten shillings. Returning to town early, the day took a turn that McElligott could not have expected when he learnt that the Rising had started. Already a committed Republican he joined up and went to the General Post Office (GPO) on Sackville Street.

During the course of the battle, much of which he spent on the roof, McElligott was one of three members of the GPO insurgents who volunteered to bring, under a hail of bullets, sacks of food across the street to the Imperial Hotel, where supplies were running low. On another occasion, he was ordered to charge a house from which it was suspected the GPO was being sniped. At the last second the raid was called off, but McElligott did not hear this and arrived alone at the house, where he kicked the door in but found the building empty.

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'I didn't feel a bit heroic,' he later said, 'I was roaring like the bull of Basham and simply mad, mad, mad' (O'Broin, 1982). According to Michael Knightly, a journalist and another Kerry native present in the GPO during the Rising, McElligott had no illusions about the outcome of the Rising. When Knightly suggested that all of them would be wiped out, McElligott's response was 'what matter, it will keep up the old spirit' (O'Donoghue, 2015).

In the aftermath of the Rising he was deported to Stafford Jail in England and placed in a cell next door to Michael Collins. The story goes that on his committal to prison, with his Fairyhouse winnings still intact, he asked for and was given a receipt.

On his release from prison, he was dismissed from the British civil service. McElligott vigorously fought this dismissal, claiming rather extraordinarily that he had only taken part in the Rising under compulsion when a group of Irish Volunteers forced him at gunpoint to join them while he was talking to the Trinity College Professor of Constitutional Law on Abbey Street. The professor later confirmed this story to the Dublin Metropolitan Police. McElligott wrote several letters to the Chief Secretary's Office and had his submission supported by Edward O'Dwyer, the Catholic Bishop of Limerick, who suggested the charges were unfounded. The matter was also raised in the House of Commons. McElligott's rather unlikely story was not ultimately believed and *The Irish Times* later reported that he had been dismissed (O'Donoghue, 2015). As private secretary to the acting Under Secretary in Dublin Castle, Joseph Brennan, another early Finance man, was involved in making arrangements for the investigation into McElligott's case.

In 1953, when McElligott was making an application for a Military Service Pension (which he assigned for the benefit of his widowed sister-in-law), he related a very different and more accurate account of his activities in 1916. He stated that he had been a member of the Volunteers since their establishment in 1913, that he had been a member of the B Company of the Second Battalion of the Dublin Brigade (based mainly at Jacob's Factory) and that, having been cut off from his colleagues, he had joined up in the GPO until the surrender. He also stated that he had continued his activities in England after the Rising and had been involved in the 'Chequers Incident' in 1921 that led to another imprisonment in Aylesbury and a subsequent requirement to report regularly to Scotland Yard.

Dismissed from the civil service, in 1919 McElligott got a job as a journalist for the *Statist* magazine in London, a rival to *The Economist*

magazine in its day, and by 1920, having completed a master's degree in economics, was appointed as the magazine's editor.

He continued to work as editor of the *Statist* until he was recruited into the new Irish Department of Finance at the rank of assistant secretary in 1923. He was by then thirty-three years of age.

Finance ministries the world over are known for their inherent conservatism. It is therefore perhaps a little surprising that the Irish Department of Finance was born out of revolution and that two of its founding fathers, J. J. McElligott and Joseph Brennan, had such a direct connection with the struggle for Irish independence.

### **Treasury function in Ireland prior to independence**

Prior to the 1916 Rising and Irish independence there was no Ministry or Department of Finance in Ireland. This is in contrast to the position in New Zealand, for example, where the Department of Finance equivalent has existed since the 1840s. This is also despite the fact that many other departments such as Agriculture and Local Government had existed in Ireland for some time. The Irish Local Government Board, for example, was established in 1872 (Daly, 1997).

Although the Irish executive was subordinate to the British Government, in practice it enjoyed wide discretionary powers. The Irish Government was headed by a triumvirate – the Lord Lieutenant (the King's personal representative), the Chief Secretary (the minister with responsibility for Irish affairs in the British Parliament) and the Under Secretary (the most senior civil servant in Dublin) (Fanning, 1978).

The Irish civil service, under British rule, was composed of a complex set of departments, boards and offices, numbering nearly fifty. Some of these were departments of the Irish Government while others were branches of British ministries. Also appointments to the British bureaucracy in Ireland were not always made on the basis of merit but were in some cases the subject of political influence (O'Halpin, 1991).

As regards control of the public finances in Ireland, this fell to the rather elaborately titled Office of the Treasury Remembrancer. The Treasury Remembrancer was established in 1870 and reflected the growing predominance of the UK Treasury over all other government departments and the gradual expansion of Treasury control. The office enabled the Treasury to have an official resident in Dublin to whom the Treasury could look for the supply of local information and confidential advice on Irish matters. The officer was attached to the

branch office of the Paymaster General's Department in Dublin and acted as Deputy Paymaster General as well as a financial consultant to the Treasury Board in London. The nomination of the Treasury Remembrancer rested with the first Lord of the Treasury.

According to Fanning (1978), in his seminal history of the department entitled *The Irish Department of Finance 1922–58*, the pressures of the First World War had exposed weaknesses in the British civil service model – and the subsequent changes affected the British Treasury in particular. Shortly after the First World War ended, special committees were established to review the machinery of government in Britain. The publication of these reports culminated in the complete reorganisation of the Treasury from September 1919 onwards. Under the new scheme the Treasury was divided into three separate divisions – Finance, Establishment and Supply. The Permanent Secretary to the Treasury was also announced as the new Head of the Civil Service. The new post-independence civil service in Ireland was therefore less about the continuation of a modern apolitical public administration but rather its introduction for the very first time.

When Dáil Éireann itself was first established in 1919, it provided for the appointment of five ministers, including a Minister for Finance, to which post Eoin MacNeill was appointed. It is noted that the main significance of these appointments at the time was 'propagandist' in terms of the struggle for Irish independence but they did also from the onset emphasise the central role and key importance of the Department of Finance (Fanning, 1978).

### **Formative influences on the Irish Department of Finance**

The Department of Finance is unusual in that it is explicitly referred to by name in both the 1922 and 1937 Irish Constitutions. Article 52 of the 1922 Constitution of the Irish Free State states that the minister in charge of the Department of Finance will form part of the Executive Council (Cabinet). Article 28 of the 1937 Constitution also states that the member of the government in charge of the Department of Finance must be a member of the Dáil.

Following the deliberations of a committee of officials chaired by Minister for Finance Ernest Blythe, through the means of the Ministers and Secretaries Act, 1924, existing Irish departments and boards were amalgamated and centralised under eleven government ministers. The Irish Department of Finance was established along the

lines into which the UK Treasury had just been reorganised. The Department of Finance, as stated in the 1924 Ministers and Secretaries Act, 'shall comprise the administration and business generally of the public finance of Saorstát Eireann and all powers, duties and functions connected with the same.'

These 'British' virtues of an independent civil service were insisted upon by the key figures in the new Irish civil service in its earliest days. This was done not least because a principal task of the new administration was to establish the legitimacy of the Irish Free State.

According to Tim Pat Coogan (2003), one of the most important – if not the most important – British institutional legacies to Ireland was the influence of the Treasury on the philosophy of the Irish Department of Finance. The extent to which the Irish Department of Finance could be viewed as a carbon copy of the British Treasury is open to debate. T. K. Whitaker later brilliantly captured the Department of Finance perspective on the world in his 1954 article for *Administration* entitled 'The Finance Attitude'.

Leon O'Broin, a junior administrative officer (graduate recruit) in the Department of Finance in the 1920s, recalls in his autobiography (1986) that H. P. Boland, the assistant secretary in charge of the Establishment Division, invited the 'Junior Ads' to the Gresham Hotel for what was described as a social meeting. Boland was Irish but had worked in the UK Treasury and in the House of Lords in London. O'Broin recounts that it seemed Boland wanted all of them to become civil servants based on the English model. He spoke about how people should dress, and recommended that the editorials of *The London Times* should be studied for literary style. When news spread around the department of this 'Gresham experience', according to O'Broin, it was never again repeated.

J. J. Lee, in his book *Ireland 1912–1985*, remarked that 'one of the most remarkable achievements in the history of the State was the creation of a Civil Service Commission to preside over the Public Appointments Process. The new Government was naturally deluged with importunities for jobs... Given the scope for corruption... the imposition of a degree of integrity in appointments to the central administration verged on the miraculous'.

### **Key figures in the early days of Finance**

The key figures in this process of civil service reorganisation were Joseph Brennan, secretary of the Department of Finance, and C. J.

Gregg, an Irishman who was an official of the British Inland Revenue on secondment to the Free State Government.

Gregg even favoured retaining the title of the Treasury for the Department of Finance, on the grounds that this 'will impress on people that one particular minister and one state unit under him holds the purse strings and that it is very difficult to get anything out of the purse' (Lee, 1989).

Joseph Brennan, who was originally from Bandon in Cork, had served with distinction in the Chief Secretary's Office in Dublin Castle at a senior level from 1912 to 1922, having joined the First Division of the British Civil Service after graduating from Cambridge University. Brennan's ability had been acknowledged by Warren Fisher, the British expert sent over to examine the workings of Dublin Castle in the post-1916 era (Coogan, 2003).

In 1921 Brennan was in charge of financial matters in the Chief Secretary's Office and thus became involved in the negotiations between the British Government and the new fledgling Irish Government on how the financial relations between the two countries, not least in relation to debt and pensions costs, could be disentangled and reorganised.

In the view of Michael Collins, the Irish side seemed heavily outmatched by their British counterparts in the negotiations. It was for this reason that, through an intermediary, Collins asked to see Brennan on 21 October 1921 in a flat on Leeson Street, for a private meeting.

According to Brennan, recounted in Leon O'Broin's biography of him many years later, he went to the meeting feeling very nervous, hoping and praying that he had not been followed. As a result of this meeting, Brennan agreed to secretly prepare eight separate briefing papers for Collins to aid the Irish side in the negotiations, all of which he typed himself as he could not trust anyone else to do it. These papers dealt with (i) the Revenue of Ireland, (ii) the Irish liability for the imperial national debt, (iii) a proposal to pay 3 per cent of the imperial national debt, (iv) liability for pensions arising from the war, (v) the cost of the Royal Irish Constabulary and the Dublin Metropolitan Police in respect of pensions, (vi) costs of the Judiciary, (vii) public loans and (viii) excess stock under the Lands Acts.

On 7 January 1922 Dáil Éireann voted by a small majority to ratify the Treaty for the establishment of the Irish Free State. Two days later Dublin Castle was formally handed over by Viscount FitzAlan to Michael Collins.

In Article 17 of the Treaty the British undertook to transfer to the Irish Free State the machinery of government necessary for it to function. So in effect Ireland inherited a complete system of government, both central and local, and some 21,000 civil servants, about half of whom worked in the Post Office. Most of those chosen for senior positions in the new Free State civil service were Irishmen already working in the British civil service but some were from the small Dáil civil service or from Republican ranks.

On 1 February Michael Collins asked Joseph Brennan, then aged thirty-five, to set up an Irish Exchequer, in effect what was to become the Irish Department of Finance. It was Brennan who subsequently put forward McElligott's name for an assistant secretary post in Finance, the two having known each other from their British civil service days.

That is not to say that the two friends held exactly the same political views. Brennan was a Nationalist, but McElligott was clearly a revolutionary.

Interestingly, given his central role with Collins in the financial aspects of the Treaty negotiations, Brennan was not appointed as the first secretary of the Department of Finance but rather the second. William O'Brien was the first secretary of Finance, with Brennan appointed as the Free State's first Comptroller and Auditor General. O'Brien himself insisted that he was chosen to be secretary of Finance because he just happened to be the Chief Revenue Inspector for Ireland at the time of the handover (O'Broin, 1982). However, O'Brien only served for less than a year before being appointed as the first chairman of the Irish Revenue Commissioners, which itself was not established until 1923, with revenues prior to that date collected by the UK Inland Revenue on an agency basis. Chairman of Irish Revenue was the post that O'Brien probably truly wanted and to which he was no doubt best suited. It was C. J. Gregg, on loan to the Department of Finance from London, who recommended the establishment of a Board of Irish Revenue Commissioners. Sir Cornelius Gregg himself was later appointed chair of the UK Inland Revenue in the 1940s.

O'Brien, concerned that his appointment as chairman of Revenue might be seen as a demotion, insisted upon the right that, as chairman, he should be given direct access to the Minister for Finance without having first to go through Finance officials (Reamonn, 1981). This right of direct access for the chairman of Revenue to the Minister for Finance continues to this day.

Brennan is likely to have hand-picked the first group of principal officers into the Department of Finance. These included Walter Doolin, Arthur Codling and John Houlihan. But the wider department was built up from taking in people from the Post Office, the National Insurance Commission, the Law Courts, the Local Government Board and the Chief Secretary's Office (O'Broin, 1982). In addition, the British administration loaned a number of senior officials, including Gregg, on a temporary basis.

According to Frank Duff, another early Finance man, and later the founder of the Legion of Mary, in the 1920s 'the Irish state was being built up and in the Department of Finance you were in the very centre of things'. Other early Finance officials of note included Sarsfield Hogan (later second secretary in the Department of Finance, President of the IRFU and member of the International Rugby Board), John Leydon (later secretary of the Department of Industry and Commerce), Maurice Moynihan (later a drafter of the 1937 Constitution and secretary of the Department of the Taoiseach) and Eoin O'Broin (later secretary of the Department of Posts and Telegraphs) (Kennedy, 2011).

### **Early preoccupations for the new finance ministry**

In the early months of its operation the Department of Finance, under Brennan's stewardship, focused on settling outstanding financial matters with the UK Treasury, preparing financial statements for government, raising a national loan and instigating the procedure of requiring Finance sanction before departments could expend public monies.

According to J. J. Lee (1989), the combination of Cosgrave, Blythe, Brennan and McElligott ensured that the new state concentrated on significant public expenditure retrenchment. Blythe reduced government expenditure from £42 million in 1923–4 to £24 million in 1926–7.

By mid 1925 relations had reportedly deteriorated between Brennan and Blythe. Brennan left the Department of Finance in 1927 when he was appointed chairman of the new Currency Commission, and subsequently became the first Governor of the Central Bank of Ireland.

There was little surprise as to Brennan's successor. At the age of thirty-seven, James J. McElligott was appointed as secretary of the Department of Finance, a post he held for the next twenty-five years.

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