Tithe an Oireachtais
Houses of the Oireachtas

Joint Committee of Inquiry into the Banking Crisis

Witness Statement of

Robert Pye

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[1] *See s.37 of the Houses of the Oireachtas (Inquiries, Privileges and Procedures) Act 2013*

Reply by Robert Pye to questions put to him by the Banking Inquiry

As I stated in my letter to the Chairman of 30 June, 2015 (copy appended), the questions put to me in this questionnaire do not focus adequately on the points of concern raised in my detailed submission to the Inquiry of 7 January, 2015. However, in response to a letter from the Chairman dated 16 July, in which I was asked again to complete the questionnaire – my letter of 30 June notwithstanding – I submit herein a set of replies to the questions put to me, which are framed as far as possible by reference to my submission to the Inquiry of 7 January and my submission to the Wright Review of the Department dated 10 October, 2010.

Between 1997 and 2010 I served at Assistant Principal level in the Strategic Management Unit, which was located within Corporate Services Division. A more detailed account of my assignments, as well as my qualifications, may be found in the introductory part of my submission to the Wright Review.

When considering my response, it is important to note that I was very dissatisfied with the report of the Wright Review. It failed to provide an adequate analysis of the decision-making processes within the Department as they pertained to the crisis that developed over this period and, worse still, it failed to identify in a transparent way the principal sources of administrative and systemic failure within the Department. Reading its 'analysis' I would never have guessed that it was the same Department that I had worked in for many years. Rather, it seemed to be discussing a hypothetical entity that existed only in the minds of its authors.

The responses herein assume that the reader will already have read my submissions of 10 October, 2010, and 15 January, 2015, and will be familiar with the arguments and views expressed in each of them.

Robert Pye *
22 July, 2015

*Employed by the Department Finance 1979-2010

		Line of Inquiry	QUESTIONS
1	R1a	**Appropriateness of regulatory regime** As I stated in my submission of 7 January, the Department's oversight of the regulatory regime operated by the Financial Regulator was far from satisfactory. There is little evidence to indicate that, during the period 2003-2008, the Department was checking in a realistic fashion the extent to which the new regime was implementing measures that were at least as effective as those which operated under the old Central Bank arrangements. As I noted in my submission, a completely new regulatory system was then in place, under an entirely different management structure, and yet, as far as I could tell, the Department was continuing to operate as though nothing of major significance had transpired. The Strategic Management Unit was responsible for compiling the annual ***Risk Management Strategy*** for the Department, using material supplied by Assistant Secretaries and Directors. The draft strategy was then submitted to the MAC for discussion and approval. I do not recall that either the effectiveness of the Financial Regulator or the massive increase in developer and household borrowing for property investment were ever flagged as risks requiring special attention.	During your tenure in the Department of Finance, what was the role of the DoF in overseeing the Financial Regulator? Was this role generally restricted to legislative issues or did it expand beyond this?
2	R1a	**Appropriateness of regulatory regime** This lapse was inexplicable, in my opinion. There was a general lack of awareness at Principal Officer level and above of the risks entailed by this unprecedented expansion in credit. In my capacity as secretary to both Groups, I attended virtually all meetings of the Principal Officer Group and the Assistant Secretary Group during this time (around a hundred or so meetings in total in the period 2004-2008), yet as far as I can recall none of the following were singled out for special attention: (a) the stability of the banking system; (b) the effectiveness and reliability of the new regulatory regime; or (c) the sustainability of the public finances.	From the evidence put before the Joint Committee by DOF, no notes or analysis were prepared on the banking sector, or the strong credit growth in the banking sector, during the period running up to the crisis. Was this, in hindsight, a mistake, or are you aware of any such analysis?

		I tried several times to have an item included on the agenda of both groups that would deal with the issues raised in my seven 'warning' papers, but without success. I even suggested to my superiors on several occasions that it be raised under 'Other Business', but this was never considered appropriate. Several members of both Groups had already received one or more of my papers and could have raised the matter themselves under 'Other Business', but this never happened.	
3	**R1a**	**Appropriateness of regulatory regime** The Strategic Management Unit did not provide independent briefing or advice to the Minister. To the extent that the Unit provided briefing, it was as a conduit for material supplied by individual Assistant Secretaries and Directors, organised and edited by the Unit with reference to the forum concerned, e.g. Committee on Finance and the Public Service. In our annual ***Progress Report on the Department's Statement of Strategy*** over this period, which the Unit compiled and edited, there was no suggestion that the economy was in danger of overheating, that the banks were overly reliant on the property sector, or that the public finances were less than perfect – points which could well have been made without undue controversy. Generally speaking, the MAC sought to avoid any public statement that might be seen to detract from the benign scenario that the government was keen to project.	Please describe the general nature of the advice, if any, that the Department of Finance provided to the Minister and Government on the risks involved, especially the growing dependency on construction-related economic activity and tax revenues? Refer in your response to the frequency of such advice and the nature of supporting analyses.
4	**R1 d**	**Composition, skills, experience and number of resources at the Central Bank, Regulator and Department of Finance** The Department had all of the expertise, staff, and experience that it needed to do its job properly. Its failures were related entirely to its inability to take a view on any aspect of public policy that differed, even moderately, from the stance favoured by the government. This mindset was so heavily ingrained that senior managers – many of whom were working long hours and were subject to a variety of pressures – virtually lost the ability to take an adversarial position on anything.	In your opinion were staffing levels at the department during your tenure at the Department of Finance adequate or not? Was there a retention problem, or problems finding replacements for suitably skilled staff, during your tenure?

		Contrarian views were strongly discouraged. The only heated discussions that I ever witnessed at meetings of the Assistant Secretary and Principal Officer Groups were related to the allocation of staffing resources. There was a marked reluctance to tackle any issue that might prove to be politically sensitive, even where there was strong analytical support for a contrarian view (as I witnessed on several occasions). As far as I could tell, the only side of the house that put facts before politics was the IT side. A good IT manager could find another, possibly better paid, job outside and did not fear the politicians. Career civil servants, on the other hand, did not have that option and were all too willing to tell their masters what they wanted to hear. An expression one often heard in the Department at that time was, "Don't rock the boat."	
5	**R2a**	**The effectiveness of the use of supervisory powers** I understand this question to mean: 'What could the Department have done to encourage the Financial Regulator to implement measures that would have imposed greater discipline on the banks?' The Department is represented on the board of the Central Bank and could have used its statutory position to put pressure on both the Central Bank and the Regulator. It would not appear to have done so. In addition, as economic advisor to the government, the Department had countless opportunities to alert the government to the dangers inherent in the policies being pursued by the banks. In doing so it could have listed the measures that the Financial Regulator could have implemented in order to cool the property market. There is no evidence that it did this, as far as I am aware. Furthermore, the Department was entitled – and, in my view, statutorily obliged – to investigate the effectiveness of the new regulatory regime, particularly as it was a start-up operation with a legislative mandate that was no less demanding than that which applied formerly to the Central Bank. As I stated above, there is no evidence that it did so.	What influence did the Department of Finance have in slowing down/stopping the Financial Regulators initiatives to tighten up bank regulation (Compliance statements, Fit & Proper requirements, changes to regulatory capital requirements)?

The Department also had contact with major institutions and agencies at a very high level and would have been in a position, at least informally, to test the waters and form an opinion as to what was "really" happening behind the scenes. For example, the staggering rise of Anglo could not be explained using standard economic models and therefore the legality of its operations should have come into question as early as 2004. [redacted]

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On top of this, the Department had two major sources of independent economic expertise to draw upon. The first was the NTMA, which was required to monitor developments, both domestically and on the international front. The other was the ESRI, which had mainly a domestic remit but also surveyed the international scene for relevant trends impacting on the Irish economy. The Department could have opened a confidential dialogue with one or both of these bodies in order to enlarge its understanding of factors affecting the Irish banking system. There is no evidence that it did so.

The Department also ignored the warnings and substantive evidence set out in my seven papers in 2004-2005. In my submission to the Wright Review, I stated: "I persisted and managed to get a meeting with 3 well-placed Assistant Secretaries. The meeting, which took place on 13 October 2004, lasted about 40 minutes. They agreed that the risks I had identified were legitimate but not with the high rating I had ascribed to them or with my overall conclusions. They argued that one of my main recommendations – that the state should run a large budget surplus for several years – was simply untenable on political grounds. (A large surplus could have been placed in a sinking fund and used to reflate the economy after the tsunami struck. It would also have greatly reduced the rate of growth in public expenditure and thus lessened the severity of the impact.)" These three officials were later promoted to the rank of Secretary General.

6	**R2 b**	**Nature and effectiveness of the operational implementation of the macro economic and prudential policy** I can only speak in relation to the period 2003-2008 since I was removed from my job in 2009 and forced out of the Department in 2010. In the course of my work in the Strategic Management Unit I never came across evidence of a confusion of responsibilities in this regard. The Unit compiled an annual statement of ***Assign-ments of Responsibility*** in which the roles and responsibilities of officials at Assistant Secretary and Director level were clearly set out. (The statement was approved by the MAC.) The Department had no responsibility for the regulation of the financial sector, but it did have responsibility for ensuring the effectiveness of the structures in place to regulate and oversee the sector, namely the Central Bank and the Financial Regulator. Thus the onus was on the Department to ensure that the new regulatory regime (which the Department helped to introduce) was actually fit for purpose. As far as I am aware, there was no lack of clarity as to where responsibility for this lay within the Department.	Was there clarity in the roles and accountabilities for managing financial stability issues in the period 2003 to 2008, during the crisis and post 2010? In your opinion, what were the respons-ibilities of the Depart-ment of Finance in this process?
7	**R2 b**	**Nature and effectiveness of the operational implementation of the macro economic and prudential policy** I had no direct involvement in these matters. I can say, however, that there was no discussion at either the Assistant Secretary Group or the Principal Officer Group that would indicate that the Department was unduly concerned by these reports. Since I had circulated my first paper in June 2004 I was listening carefully for remarks by officials who might possibly have shared my concerns.	The Central Bank's Financial Stability Reports were flagging risks (such as rapid house price inflation, escalation of lending to fund commercial property etc.) to the financial system as early as September 2004. What action, if any, was taken by the Department of Finance in response to these reports?

8	**R2 b**	**Nature and effectiveness of the operational implementation of the macro economic and prudential policy** As far as I can recall, neither the Assistant Secretary Group nor the Principal Officer Group asked for an analysis of this nature. Indeed, even though a significant proportion of current expenditure was being met through windfall taxes from the property boom, neither Group queried the wisdom of this policy.	During your tenure at the Department of Finance, were any internal analyses undertaken of the growing dependency on property-related tax revenues? Was the matter discussed at management board level, if so, how frequently and what was the general outcome?
9	**R2 b**	**Nature and effectiveness of the operational implementation of the macro economic and prudential policy** In my opinion, Prof. Fitzgerald is correct. There was definitely a cultural change in the Department after the new government came to power in 1997. It was gradual at first, but by 2001 or thereabouts, it became increasingly difficult to question the prevailing orthodoxy. Very few policy documents prepared for consideration by senior management had a 'contrarian' or 'adversarial' dimension. Since the Unit maintained an archive of papers submitted to MAC, I was in a position to observe this trend. One seldom came across proposals that ran counter to what the government was known to want. One of the most egregious examples of this was the Decentralisation Scheme, which was introduced in 2003. It conflicted outrageously with everything we were trying to do via the Public Service Modernisation Programme, but not one senior manager challenged this ridiculous *volte-face*. Another disturbing example was Benchmarking. The following is extracted from my submission to the Wright Review:	During his Hearing in the Context Phase of this Banking Inquiry, Prof. Fitzgerald said: "There was a cultural change in the Dept of Finance in the last decade. It became more concerned about the politics of things and less interested in the technical detail. I would have had less interaction." Would you like to give us your own view on these comments?

		"Another obvious abuse, which should also have drawn considerable ire from the public, was the Benchmarking scheme. Instead of having one system of pay determination, public servants now had two – and each operated without any obvious regard to the other. If the standard Partnership arrangement was fair, then there was no justification for Benchmarking. On the other hand, if the standard Partnership arrangement was unfair, then workers in the private sector were being deceived by the state. One cannot have it both ways. "To crown it all, the papers relating to Benchmarking were withheld from the public. This ensured that the entire exercise and the spurious principles which underpinned it were hidden from objective scrutiny. It is unclear how strenuously the Department argued against the Benchmarking scheme, if at all. However if it did its efforts were singularly unsuccessful. The scheme added billions to the public service pay bill and did enormous damage to Ireland's competitiveness." What the politicians wanted, the politicians got. It was that simple.	
10	**R2 b**	**Nature and effectiveness of the operational implementation of the macro economic and prudential policy** The reason a 'soft landing' scenario was accepted by the Department was because the government wanted a soft landing. There is no mystery to this. There was nothing in conventional economics that would have made a soft landing a certainty and there was plenty of historical evidence to show that a soft landing hardly ever occurred in practice! Bubbles burst. That's why they are called bubbles. They are not balloons that slowly deflate. A property bubble is a kind of Ponzi scheme. Everybody does well until the last gullible pundit arrives and finds that the value of his asset was grossly inflated. There is no buyer of last resort and every market, no matter how big, eventually runs out of buyers. When that happens the entire scheme collapses.	In your recollection, what were the reasons for the CBFSAI Board/ Department of Finance in favouring a soft landing scenario for the property market over a hard landing? Were these reasons ever discussed in detail? Honohan points out that the FSR cites no quantitative analytical evidence for this conclusion.

		The Department rather conveniently undertook no quantitative analysis of the real prospect of a soft landing since there was always the possibility that the analysis would not have given the answer the government wanted to hear. If one were to choose a specific charge to level against the Department, one which seriously questioned its professionalism, it would have to be its continued insistence that a soft landing was the most likely outcome when it had absolutely no credible analysis to support this contention. To this charge can be added the Department's inexplicable failure to ensure that the new regulatory regime was actually fit for purpose. As Nyberg remarked, with reference to the Department, the Regulator, and the Central Bank: "Early action by even one of these official institutions could have had a major impact in averting the disaster that eventually unfolded" (para 4.9.1)." In other words, had even ONE of these three institutions done its job properly, the catastrophe would never have happened – which is undoubtedly correct.	
11	**R2 b**	**Nature and effectiveness of the operational implementation of the macro economic and prudential policy** Requests of this kind would not normally be directed to the Strategic Management Unit. I never heard of any such requests.	Was the Department of Finance ever asked (and by whom) to undertake studies on the effects of the strong credit growth of the banks on the financial stability of the State?
12	**R2 b**	**Nature and effectiveness of the operational implementation of the macro economic and prudential policy** The Unit had no direct involvement in these matters.	Could you describe the nature and extent of the co-operation and exchange of information between economists in the Department of Finance with colleagues in the Central Bank, ESRI and other external economic forecasters during your tenure at the Central Bank/ Department of Finance?

13	**R2c**	**Effectiveness of the Supervisory Practice (Central Bank, Regulator) Adequacy of the assessment and communication of both solvency and liquidity risks in the banking institutions and sector** The Unit had no direct involvement in these matters.	Can you give us your perspective on the solvency of the banks in 2008 in the context of the capital injections that followed?
14	**R3 b**	**Nature and appropriateness of the relationship between the Central Bank (including the Financial Regulator), Department of Finance and the Banking Institutions.** It is hard to say what exactly is meant by 'constructive ambiguity' (which is ironic), but if it means finding an excuse not to rock the boat, then, yes, such an attitude was commonplace.	Looking back to the period leading to the crisis, what is your view on what is called "Constructive Ambiguity"? Was it effective or did it possibly obscure the hard realities of the liquidity and solvency issues of the banks?
15	**R3c**	**Effectiveness of the communication between the Central Bank and the Department of Finance** The Department is the final line of defence against attacks on the public finances. For this reason alone it cannot afford to take any information it receives purely at face value. The working relationship between the Central Bank and the Department prior to the implementation of the new regulatory regime was fairly productive, as far as I could tell. The senior officials on both sides seemed to have meaningful interaction and were able to 'work' with one another. This changed under the new regime. The Central Bank was no longer the power it once was, while the inner workings of the Financial Regulator were very opaque. While these impressions were formed in the course of my official duties and are open to challenge, the Department, it seemed to me, was no longer 'in the loop', as they say. The Department was entitled in law to challenge any information supplied to in by the Central Bank or the Regulator, assuming it had a fair and objective basis for doing so. If the Department did not challenge the information supplied to it by the Regulator, either in relation to its accuracy or its completeness, then it has to be assumed that it was satisfied with the information.	Each year, the Governor of the Central Bank would issue a pre-budget report to the Minister for Finance, known as the "Governor's Letter". Should the Governor's Letters or any other reports from the Central Bank always be taken at face value and not subject to challenge from within Dept of Finance? What processes does the Department of Finance have to challenge information provided to it by the Central Bank?

		If it sought but did not receive additional information, it was entitled to go to government and seek effective disclosure, or otherwise to apprise the government of its concerns. It could also have asked the Central Bank to exercise its powers under the 2002 Act and request the Regulator to make the necessary information available.	
16	**R4a**	**Appropriateness of expert advice sought, quality of the analysis of the advice and how this advice was used** The Department would not normally shape its policies by reference to advice received from the Central Bank. Rather, it would take that advice into account when formulating its own view. So, regardless of the advice received by the Minister from the governor of the Central Bank, as insipid or unrealistic as it may have been, there was a legal onus on the Department to check the facts for itself and not take such advice at face value.	After 2004 the IMF, OECD and ECOFIN all clearly recommended a tighter fiscal stance and the building up of a 'cushion' for the time when income from property related transactions would fall. Can you discuss why in your view the Central Bank's recommendations to the Minister did not more forcefully alert to this issue?
17	**R4a**	**Appropriateness of expert advice sought, quality of the analysis of the advice and how this advice was used** The Department has made extensive use of outside consultants to advise it in relation to a range of public policy matters, so it could not validly be said to have had a culture of insularity or that it was not receptive to good advice from third parties. However, in my opinion it did not seek external advice in relation to either the banking sector or the property sector because advice that was contrary to government policy on these sectors was not really welcome. Even if some senior managers were anxious to undertake such an initiative – and I don't believe any were – it would not have gone any further than the Minister's desk (assuming it got that far).	According to the document provided, very little external advice was sought or obtained on specific areas of economic development by the Department of Finance, for example the development of the banking sector, or the dependency of the economy on the construction sector. Could you explain why was no external advice requested?

In my submission of 7 January I addressed this matter at some length. In it I show that the quality of the analysis that was used to endorse a number of fundamental changes to the system of financial regulation was, quite frankly, deplorable. When it came to power in 1997 the government embarked on a major programme of regulatory reform without undertaking an in-depth analysis of the existing system or of emerging practices in the marketplace that might have warranted additional statutory safeguards or reforms.

As I stated: "In July, 1998, the Oireachtas joint committee on Finance and the Public Service published a report entitled ***Review of Banking Policy: The Regulation and Supervision of Financial Institutions***. The Committee based its report on evidence gathered from "key individuals and organisations" who were called to appear before the Committee, as well as information gleaned from two overseas trips by members of the Committee, one of which was led by Deputy Michael Ahern, who chaired the Committee, and the other by Deputy Michael Noonan...One doesn't need the benefit of hindsight to see that the Committee had only one objective, namely to rubber-stamp a decision that had already been made in the higher echelons of the Irish political establishment."

In my view, the Department behaved shamefully when it failed to contest the government’s decision to overhaul the regulatory system solely on foot of the amateurish ramblings in the Committee’s report.

It had a further opportunity to take a stand when the government established the McDowell Advisory Group, but again it rolled over and let the government dismantle a system of financial regulation that was functioning effectively and replace it with an untried, experimental model that might or might not work.

		As I said in my submission of 7 January: "It is evident that the Group was constituted for the sole purpose of approving the creation of an SRA without any requirement to examine the risks involved. No arguments or evidence to the contrary were either sought or entertained. Just like the Joint Oireachtas Report, it was simply a rubber-stamping exercise."	
18	**R4c**	**Appropriateness of expert advice sought, quality of the analysis of the advice and how this advice was used** You are asking the wrong person. I was the only one to circulate papers within the Department warning of the coming crisis – seven in the period 2004-2005. Virtually no-one wanted to hear. It is a mark of the atmosphere or management ethos within the Department at that time that in order to do this I had to (a) frame my concerns in the context of global economic and geopolitical developments, as otherwise I would have been accused of encroaching on the work of another section (which is utterly taboo) **AND** (b) circulate them in a private capacity since I knew that, in the context of FoI, many senior managers would have been uncomfortable receiving papers that were plainly at variance with the advice they were giving the government. One college professor asked on an Internet forum why I didn't give more detail in my papers of the impact that the collapse would have on the Irish economy. If I had, I would have been told to stop circulating them. It's really that simple. As it was I managed to get in enough detail to make it clear to anyone with a rudimentary knowledge of economics that the impact would be extremely painful. I was able to supply additional detail in private conversations, emphasizing where I could the speed with which the contraction would occur – this is something that many found very hard to believe.	Concerns over the state of the housing and construction industry were voiced in some speaking notes and internal comment papers within the Department of Finance in as early as in 2003. Were you aware of staff members that brought up these concerns, and do you have an opinion on whether those concerns should have been handled differently?

19	**R4c**	**Analysis and consideration of response to contrarian views (internal and external).** As far as I can recall most senior managers seemed willing to accept the loudly voiced government opinion that Morgan Kelly was a doomsday dilettante who only wanted attention. Furthermore, since the Department had already nailed its colours to the mast on several occasions by predicting a soft landing, there was little appetite (as far as I could tell) for any serious reconsideration of the official position. The cynical "if I have it I spend it" attitude had done immense damage to the Department's critical faculty.	Morgan Kelly published an article on a potential house price bubble in the Irish Times end of 2006 and later published a report on the same theme as part of the ESRI bulletin in summer 2007. Can you recall if any discussions were held at Senior Management level in Central Bank/ Department of Finance afterwards? Were Morgan Kelly's concerns given serious consideration?
20	**R4c**	**Analysis and consideration of response to contrarian views (internal and external).** I was unable to find anyone who would "take a stand" as it were. I only learned some years later of the concerns expressed by an AP working in another Division. Seemingly those exchanges were confined to that Division and, unfortunately, did not circulate more widely.	Were you aware of any contrarian voices inside the Department of Finance in relation to the Property inflation issues or the issues in the Banking System, and would you want to elaborate on this?
21	**R5 b**	**Appropriateness of advice from Department of Finance to Government** This is a hard question to answer since it assumes that the Department *wanted* to know more about this sector. In my experience the Department was content to take the view that, unless a matter came to its attention, it could not be held accountable for any failure to intervene. This was certainly the case in relation to matters which senior managers knew would **not** receive serious attention and support at government level. It is difficult to convey to the average person the deeply clientelist nature of Irish politics. People assume that the government "cares" about them, but this is a very naïve attitude. For example, when in opposition members of the current government did virtually nothing to defend the Irish people in the Dail against the government's perverse fiscal policies. They were content to sit idly by for ten years and wait their turn.	One of the most serious macro economic flaws identified by Regling-Watson was the over exposure of Banks to commercial property, including land and development sites. Was the Department aware of the risks, and what steps, if any, had been taken to address these issues?

		As I have said before, it was not easy for a senior civil servant to oppose a minister in a matter of public policy when he or she faces no serious opposition in the Dail. The Irish parliamentary system performed very poorly over this period. Many TDs would have known the extent of the risks being taken by developers, but they said nothing. They would also have known about the Anglo casino, but they said nothing. It makes little sense to talk of "serious macro-economic flaws" when well-paid public representatives obstinately refuse to use their common sense and speak out of turn.	
22	R5 b	**Appropriateness of advice from Department of Finance to Government** The Unit had no direct involvement in these matters.	How robustly was the Minister challenged on the tax and spending policies implemented in the 2000's? What contingency plans were put in place by the Department to deal with the problems which were envisaged?
23	R6a	**Adequacy and impact of international organisation's oversight on banking regulation and supervision activity.** The Unit had no direct involvement in these matters.	Can you describe interaction and in particular the provision of information from the Department of Finance to institutions like IMF and OECD in the running up to publication of IMF or OECD reports on Ireland?
24	R6a	**Adequacy and impact of international organisation's oversight on banking regulation and supervision activity.** Neither the IMF nor the OECD had better information than the Department on the Irish economy. In fact, most of the analysis produced by the IMF and OECD was based on information supplied to them by the Department in response to specific questions and requests put by them to the Department.	Do you judge the IMF country reports and OECD reports as an important information instrument to aid in banking regulation, banking supervision and financial stability issues? If yes, why, if not, why not?

		Generally speaking the Department would never have relied on reports prepared by the IMF or OECD when framing public policy. Rather its principal concern was to ensure that the reports produced by those bodies gave a favourable picture of the Irish economy to an international audience and, where criticisms were warranted, that they were presented in a fair and measured way. The Department would be acting contrary to its statutory mandate if it took *at face value* policy recommendations or performance assessments by a third party, whether international or domestic. While it would certainly listen to an organisation with a good track record, it is nonetheless required to take full responsibility for the credence that it places in such assessments and to perform such additional analysis as may be required to supplement its understanding of any particular policy matter. The IMF 'stability assessment report' on Ireland (2006) was a gravely defective piece of analysis but, since it said exactly what the government (and therefore the Department) wanted to hear, it was taken at face value.	