# Ireland Central Bank and Federal Reserve of US

## Introduction

Central banks in various countries are institutions tasked with controlling and supervising the monetary policies. Some of the general functions of a central bank are circulation of currency, stabilizing the currency value, acting as lender of last resort to other banks, regulation of credit supply and maintaining the country’s financial stability. The aim of this paper is this paper is to compare and contrast the structure and operation of the United States, The Federal Reserve, and Ireland Central Bank.

## Establishment of Ireland Central Bank

The Republic of Ireland is a country in the in North West Europe. It is an island located in the North Atlantic with Dublin as its capital city. The Central Bank of Ireland was formed in the year 1943 under the Central Bank Act of 1943. The headquarters are located in Dame Street, Dublin City. This was after the government dissolved the Currency Commission. At the time of its establishment, the body had limited powers and jurisdiction. It was mainly tasked with maintaining the stability of the currency. Other core functions of central banks such as banker to commercial banks and regulation of credit were not assigned to it. The Central Bank was headed by a governor who presided over a board of directors composed of eight members. Later in 1971, through the Central Bank Act, it became a fully-fledged functional central bank.

## Financial structure of Ireland Central Bank and Federal Reserve.

The Ireland Central Bank performs key monetary regulatory and statutory functions. One of its core roles is determining the risks in the financial system of the country and offer up to date alerts of present and future concerns. This involves mitigated risk approaches such as barring the operation of failed institutions. The Central Bank of Ireland is also mandated with keeping the country’s and the region’s (Europe) payment system secure. Other roles of the Central Bank are issuing quality banknotes and coins that are used as currency and protection of consumers through stabilizing prices of commodities. It also acts as the banker to the government by undertaking all remittances and other transactions on its behalf, providing loans and controlling the country’s accrued debt.

The Federal Reserve serves the US as its major central banking system. It was founded in 1913 through the Federal Reserve Act. One of the main reasons for its establishment was to deal with major financial crises but later developed into a big institution with various functions. The Federal Reserve manages all monetary crises that arise from economic depressions and instabilities. Useful economic information is provided through the Beige Book while it also ensures regional distinction is achieved among financial institutions and banks (Piccoli, 2015). Similarly, it acts as the government banker by keeping both federal and state deposits. It also conducts its monetary policies through managing inflation and deflation rates, stabilizing prices and pursuing employment opportunities (Amadeo, 2017). The Federal Reserve is also tasked with minimizing conflicts that may arise between the centralized government and commercial banks through supervision and regulation of the latter. It ensures that the US’s position in the money market of the world remain strong through by analyzing the financial risks and implementing strategies to contain operations that may hurt the economy. Both the Ireland Central Bank and the Federal reserve of the US operate as independent entities with monetary autonomy. The central bank of Ireland is committed to being an independent and influential body without external interference. On the other hand, the Federal Reserve is an independent institution whose Board and Federal Open Market Committee (FOMC) make all the decisions from research findings. Such is its independent operation that the US president, Congress or Treasury are not involved in approval of its decisions.

## Financial intermediation and the role of central banks in the process.

Financial intermediation is a process that involves circulation of the currency whereby commercial banks lend money deposited to other people who borrow. People who deposit the money are consumers or savers who want to keep it safe while the borrowers may be investors or companies that are in need of the resource. It is the main source of profit for banks since they lend at relatively higher interest rates than they pay for deposits (Abel, 2014). The process is enabled by existence of a double coincidence of wants where some people have extra income they wish to save for a given period while others are in need of the approximate amount saved over the same period. Since it is risky, difficult and insecure to carry these transactions directly, commercial banks offer the service of acing as the intermediary between lenders and borrowers. The banks form a pool of money resource from small savers, provide safekeeping, liquidity, spread risks and provide information in their intermediary capacity. Through the transactions enabled by intermediary banks, firms are able to borrow and lend. Central banks, including the Central Bank of Ireland and The Federal Reserve play an important role in intermediation. Since the central banks are the main banks, all borrowing and lending processes are done through them in order to harmonize both processes. This role is important because different firms or individuals borrow and lend at different banks.

## References

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