A Small Nation in the Turmoil of the Second World War
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THE DISTRIBUTION OF RESPONSIBILITIES

At its establishment on 27 June 1940, the Banque d’Emission was given a wide range of competences, in line with the view of the German administration and the founding fathers, who envisaged it as Belgium’s central bank for the duration of the war. However, the return of the governor of the Bank from France on 10 July and the repatriation of the substantial stocks of banknotes of the Bank from the strongroom at Mont-de-Marsan placed a check on the original plan for the Banque d’Emission. As the Banque d’Emission was not wholly ready with its new banknotes by the time its deed of incorporation was executed on 13 July, Janssen, as was already said before, was able to persuade the Military Government to allow it to make provisional use of the notes of the Bank.

One of Janssen’s first moves was to try to get the Banque d’Emission rapidly liquidated, but the German authorities rejected his proposal; according to the Bankaufsichtamt in Brussels, the veto came from Berlin, the Reichsbank being unwilling to go back on its original decision. Janssen consulted the jurist Rolin about the matter, but Rolin’s assessment was formal: the Banque d’Emission had been validly established and the return of the Bank from France did nothing to change the situation. The only course in Rolin’s view was to adopt a pragmatic stance: accept the co-existence of the two institutions and search for a division of responsibilities that was as much in the Bank’s favour as possible.

2 BNB, Archives, SD, dossiers officiels après 1945, dossier 13: note résumant l’entretien du 24 septembre 1940 entre M. le Gouverneur et M. Henri Rolin; consultation de M. Henri Rolin (undated).
Janssen drew up a general proposal for the distribution of tasks and presented it to the Military Government in a memorandum of 29 July. Now that the Bank had returned to Brussels and the dire shortage of banknotes and coins had been resolved, the Bank should resume its traditional competences and functions. The Banque d’Émission, however, ought not to disappear, as legally it had broader powers than the Bank and could focus its activity on those areas for which it had legal competence and the Bank did not.

At the time of the Banque d’Émission’s establishment, nothing had been formally settled concerning the notes of the Bank being made available to the new institution. Janssen wanted to have this matter sorted out and suggested that the Banque d’Émission employ credit operations with the Bank to ensure itself of the requisite banknotes. However, he was unable to present any concrete proposals regarding an arrangement for clearing and for resolving the issue of dual circulation; these were matters that the Germans would have to decide.

It took until 20 August 1940 for the Military Government to respond to Janssen’s general proposal, but the situation was made immediately clear when it did. Janssen was not to think that he could treat the Banque d’Émission as a subordinate department of the Bank; the Banque d’Émission was and remained the country’s sole issue institution: it was true that, to that end, it was using the notes of the Bank, but this was purely a temporary arrangement that had a psychological purpose, namely to ensure the confidence of the population in the fiduciary money. Moreover, the Banque d’Émission was competent to pursue a fully open-market policy and, of its own accord, to conduct all credit operations permitted by its bye-laws; consequently, it was not obliged to go through the Bank, as Janssen proposed.

Lastly, the Military Government confirmed the allocation of other important tasks to the Banque d’Émission. The Belgo-German clearing account at the Deutsche Verrechnungskasse in Berlin would remain in its name, meaning that the management and the pre-financing of all...
clearing operations would fall within its responsibility. It would also continue to manage third-party deposits at the Postal Cheque Office and would henceforth assume in full the function of State exchequer; in addition, it would be required to expand its activities in the provinces and advertise its presence clearly to the public by means of explicit notice-boards in all the Bank’s branches.

The German memorandum of 20 August thus threw Janssen’s suggestions into total confusion. In the opinion of the Bankaufsichtamt, the Bank’s chief task was ultimately to make its reserve of banknotes available to the Banque d’Emission. The Bank was also to concentrate on securing the repatriation of the gold it had placed in safe custody abroad. It would be permitted to manage its other assets and settle its current transactions, but no longer to attract new deposits or undertake new transactions.

THE CHALLENGE TO LEGAL COMPETENCE

The reorganization of the Postal Cheque Office was, in fact, the result of a long and exhaustive discussion set in train by the private bankers, a discussion prompted by the great confusion that arose from the flight of that public institution’s management abroad at the time of the German invasion and from the temporary misplacing of documentation. The situation was made use of by the private bankers to begin a campaign for rearranging the functions of the Office. Their most important arguments were psychological and financial. In their opinion, during the preceding months the population had lost confidence in it. Furthermore, it was procedurally unacceptable for the Treasury to have a right of free and unlimited access to the third-party deposits of the Office; consequently, there was an urgent need for a clean split between State and private accounts. In an agreement of 3 August between the Ministry of Finance, the Bank and the Banque d’Emission, the Military Government closed the discussion by transferring the management of the third-party deposits to the Banque d’Emission.

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The ensuing months saw a new and acute problem in connection with competences. On the Banque d’Emission’s establishment in June, the Military Government had included the function of German commissioner in the bye-laws and had clearly defined his area of competence. However, nothing had been determined with regard to a commissioner at the Bank. In the discussions at Wiesbaden in the autumn in respect of the gold deposited with the Banque de France, von Becker had acted as the Bank’s representative, but did so wrongly, claimed Janssen, because he did not have the authority to do so, as his competence was limited to the Banque d’Emission. This problem was resolved on 16 December by the Military Government issuing an ordinance declaring that the competences of the commissioner at the Banque d’Emission extended to the Bank. It was announced at the same time that the commissioner could legally represent the two institutions both at home and abroad, and on behalf of both could perform all legal acts and take measures of disposition.

A similar dispute with regard to competence emerged in respect of the Weisungsrecht. Did the occupying power have the right to direct the Banque d’Emission to execute certain transactions? According to the bye-laws, the military commander was entitled to make use of that right where a conflict between the Military Government and the Banque d’Emission led to a deadlock. Such situations actually occurred occasionally from 1941 on, but when the commissioner at the Banque d’Emission looked to apply the Weisungsrecht, the management each time refused to fall in line, arguing that the bye-laws laid down that only the military commander or his representative, Reeder, had that right, and then exclusively in an actual situation of deadlock; in formal terms, the commissioner had no competence in the matter. The Military Government was extremely irritated by this stance on the part of the management, but never directly quarrelled with it and – reluctantly needless to say – always respected the procedure laid down. Application of the Weisungsrecht was to remain a bone of contention for both parties throughout the period of the occupation.

7 BNB, Archives, Prack Papers: Das Währungs-, Geld- und Bankwesen in Belgien, 10 Mai 1940 – 31 Dezember 1943. See also: BNB, Archives, SD, Malaise Papers: Kauch, La Banque Nationale (unpublished text), Part 1, Chapter. 3, pp. 43-45.
The distribution of tasks between the two institutions, as officially restated by the occupying power on 20 August 1940, continued to rankle with Janssen, who could not accept the subsidiary role thereby accorded to the Bank. Meanwhile, though, in the autumn public opinion had begun visibly to turn against the occupier, whose true face was gradually being revealed by the requisitioning of all types of goods, the imposition of mandatory declaration of holdings of gold and foreign currency, the burden of billeting, the high costs of occupation, the increasing shortage of food, rationing, the restriction of freedom, the introduction of the curfew and other wartime measures. The German ‘New Order’ was losing its initial attraction. Furthermore, the idea of German military superiority was being undermined by the Germans’ failure to prevail in the Battle of Britain and tenacious British resistance. The depression felt by the conquered was giving way to optimism, albeit cautious. The Belgian people had begun to rediscover their ostensibly lost patriotism and their solidarity in the struggle against a common enemy, the hated occupier.

The Bank, too, was not unsusceptible to a similar change of mentality, though that is not to say that Janssen’s patriotism had ever wavered; right from the moment of his return, it had been central to everything he undertook and to all his decisions. During the summer of 1940, however, it was expressed chiefly in leaning towards the policy of accommodation, which was initially directed at the recovery of the economy and the expansion of employment.

As a result of the first sharp disagreements with the Military Government and the realization that a compromise peace was becoming increasingly unlikely, Janssen came to fear – intuitively, perhaps – that, however honourable the intentions, the policy of accommodation involved great risks for the Bank’s future. Certain competences could, in fact, lead to activities that were contrary to the institution’s purpose, an instance of this being cooperation in obtaining the repatriation of the Belgian gold from France, which the German authorities insisted on. Consequently, in the autumn of 1940 Janssen began to work even harder to protect the Bank from German interference, making a fresh effort to adjust the distribution of tasks between the Bank and the Banque d’Emission. He submitted a proposal to bring the distribution

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8 BIS (Basel), Archives, dossier 7.18 (6), AUB 4/ 21: Struye, l’opinion publique de Belgique après sept mois d’occupation, February 1941.
more into line with the way the war economy was actually evolving. The Military Government approved the proposal on 28 February 1941.

In accordance with the new arrangement, the Banque d’Emission would make use of the notes of the Bank for the duration of the war; there was thus no further prospect of it issuing its own banknotes, so that the Bank need have no worries about its own issue privilege, and the danger of having both types of banknote in circulation in Belgium was averted. The Banque d’Emission would continue to be responsible for all foreign transactions: more particularly, clearing operations and their pre-financing in Belgium, the purchase of foreign currency and gold belonging to private individuals, and all financial and monetary transactions with German authorities, German organizations and German banks active in Belgium. Lastly, it would continue to manage third-party deposits at the Postal Cheque Office. For its part, the Bank would take care of all credit operations in respect of the Belgian private sector, State, provincial and local authorities, public bodies and all other public institutions; it would also continue carry out its traditional function of State exchequer.

This new distribution of tasks represented a substantial victory for Janssen. The Bank regained virtually all its pre-war functions and at the same time was able to shed all activities linked to the occupying power and pass them to an institution set up solely for the duration of the war. In this way, Janssen hoped to protect the Bank against any direct relationship with the enemy, as it had been during the First World War, and be able to pilot it safely through the war, without its role being compromised. The comparison with the First World War was not entirely correct, as – during that conflict – the Bank had ceased its issue activity and the Société Générale de Belgique had used one of its

9 BNB, Archives, DG, 28.02.1941.
10 BNB, Archives, DC BEB, 28.02.1941.
11 The distribution of general costs between the two institutions was to be settled at the end of each year. Each institution would bear the costs regarded as specific to itself and a set formula would be applied to the distribution of other common general costs: BNB, Archives, DC BEB, 02.01.1942.
12 BNB, Archives, SD, Malaise Papers: Kauch, La Banque Nationale (unpublished text), Part 1, Chapter. 2, pp. 46-48.
13 BNB, Archives, SD, enquête BEB, dossier 3-4: Basyn, note relative à l’origine de la BEB et aux résultats de son activité (08.11.1944).
own departments to issue banknotes of its own. Now, the Bank was making its banknotes available to the Banque d’Emission. However, the arrangement had not been settled in law. In fact, it could be regarded as granting advances by the Bank to the Banque d’Emission for financing the costs of occupation, the clearing operations and German purchases in Belgium on the black market and elsewhere. The Bank thus remained involved in all these transactions with the occupier and could not entirely escape the implications ensuing from the Belgian policy of accommodation.\footnote{BNB, Archives, SD, Malaise Papers: Kauch, La Banque Nationale (unpublished text), Part 1, Chapter. 2, p. 48.}

On the side of the Military Government, there was satisfaction with the outcome. The use of the notes of the Bank exerted a favourable psychological effect on circulation. Moreover, it gave the Military Government much greater influence over the Banque d’Emission. It also enabled the Belgian economy to be more easily involved financially in the German planned economy and in the German war effort.\footnote{BNB, Archives, SD, Malaise Papers: Kauch, La Banque Nationale (unpublished text), Part 1, Chapter. 2, p. 43. BNB, Archives, Studiedienst, 2, dossier 01.02.01.70 (A 247/6, s.f. 9): H. von Becker, L’évolution du crédit en Belgique depuis l’occupation allemande (address at Cologne in 1941). See also: H. von Becker, ‘Die Kreditwirtschaftliche Entwicklung in Belgien seit der Deutschen Besatzung’, in: Bank-Archiv, 1941, 1, pp. 11-13.}

The bankers and big industrialists were naturally aware of the unfavourable implications for them of the compromise that had been reached, but they lodged no protest: Janssen was not used to sharing his authority with others. For that reason, the bankers sensibly held themselves aloof at meetings of the board of directors. Furthermore, Janssen had the reputation of being a confirmed patriot, which was an excellent guarantee of the Banque d’Emission’s political integrity. At the same time, he displayed a very co-operative attitude towards the matter of financing clearing operations\footnote{BNB, Archives, SD, enquête BEB, dossier 3-4: Basyn, note relative à l’origine de la BEB et aux résultats de ses activités (08.11.1944).}, which was the essential component of the policy of accommodation and the employment policy being pursued by the bankers and the big industrialists.
When they invaded Belgium in 1940, the Germans were well aware that the country boasted a progressive economy and that half of the active population was employed in industry and mining, and could thus be of great service to the German war machine. The Nazi doctrine of a European Groszraumwirtschaft, however, was one directed towards concentrating all major industries in the fatherland and leaving the production of raw materials and of any simple or half-finished manufactured goods to the periphery. For the exploitation of Belgium, this meant stepping-up the production of coal with a view to its direct export to Germany or indirect export in the form of the electricity it could generate. In other industrial sectors, the German Ministry of Economic Affairs immediately went in search of stocks of scarce raw materials necessary for the conduct of war; when identified, these were requisitioned forthwith and transferred to Germany. The occupier’s hand was felt even more heavily in the transport sector, where, during the first two years of the occupation, about 1,000 locomotives and more than 50,000 railway wagons were seized and sent to Germany.

The Military Government had totally different ideas about how Belgian industry was to be incorporated into the German war effort. The intention of von Falkenhausen and Reeder was to use a vigorous, dirigiste policy to get the Belgian economy working efficiently again and to give the Belgian population a tangible share in the economic recovery. A certain degree of prosperity in an occupied territory could serve only to encourage the commitment of the population and ultimately enable a greater contribution to be made to German war production. Designed to be the cornerstone of this policy were the twelve (subsequently increased to sixteen) Warenstellen for the organization of industrial production, under the direction of the Belgian Ministry of Economic Affairs.

With his decree of 26 August 1940, Goering, who was directing the Four-year Plan for the German economy, more or less went along...

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17 Klemm, German Economic Policies in Belgium from 1940 to 1944, pp. 12-25.
18 Klemm, German Economic Policies in Belgium from 1940 to 1944, p. 29.
19 Nefors, Industriële collaboratie in België, pp. 57-66.
with the Military Government’s strategy. In his view, Belgian industry should contribute to the German war economy by way of orders from Germany. Furthermore, there should be merging of capital (Kapitalverflechtung) between big German and Belgian companies, which would give an additional boost to the contribution from Belgian industry.

In formal terms, the Military Government was the highest authority in the occupied territory of Belgium and Northern France. In practice, however, its authority in economic matters was compromised by the action of all types of other German bodies. The resulting tendency towards a fragmentation of economic authority did nothing to make the incorporation of the Belgian economy into the German war effort more efficient.

According to its advocates – the members of Belgium’s financial and industrial establishment – the policy of accommodation was the best way in which to get the economy in Belgium back on the rails, following the military defeat, and particularly to get employment back to a proper level. However, this general programme concealed other aims, which included maintaining the management of business in Belgian hands, preventing the dismantling of the factories (as happened during the First World War) and opposing the deportation of labour (particularly of the unemployed in the secondary sector) to Germany. Likewise a priority concern was the import of food and raw materials; this could be resolved only by exporting coal, electricity and manufactured goods to Germany and her satellites. Conceived at a time when many still anticipated or feared a compromise peace and German dominance of continental Europe, the policy of accommodation certainly had a degree of common ground with the ideas of the Military Government about how the Belgian economy could best be incorporated into the German war effort.

The key question, however, concerned the extent to which that policy could stretch. With not only the interests of his group in mind, but also, as a confirmed patriot, feeling responsible for the general interest, Galopin initially took a very cautious line in his pronouncements about this problem. His memorandum of 15 July 1940 indicates that a recovery of industrial production to 60 per cent of its pre-war level ought to be

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20 Klemm, German Economic Policies in Belgium from 1940 to 1944, pp. 43 and 82.
sufficient to keep the policy of accommodation within safe limits. This view was endorsed by the Christian employers’ organizations, which also emphasized that, in any case, the production of arms had to be excluded, as had any expansion of production in no matter what firm. Making extra profit was equally excluded and production was required to be directed as much as possible towards supplying the Belgian market. Lastly, employers were not to take advantage of the dissolution of the trade unions to reverse the social progress made during the preceding decades.

Speaking for the Belgian government in London, Gutt, with certain reservations, agreed with the doctrine of the Galopin Committee. On 22 February 1941, he could still write to Cattier, who had met Ansiaux in Lisbon: ‘que quand on a faim, il fallait manger; que pour manger il fallait acheter de la nourriture; que quand on n’en avait pas assez à l’intérieur, il fallait l’acheter à l’extérieur; que pour l’acheter à l’extérieur, il fallait des devises; que pour avoir des devises, il fallait vendre à l’extérieur’ (‘when you are hungry, you have to eat; for eating you need food; if the country does not produce enough food, you have to buy it abroad; buying abroad has to be done with foreign currency, which can only be obtained by exporting goods’. However, his assent to the policy of a resumption of work and exporting to Germany was conditional. In a letter to Hannecart, Gutt expressed his reservation as follows: ‘le tout est dans la façon dont on le fait et dans les rapports avec les Allemands’ (‘Crucial is the way how your exports to Germany and how your relations with the Germans are organized’).

Not all Belgian industrialists behaved moderately. Some chose to co-operate as closely as possible with German industry and at first appeared little inclined to take much notice of the advice of the Galopin Committee. This contrasted with the attitude of the big industrialists from the Société Générale de Belgique group and many others, who observed strict restraint. Attitudes among medium-sized enterprises were similarly divided: many held to the Committee’s view, others used the

24 E. Verhoeven, *Les grands industriels belges entre collaboration et résistance*, passim.
occasion to restore their finances. Numerous Belgian industrial firms had suffered heavy losses during the world depression of the 1930s and were still in a precarious position on the eve of the German invasion; for some of them, there was a great temptation to use collaboration to regain their place in the sun.

The picture of fragile recovery was confirmed by industrial production figures. Despite the special attention given by the occupier to coal-mining, coal output in 1940 and 1941 was 10-15 per cent below its level for 1939. The situation was much worse in the iron and steel industry, as only half of the forty-four blast furnaces operating in 1939 were still active in 1940 and 1941, and things were little better in the metalworking, non-ferrous and textile sectors, due chiefly to the lack of raw materials.

In agriculture, adjusting the acreage under cultivation led to a considerable increase in the production of rye and potatoes, at the expense of the production of meat and dairy. After a time, it proved possible to cover the full requirement for potatoes and three-quarters of that for bread, although this result was achieved to the detriment of other agricultural products, such as meat and dairy produce, and the calculations were made on the basis of poor, insufficient rations. The country was thus still dependent on the import of grain. In this respect, Germany was anything but co-operative, the autumn of 1941 even seeing a temporary stop being placed on the export of grain to Belgium. Prices on the black market rocketed and there was a great deal of hunger in the winter of 1940-1941, especially in the towns. The situation of wage earners was made hopeless by the prohibition on wages being adjusted and all this led to widespread strikes in May 1941. By then, already, the members of the Galopin Committee and their supporters had realized that, as regards the provision of supplies, the fragile policy of accommodation, from which they had hoped for so much, had failed. Simply, the export of manufactured goods to Germany had not been offset by adequate imports of foodstuffs and raw materials, as had been agreed.

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26 BNB, Archives, AV, 30.06.1945: report by the board of scrutineers for the 1940-1944 financial years, prepared on behalf of the supervisory council, pp. 27-33.
27 Klemm, German Economic Policies in Belgium from 1940 to 1944, pp. 69-72.
28 Nefors, De industriële collaboratie in België, pp. 92-93.
No real progress was made as regards unemployment either. It is true that there was a resumption of work, but between 1 July 1940 and 31 May 1941 something like 15,000 workers a month left voluntarily for Germany29, attracted by higher wages and particularly by better rations. Indeed, moving to Germany became even more attractive after the revaluation of the Reichsmark against the Belgian franc on 22 July 1940 (from 1 Reichsmark to 10 Belgian francs to 1 Reichsmark to 12.50 Belgian francs).

These negative developments created a sense of malaise within the Galopin Committee. It was all very well that the policy could be justified on legal and ethical grounds, but it had not served its purpose in those early months: insufficient food had been brought into the country in exchange for Belgian exports, and the resumption of work had proved unable to prevent the exodus of workers to Germany. The Committee was faced with finding a means to change the situation and Galopin saw only one possibility, i.e. raising industrial production from 60 to 80 per cent of its previous level; this would improve Belgium’s hand in negotiations with Germany regarding food imports and immediately create more jobs on the domestic market30.

The German ordinance of 1 August 1940 had prohibited any increase in salaries and wages, ostensibly to stabilize the cost of living. On 29 May 1941, however, following the hard winter of 1940-1941 and the strikes in that same month, the Military Government authorized an 8 per cent rise, though this was far from what was required. At this time, like all wage-earners in Belgium, the staff of the Bank and the Banque d’Emission were finding it extremely difficult to get by on their income, which is why both institutions put various social measures in place that were to prove successful in the longer run. In the first place, they themselves made an adjustment to salaries and wages, albeit indirectly. Additionally, they gave help in kind31, the most important instance of this being a mid-day meal, provided six times a week on the premises of the Bank at a minimum price and without ration coupons having to be surrendered.

29 Klemm, German Economic Policies in Belgium from 1940 to 1944, pp. 140-141.
31 See, among others: BNB, Archives, DC, 20.11.1941.
MONEY CIRCULATION

The policy of bringing about a resumption of work gradually reduced the payment difficulties experienced during the initial months of the occupation. June 1940 saw the lifting of the restrictions of 13 May on the withdrawal of deposits from the private banks and, at the end of July, the clearing houses began to operate again, under the leadership of the Bank. The moratorium on the payment of due invoices and matured securities was ended on 19 August and the Brussels, Antwerp and Liège Stock Exchanges opened their doors again with effect from 21 August\(^\text{32}\). The Postal Cheque Office, too, resumed normal operations: more particularly from 22 July for giro transactions and from 8 August for the withdrawal of deposits.

Together with the scarcity of goods, the increase in the overall money supply formed a breeding-ground for feared price inflation. That inflation had no effect on rationed goods, as the price of these was set by the government and was stable. On the parallel black market, however, prices went up sharply, although major regional differences and a lack of information make it virtually impossible to give accurate figures.

The withdrawal of the *Reichskreditkassenscheine* from circulation was without doubt the biggest monetary problem faced by the *Banque d’Emission* at the beginning of the occupation. The central administration of the *Reichskreditkasse*, set up in September 1939, had created

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Source: BNB Archives, AV, 30.06.1945: general report prepared on behalf of the supervisory council by the board of scrutineers for the 1940-1944 financial years, p. 11.

local cashier offices in the occupied territories, whose purpose was to provide the armies in the field with money. In fact, they operated as mini central banks in their particular areas, using their Scheine to provide the soldiery with cash and also to finance army requisitioning and procurement.

The Scheine were not at all welcome in Belgium. Fresh in everyone’s mind were the bad memories of the mass circulation of Reichsmarks during the First World War. In Janssen’s view, the Reichskreditkassenscheine in 1940 represented a similar danger. First and foremost, their issue was totally uncontrollable and could result in the country falling prey to inflation; secondly, they were an instrument of plunder on a massive scale, to which Belgium had no defence; thirdly, there was no guarantee whatsoever that there would be a proper financial settlement after the war. From the moment of his return from France, therefore, Janssen gave the elimination of the dual currency circulation priority in his negotiations with the occupying power.

On 26 July 1940 Plisnier, Secretary-general of the Ministry of Finance, received a request from the Military Government to transfer 3 billion Belgian francs to its account at the Banque d’Emission, as prepayment for occupation costs, yet to be agreed. Janssen viewed this as an opportunity to request the withdrawal of the Reichskreditkassenscheine from circulation. He accepted Plisnier’s proposal to join him in discussion on the occupation costs, to be held on 9 August with Reeder, President of the Military Government; this would give Janssen the opportunity to raise the question. During the discussion with Reeder, Janssen argued that Belgium had the right to demand the withdrawal of the Scheine, as the Belgian government had agreed in principle to pay occupation costs.

33 BNB, Archives, SD, Malaise Papers: Ingenbleek, La vie en Belgique sous l’occupation, pp. 16-17.
34 BNB, Archives, SD, 36, Foreign Department, dossier 8.11/32 (RKKS): la question des Reichskreditkassenscheine.
35 The chairman of the Nederlandsche Bank, Trip, had already received an undertaking in July 1940 from the army that it would not disburse any more Reichskreditkassenscheine in the Netherlands: Klemann, Nederland 1938-1948, p. 132.
36 BNB, Archives, AR, 17.08.1940. See also: BNB, Archives, SD, 33, dossier 8.11.27/4, ’divers’: Plisnier, mémoire relatif à l’indemnité réclamée à la Belgique au titre des frais d’occupation, 20.12.1940.
to the German authority. Failure to withdraw them would in fact mean Belgium paying twice for the same purpose.

Janssen went on to emphasize the monetary disadvantages of a dual circulation; no conditions had been fixed for the size of the issue, which could cause inflation. In accordance with article 49 of the Hague Convention, moreover, the *Reichskreditkassenscheine*, and indeed the occupation costs, were required to be used exclusively for the maintenance of the local occupying power. The costs for troops concentrated in Belgium and Northern France in preparation for an invasion of Great Britain or for army divisions passing through or resting in Belgium did not qualify as occupation costs to be paid by Belgium; those extra costs could be financed with Belgian francs in exchange for Reichsmarks that Belgium could use to purchase foodstuffs and raw materials in Germany. Janssen set out his arguments in two memoranda of 28 September and 21 October 1940 respectively, and ensured that, in each case, they were delivered to Commissioner von Becker just before he left for Berlin to conduct discussions with his superiors.

The memoranda produced results. With effect from the end of September 1940 already, the local *Reichskreditkassen* ceased to place new *Scheine* in circulation. On 3 February 1941 Janssen proposed that the *Banque d’Emission* would assume responsibility for the withdrawal of the *Scheine* still in circulation, provided that there was an agreed ceiling of 3–4 billion Belgian francs; any balance above that would have to be financed by the *Kassen* themselves. It was also proposed that the *Scheine* cease to be legal tender not only in Belgium, but also in Northern France and in the Netherlands, and, lastly, that the *Scheine* acquired

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37 Reeder disagreed with the first argument. In his view, the *Reichskreditkassenscheine* represented a claim on Germany for the disbursement of the pay of the ‘conquering’ troops and for the purchases of equipment by the army: consequently, they had nothing to do with the costs of occupation. However, Reeder and von Becker were able to agree with the second argument and eventually with the third. For the reasons stated, they regarded the withdrawal of the *Scheine* even desirable, but withdrawal had to be gradual: BNB, Archives, SD, ‘Association des Banques Belges’ Papers, dossier 08.00.00.00 (C 783/4): circulaires, Plisnier, frais d’occupation (memorandum of 17.08.1940 from Plisnier concerning the meeting with Reeder and von Craushaar on 09.08.1940); BNB, Archives, BR BEB.

38 BNB, Archives, SD, 36, Foreign Department, dossier 8.11/32 (RKKS): la question des *Reichskreditkassenscheine*. See also: BNB, Archives, SD, 14, dossier 8.11/4, s. f. 3 (RKKS): retrait des *Reichskreditkassenscheine* (période 21 octobre 1940 à mars 1941).
by the Banque d’Emission be used in Germany for the purchase of food and raw materials\textsuperscript{39}.

The Military Government reacted to Janssen's proposals during a meeting on 26 February 1941 and a month later in a memorandum of 25 March, saying that it was prepared to accede to the request for the Scheine to be withdrawn from circulation, on condition that the Banque d’Emission grant an unlimited and interest-free line of credit to the central administration of the Reichskreditkassen. Janssen viewed the proviso with scepticism and consulted the jurists Marcq, Rolin and Struye. Their opinion was unanimously negative\textsuperscript{40}: the free granting of an unlimited line of credit to the Kassen would be in contravention of article 115 of the Penal Code, which formally prohibited financial help being given to the enemy.

Janssen refused to comply and total deadlock ensued. However, the Bank continued to accept the Scheine presented at its counters and exchange them for their full value. It also transferred the Scheine it received to the central administration of the Reichskreditkassen, which withdrew them from circulation in exchange for Belgian money. By the beginning of September 1941, 3,566 million Belgian francs’ worth of Scheine (the equivalent of 249,323,812 Reichsmarks) had been transferred and taken out of circulation\textsuperscript{41}. On 1 August 1941, meanwhile, an agreement had been concluded between the Military Government and the Ministry of Finance, whereby the value of Scheine subsequently presented to the Bank would be offset against the occupation costs to be paid of 50 million Belgian francs per month. However, few further Scheine were presented and the problem of dual circulation seemed to have disappeared. On 5 November 1941, Plisnier concluded the matter by granting the Banque d’Emission a State guarantee for the amount of what the withdrawal of the Scheine had cost\textsuperscript{42}.

\textsuperscript{39} BNB, Archives, SD, 36, Foreign Department, dossier 8.11/32 (RKKS): la question des Reichskreditkassenscheine.

\textsuperscript{40} SOMA, Archives, Paul Struye Papers, dossier 4: consultations BNB et Finances (crédit à l’occupant).

\textsuperscript{41} BNB, Archives, Boekhouding, 1, dossier 88.02.01.00 (B 608/4): retrait des Reichskreditkassenscheine.

\textsuperscript{42} BNB, Archives, SD, 36, Foreign Department, dossier 8.11/32 (RKKS): la question des Reichskreditkassenscheine.
THE COSTS OF OCCUPATION AND THEIR FINANCING

The costs of occupation were yet another bone of contention between the Belgian administration and the Military Government. They also concerned the Bank, as they exerted a direct effect on public finances and thereby on the Bank’s provision of credit to the government. When, on 26 July 1940, Plisnier was requested to transfer 3 billion Belgian francs by way of prepayment of prospective occupation costs, he immediately turned to the jurists Marcq, Rolin and Struye for advice. Their opinion was that the Hague Convention entitled the Germans to demand such costs from Belgium, but that the extent and terms of those costs were subject to strict conditions; only the costs of administering the occupied territory and of maintaining the local occupation authority were admissible. As Belgium continued to be responsible for the administration of the country and for maintaining public order, only the maintenance costs for the occupying troops could be taken into account. The jurists concluded that the amount demanded by the Military Government was excessive and not to be accepted.

Accompanied by Janssen, on 9 August Plisnier went to discuss the matter with Reeder, basing his arguments on the opinion of the three jurists. He accepted the ‘principle’ of occupation costs, but wanted to come to a fixed agreement with Reeder about their extent. He also had a number of pertinent questions to ask regarding the term that would be covered by the prepayment demanded, whether a detailed list of costs could be provided and what the estimate was for overall occupation costs. Furthermore, he pointed out to Reeder that excessive occupation costs would totally derail the Belgian economy, while it was precisely the German administration’s express intention to get that economy up.

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43 BNB, Archives, SD, ‘Association Belge des Banques’ Papers, dossier 08.00.00.00 (C 783/4): AV, minutes, 17.08.1940 (see also the letter of 05.08.1940 from Plisnier to A.-E. Janssen, chairman of the association).

44 Plisnier valued Janssen’s cooperation extremely highly: ‘….tous mes remerciements pour l’aide précieuse que vous m’avez apportée en les moments difficiles que l’Administration des Finances vient de traverser. J’en profite….de vous dire….combien j’apprécie les sentiments de patriotisme éclairé et de dévouement à la chose publique qui vous ont guidé en ces circonstances’ (BNB, Archives, SD, 33, dossier 8.11.27/4, ‘divers’: letter of 20.08.1940 from Plisnier to Janssen).
and running again. Reeder took the point, but nevertheless demanded that the amount demanded be paid by 20 August\(^{45}\).

Plisnier had little choice but to accede to Reeder’s demand and immediately began consultations with Janssen and the private bankers to arrange the financing. By 20 August, the Banque d’Emission would discount 3 billion Belgian francs’ worth of renewable Treasury bonds at four months and the private banks would subscribe for a total of 500 million Belgian francs. To consolidate the resulting debt, the Treasury would, from the end of September, issue a ten-year government loan of 3 billion Belgian francs at 4 per cent per year, to be organized by the Bank. In a consortium, the banks immediately underwrote 500 million Belgian francs\(^{46}\). At the request of the Military Government, Plisnier agreed to increase fiscal pressure in order to finance the interest charges and to redeem the debt, and new taxes set to bring in about 2.5 billion Belgian francs were imposed in October 1940 and at the beginning of 1941. The fact that agreement was reached so smoothly suggests that everyone, i.e. Plisnier, Janssen and the bankers, were convinced that the occupation would be short-lived and that the problem of occupation costs would be resolved in the not too distant future.

However, the dust had barely settled around the prepayment of 3 billion Belgian francs when, in a letter of 27 November 1940, the Military Government demanded a further prepayment of 2.5 billion Belgian francs, to be transferred before 10 December. In his letter, Reeder added that, after consultation with the government in Berlin, a long-term arrangement would be worked out, with fixed amounts per month. Plisnier was furious and requested a meeting. This took place on 11 December and again Plisnier was accompanied by Janssen. From what was said, both could infer that the new demand was intended as cover for the occupation costs for November and December. If an arrangement for a fixed amount was put in place in January, as was more or less being mooted, a monthly payment of about 1.25 billion Belgian francs could be expected.

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\(^{46}\) BNB, Archives, *sd*, ‘Association Belge des Banques’ Papers, dossier 08.00.00.00 (C 783/4): AV, minutes, 17.08.1940.
Plisnier and Janssen were shaken by such exorbitant demands and put forward several counter-arguments, in order to move Reeder to take a more reasonable line. The new demands, they argued, were clearly beyond the country’s budgetary and fiscal capacity. In addition to the occupation costs, the government had to finance the costs of economic recovery and of reconstruction; at the same time, it had to cope with the gap in tax income during the first months of the invasion, as well as with the weak growth of that income thereafter. Furthermore, the government was faced with claims from towns and municipalities for providing extra services to the occupier, such as billeting. Finally, there was the gloomy outlook for government income; the government loan issued in September had been a downright fiasco, with barely 1.4 billion of the projected 3 billion Belgian francs being subscribed to and, despite an extension of the subscription period, little more could be expected. With a winter of hunger in prospect, it was certainly not the moment to introduce new tax levies, as suggested by the Military Government. Nor was anything to be expected from windfall taxing of war profits, as these generally stemmed from illegal transactions on the black market and thus completely escaped tax.

However real the arguments, they had no effect whatsoever on the Military Government, which stood by its demand for a further 2.5 billion Belgian francs. Plisnier and Janssen nevertheless received an undertaking that the monthly amount for the costs of occupation would be set in January 1941 and that there would be no further issue of Reichskreditkassenscheine. Plisnier resigned himself to the decision and an initial tranche of 500 million Belgian francs was transferred on 12 December, the balance being paid in four equal tranches every ten days from 20 December. Over time, however, the strongly founded arguments of Plisnier and Janssen bore fruit. In January 1941, the monthly amount for the costs of occupation were at last fixed at 1 billion Belgian francs, lower than originally feared, and payable with effect from 1 February.

\[47\] In January 1941, Plisnier invited twenty prominent figures from the world of finance, administration and politics and from the magistrature to exchange ideas on this question. The meeting approved Plisnier’s stance (BNB, Archives, SD, dossier 8.11.27/4, ‘divers’: report of the meeting, 22.01.1941).
Where was the Belgian administration to get those enormous sums? Because of the war it could not count much on rising tax income. In 1938, 63 per cent of government expenditure was covered by tax receipts, but that figure fell to 36.6 per cent in 1940 and was to fall further to a low of 29.3 per cent in 1943. In fact, the only way to bridge the rising deficit of the administration’s budget was by loans and the issue of paper money.

As already mentioned, long-term government loans, such as that launched in September 1940, failed to attract the public. The preference was clearly for short-term investment and it was this preference that the management of the Bank, as well as the private bankers, urged the Treasury to exploit by offering short-term Treasury certificates to the wider public. The Treasury declined to take that step, arguing that the wider public was too fickle; it preferred to keep its short-term certificates exclusively for the banks, with which it had a more rational business relationship and which were more susceptible to pressure.

The private banks, for their part, became increasingly interested in Treasury paper. In a surprisingly short time, they had gone from a situation of tight liquidity to an equally unhealthy one of a growing surplus of deposits that were bringing no return. Demand from business for investment funds was at a virtual standstill and, in the uncertainty of the war years, few private individuals were prepared to risk taking up consumer credit from their banker. It was a situation where the Treasury’s need of money and the bankers’ search for profitable investments came together. By the autumn of 1941, the private banks had 12.7 billion Belgian francs’ worth of 4-month Treasury certificates at 2.75 per cent in portfolio.

48 BNB, Archives, SD, Goffin Papers, f. 2: considérations relatives à la politique d’emprunt, memorandum of January 1944.
49 A comprehensive analysis can be found in a memorandum prepared by Dupriez, Vincent and Kauch: BNB, Archives, SD, Goffin Papers, f. 2: considérations relatives à la politique d’emprunt. See also: BNB, Archives, SD, Malaise Papers: Kauch, La Banque Nationale (unpublished text), Part 1, Chapter. 5, p. 86.
50 BNB, Archives, SD, Goffin Papers, dossier 2: Société Générale, memorandum of 21.10.1940; memorandum of 02.09.1941 from Kauch.
51 BNB, Archives, SD, Goffin Papers, dossier 2: report of the meeting of governor Goffin with government commissioner Smeers, 10.09.1941.
Table 8.2: Development of the BNB’s portfolio of government paper, 1940-1941
(in millions of Belgian francs)

<table>
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<th>Date</th>
<th>Short-term Treasury certificates, up to 4 months</th>
<th>Assimilated securities</th>
<th>Government paper</th>
<th>Total</th>
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<td></td>
<td>(in millions of Belgian francs)</td>
<td></td>
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<td>max.1 year</td>
<td>max.5 years</td>
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