A Small Nation in the Turmoil of the Second World War

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CHAPTER 14

The Banque Nationale de Belgique in London in the Maelstrom of War

THE LOAN OF GOLD TO GREAT BRITAIN

Just before leaving France for Belgium in early July 1940 Janssen had asked Montagu Norman, Governor of the Bank of England, what he was doing about the instruction to transfer the Belgian gold from London to the Federal Reserve Bank of New York. Norman replied with the vague words: ‘… we are taking steps to deal with the gold held here for the National Bank of Belgium on the lines set out in the memorandum (of) 8th June’. In a letter of 18 July, Baudewyns also asked Norman what progress had been made with the transfer. Norman again answered in sibylline terms: ‘You may assume, for all practical purposes, that the whole amount of gold which we hold for the National Bank of Belgium, is now on the other side of the Atlantic.

However, more details were provided by Siepmann of the Bank of England, who stated that the gold had not been transferred to the Fed-

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2 BNb, Archives, Boekhouding, 1, dossier D 606/4: letter of 09.07.1940 from Norman (London) to Baudewyns (London). Article 8 of the memorandum of 8 June reads as follows: ‘Dès à présent, il a été demandé à M. Cobbold que les mesures conservatoires que la Banque d’Angleterre pourrait prendre en ce qui concerne ses réserves métalliques soient étendues, dans la mesure du possible, aux réserves métalliques de la Banque Nationale de Belgique. M. Cobbold examinera la possibilité de donner suite à cette demande, étant évidemment entendu que les transports se feraient aux frais et risques de la Banque Nationale de Belgique’ (BNb, Archives, SD, London Archives, 2 (1940), dossier ‘Janssen’: memorandum of 08.06.1940 from Janssen to Cobbold).

3 BNb, Archives, Boekhouding, 1, dossier D 606/4: letter of 18.07.1940 from Baudewyns (London) to Norman (London).

eral Reserve Bank of New York, under Bank dossier, as requested by Janssen, but had been sent to Ottawa, where it had been deposited in safe custody at the Canadian central bank. Siepmann warned that any further insistence on the gold being taken to New York could result in the deposit being confiscated and would, in any case, be regarded as a hostile act against Great Britain. Even before the gold had been moved to Canada, however, it had already been under a form of embargo, as the Bank had no access to it without the authorization of the British government. Baudewyns’ comment, made a few months later, was therefore correct: ‘Since the capitulation of the French army our gold deposit in London has been the prisoner of Great Britain’.

It was clear that Great Britain was not keen for the Belgian gold to be transferred. If it had to be, however, Britain preferred to send it to safety in Canada, one of the Dominions, and not to New York, outside Britain’s field of influence, where there was a risk of the gold being frozen for the duration of the war. Nevertheless, the evasive and misleading answers by the highest British authority – particularly ignoring Janssen’s instructions – did not really accord with the notion of fair play. The times were, of course, exceptionally difficult. During the late summer and autumn of 1940, Britain stood alone to face what proved to be the decisive battle against the Luftwaffe. The country needed many weapons, and needed them immediately. For the British, the only possible supplier was the United States, but the United States still applied the ‘cash and carry’ principle for all procurement: settlement for all purchases had to be immediate and in gold, which spelt catastrophe for the British Treasury.

Gutt saw in the gold affair an opportunity to rehabilitate the Belgian government in the eyes of the British authorities. He had already worked out for himself that, sooner or later, the British would request the Belgian government to cede its gold to them; should he refuse, he risked the gold being confiscated as enemy property. But when complying with the request, Gutt intended to stipulate that the Belgian gov-

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5 BNB, Archives, Boekhouding, 1, dossier D 606/4: memorandum of 24.07.1940 from Baudewyns.
7 ARA, Theunis Papers, ‘correspondance Theunis-Gutt’: letter of 10.08.1940 from Gutt (London) to Theunis (New York).
ernment would make that gesture only if the other governments in exile – including the Dutch, the Norwegian and the Polish – were to do the same.

On 11 October 1940, Gutt was invited by the Chancellor of the Exchequer, Kingsley Wood, to discuss the financial difficulties the Belgian government in London was experiencing as a result of its lack of foreign currency. Gutt stated that its chief need was for sterling, as only one quarter of its total expenditure was required to be in US dollars. He went further, to suggest that the shortage of sterling could be solved largely by exports from the Belgian Congo to Great Britain. If the balance of trade in the Congo’s favour was found to be insufficient, then the Belgian government could always have recourse to the line of credit granted by the British, as laid down in the Anglo-Belgian financial agreement of 24 May-7 June 1940, although that agreement had not yet formally come into operation. US dollars could be purchased against gold from the Belgian cache at the Federal Reserve Bank of New York. If that were frozen, Gutt felt that recourse could always be had to the Belgian gold deposited with the Bank of England.

Wood used this last suggestion of Gutt to make his own proposal, which was for the Bank of England to purchase against payment in sterling all the Belgian gold deposited in London. Gutt could hardly say straight out that he found such a proposal unacceptable because he had insufficient confidence in the future of sterling. He therefore answered that the Belgian government was certainly prepared to help, but could do so only within the limits of what was possible. Legally, the gold was owned by the Bank and not by the government so that he would have to consult Baudewyns and Theunis. However, he emphasized that the gold reserve was an ‘essential’ element of the Belgian central banking system, acting as a guarantee for the value of Belgian banknotes, as required by the Bank’s bye-laws; hence, the Bank could not ‘sell’ the gold, though it could, in Gutt’s opinion, ‘lend’ it.

The British minister was unhappy about Gutt’s negative reaction and, in a series of discussions involving both the Bank and the Bank of

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8 ARA, Administrative services of the Prime Minister: letter of 16.10.1940 from Gutt (London) to Kingsley Wood; letter of 22.10.1940 from Gutt (London) to Waley (London); report of the meeting between Waley, Gutt and De Vleeschauwer at the British Treasury in London, 06.11.1940.
England, continued to press Gutt to revise his standpoint. Nevertheless, Gutt refused to budge. All the members of the Belgian government and all representatives of the Bank in London and New York gave their support to Gutt’s statement of principle. Moreover, Baudewyns required, in case of the gold being lent, concrete guarantees for its return, demanding to know where, when and how the gold – the foundation of the Belgian monetary system – would be returned to the Bank.

Baudewyns now found himself caught between two fires. He saw clearly that, as a loyal ally, Belgium was duty-bound to support Great Britain in the struggle against Germany, but this conflicted with his own loyalty and duty to the Bank. It was a dilemma that he could not solve by himself and he therefore resolved to obtain Janssen’s counsel, hatching a plan to send Ansiaux (perhaps under a false passport) to unoccupied France to find a way of getting in touch with Janssen to ask his advice. Gutt was not at all pleased with Baudewyns’ initiative and opposed the plan.

Gutt got his way and Ansiaux did not leave for France. However, Baudewyns did not give up, but waited for a more opportune moment. This came shortly afterwards when, in February 1941, Ansiaux was sent not to France, but to Lisbon on behalf of both the government and Baudewyns. There, he was to meet Félicien Cattier of the Société Générale de Belgique, who was bringing the latest news from Belgium. Ansiaux also had to hand him instructions from the government and the Bank in London for Galopin and Janssen in Brussels. In his memorandum, Baudewyns dealt extensively with the current discussions with the British government, clearly setting out the advantages and disadvantages of a possible loan of the gold. Cattier said that he was convinced that Janssen would endorse the operation, on condition that the other small countries would agree to do the same.

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9 ARA, Administrative services of the Prime Minister: letter of 18.10.1940 from Waley (London) to Gutt (London).
11 BNB, Archives, SD, London Archives, 1 (1940): memorandum of 22.02.1941 sent by Baudewyns (London) to Janssen (Brussels) via Ansiaux and Cattier (Lisbon).
12 ARA, Theunis Papers, ‘correspondance Theunis-Gutt’: letter of 06.01.1941 from Gutt (London) to Theunis (New York).
13 BNB, Archives, SD, Ansiaux Papers, dossier ‘Cattier’: letter of 03.03.1941 from Ansiaux (Lisbon) to Baudewyns (London).
In asking for special guarantees Baudewyns’ purpose was not only to protect the interests of the Bank but also to gain time until he received an answer from Janssen. Gutt saw things differently. His aim was to accelerate the loan of the gold, so that he would have something in hand for his negotiations with the British about the post-war position of Belgium and her colony, the gold loan being his bargaining counter. Moreover, he feared that long-drawn-out negotiations would give the loan greater publicity in Belgium and lead to questions about it. He was therefore outraged when he heard that Baudewyns had given a detailed memorandum about the matter to Ansiaux to pass on to Janssen14.

Relations between the Bank and the government did not improve when, in February 1941, the British Chancellor of the Exchequer, Kingsley Wood, abandoned the idea of purchasing the gold and opted for a loan. This required a concrete proposal to be prepared and necessarily required Baudewyns’ presence. Gutt, would have preferred to arrange the matter at government level, since he realized that Baudewyns’ ‘cooperation’ would not make his task any easier, which proved to be the case. Baudewyns regarded the loan not as one between two governments, as originally conceived, but as one from the Belgian government to the Bank of England. The Bank would not itself lend the gold, but, in response to a formal request, transfer it to the Belgian government. In this way, as far as the Bank was concerned, the loan would be guaranteed not only by the Bank of England, but also by the Belgian government15, thereby giving the Bank dual cover.

On 17 February 1941 Wood organized a lunch at the Treasury, to which he invited forty guests. These included all the ministers of finance of the governments in exile in London and the representatives of the respective central banks. Also present were top officials from the Treasury, the Foreign Office and the Bank of England. In his speech of introduction, Wood stated bluntly that Great Britain was in need of help, appealing to their solidarity as allies and requesting financial help in the struggle against Germany.

A few days later, Wood asked Gutt round to the Treasury. There, he came straight to the point, saying to an astounded Gutt: ‘We need gold and we don’t have any gold left. Without waiting for a signed agree-

15 Ansiaux, Souvenirs, pp. 82-83.
ment, could you lend us some immediately?’ Gutt called the moment unforgettable and dramatic: ‘I will always remember the day when Great Britain was asking me for gold to an amount of 25 million pound sterling, because she did not have any gold anymore’. Gutt answered that he was always ready to oblige, but that he could do no more than have the loan granted within the framework of the agreement being prepared, nevertheless promising to do everything in his power to expedite matters. He kept his word and, together with Baudewyns, was invited back to the Treasury on 1 and 2 March to work with Arthur Siepmann of the Treasury, Sir David Waley of the Foreign Office, and Harry Lloyd Hopkins, President Roosevelt’s envoy in London, to drawing the agreement\textsuperscript{16}.

On 4 March an agreement was hammered out and signed that same day\textsuperscript{17}. By its terms, the Belgian government declared itself prepared to lend three quarters of the Bank’s gold deposited in London to the Bank of England, i.e. 7 million ounces or about 60 million pounds’ worth. The Bank of England subscribed to the loan with gold certificates, thus undertaking to repay the loan in gold. Repayment would commence six months after the cessation of hostilities and be in monthly instalments of 1 million pounds\textsuperscript{18}. The Belgian government immediately asked the Bank for an initial tranche of 3 million ounces of gold – 25 million pounds’ worth – which was lent to the Bank of England on 6 March. The agreement also made provision for the Belgian government to have free access to a line of credit in sterling, should the Belgian Congo at any time be unable to make sufficient amounts of sterling available; furthermore, that line of credit was not required to be settled in gold but could be in pounds\textsuperscript{19}.

Even Gutt had to admit that Baudewyns’ obstinacy – a trait that had so often annoyed him – had not been without its uses during the preparation of the agreement. After the tough discussions and the con-

\textsuperscript{16} \textit{ARA, Theunis Papers, ‘correspondance Theunis-Gutt’: letter of 03.03.1941 from Gutt (London) to Theunis (New York).}

\textsuperscript{17} Baudewyns Family Archives: letter of 04.03.1941 from Baudewyns (London) to his son (Oxford).

\textsuperscript{18} \textit{BNB, Archives, SD, Ansiaux Papers, 2, lettres de Baudewyns à Ansiaux: letter of 04.03.1941 from Baudewyns (London) to Ansiaux (Lisbon).}

\textsuperscript{19} \textit{ARA, Theunis Papers, ‘correspondance Theunis-Gutt’: letter of 03.03.1941 from Gutt (London) to Theunis (New York).}
clusion of an auspicious agreement, all obstacles to the gold loan appeared to have been overcome. Yet appearances can, of course, deceive. The *conditio sine qua non* for winning the Belgians over in the first place had been that all the small-country allies should follow suit. In fact, they all agreed to do so, until 11 March 1941, when the *Lend Lease Act* was passed in the United States. Then, every one of them, with the Netherlands in the lead, retracted their promise, assuming that Great Britain would now be able to survive without their help. Gutt judged that Belgium would be treated unfairly if the British insisted on holding the Belgians to their undertaking. Kingsley Wood fully recognized the merit of Gutt’s argument and on 30 August waived his option to take up the 35 million pounds’ worth of gold remaining. The 25 million pounds’ worth of gold that had already been borrowed was restored in its entirety to the Bank on 3 March 1943, well before the end of hostilities.

**THE DECREES OF 27 NOVEMBER 1941**

When Gutt saw all the difficulties that the Bank had to cope with in London, he realized that he had been wrong in allowing Janssen to return to Belgium and re-establish the Bank’s registered office in Brussels. Plisnier’s appointment of a new governor of the Bank on 16 July 1941 therefore was not at all well received in London. The government had certainly hoped that, following Janssen’s death, the office of governor would remain vacant for the duration of the war. It was hard enough to swallow the fact that an appointment had been made, but that the choice should have fallen on Goffin was the last straw.

An interview given by Goffin to the newspaper *le Soir* immediately after his appointment as governor did nothing to smooth things between London and Brussels. On the contrary: when asked whether

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20 *ARA*, Administrative services of the Prime Minister, dossier ‘Angleterre’: letter of 03.07.1941 from Gutt (London) to Pierlot (London), memorandum of 26.07.1941 from Gutt (London) for Pierlot (London).


the Bank’s gold in unoccupied territory was really safe, Goffin had re-
plied that he trusted that the ‘so-called’ Belgian government in London
would not use the Bank’s gold deposits for its own ends and would not
cede it to third parties. Gutt took this answer as a reproachful allusion
to his recent loan of Belgian gold to the Bank of England and felt him-
self targeted and criticised personally.

Arguments other than personal criticism also raised questions about
Goffin’s appointment. One of them concerned whether, as a secretary-
general, Plisnier was actually competent to make such an appointment,
and this immediately put the spotlight on the scope of the legitimacy of
all secretaries-general. By law of 10 May 1940, the government had del-
egated ministerial authority to them or their deputies, to be exercised
in the event of the country being occupied. The government in London,
however, had never favoured a broad interpretation of the ministerial
authority granted to the secretaries-general. In a radio broadcast barely
two days after Goffin’s appointment, Pierlot returned explicitly to the
limited character of the delegated authority.

Another reason why the government regretted allowing Janssen to
return to Brussels and re-establish the Bank’s registered office there
was the difficulty experienced by the Bank in introducing legal pro-
ceedings against the Banque de France before the court in New York.
Normally, the proceedings ought to have been introduced from the
Bank’s registered office, but this was no longer a practical option, now
that the registered office was in occupied territory. However, the Amer-
ican judges had great difficulty in regarding Baudewyns in London and
– even more – Theunis in New York as representatives of the Bank,
empowered to take legal proceedings on behalf of the Bank, but without
having received an explicit mandate from Brussels to do so.

There were thus too many problems as long as the Bank was based
in Brussels. Once Janssen was dead, however, Gutt set about finding a
solution, transferring the Bank’s registered office to London, declaring
Goffin’s appointment in Brussels illegal and appointing a new governor
in London. Before making decrees to effect this, however, he needed

23 Newspaper Le Soir, 23.07.1941: interview with Governor Goffin.
25 See above.
to be sure of having the right man for the office. Objectively, the most obvious candidate to become governor was Paul Van Zeeland. He had for years been a director of the Bank, thereafter its deputy-governor; and although not felt by all to be irreproachable, he was seen by many as being the most expert in monetary matters. Moreover, he was in unoccupied territory and was highly regarded by both the British and the American governments. Gutt’s personal rancour against him, however, was too great for his candidature to be acceptable. In Gutt’s view, the only other person in unoccupied territory who had the standing necessary for the position was Theunis, who eventually agreed to his name being put forward, although only after a great deal of correspondence26.

In fact, Theunis was not overjoyed at the prospect of becoming governor of the Bank. In no circumstances did he wish to leave New York and his wife was even more adamant about staying there. Furthermore, he had passed the legal age limit to be considered for the appointment, that had been set by law at 67 and Theunis was then 68. Gutt regarded it the job of the lawyers to smooth away such difficulties and that is what they did. Joseph Nisot, Theunis’ legal adviser, argued that the law applied only to governors who had not yet reached the age of 67 at the time of their appointment, and, as Theunis had already passed it, he could thus be appointed27.

On 20 October 1941, Gutt began discussions with Baudewyns in order to gain his support for the planned reforms. Baudewyns had no objections in principle; he found it a good idea for the Bank’s registered office to be transferred to London, having always been in favour of the original arrangement, which laid down that, during time of war, the Bank’s registered office should be established where the government was in residence. He was also able to live with the appointment of Theunis and with his somewhat astonishing decision not to elect domicile in London, where the Bank’s registered office was now established, but to remain in New York. Moreover, this decision would allow Baudewyns himself to chair the board of directors in London, as well as permitting him to present the official report on the Bank’s activities in

26 ARA, Theunis Papers, ‘correspondance Theunis-Gutt’: letters of the summer and early autumn 1941 between Gutt (London) and Theunis (New York).
unoccupied territories during the war to the Bank and to Belgian public bodies on his return to Belgium.  

However, there was one point in the plan that Baudewyns was not prepared to go accept. Gutt’s idea was to have a four-strong board of directors in London, consisting of Baudewyns, the director already in situ, Ansiaux, to be promoted to director, and two outsiders yet to be appointed. There would thus be seven directors in total, including the three in Belgium. It was the appointment of two outsiders that was the sticking-point for Baudewyns. He feared that they would threaten his authority within the board in London, and also that their appointment would lead to an unhealthy interference from private banking taking root in the Bank. In this respect, he referred to what had happened in Belgium during the 1920s and, indeed, until late in the 1930s. Gutt conceded the point: the Bank’s board of directors in London would consist of no more than two directors, Baudewyns and Ansiaux.

Gutt’s plan for reform was submitted to the National Committee for its opinion. On that committee sat Belgian parliamentarians and prominent political figures who had fled to London. It met on 16 November 1941 and found no difficulty in declaring its approval of the project as such. However, it reacted very negatively to Gutt’s suggestion that Theunis be appointed governor and put forward Baudewyns or Van Zeeland as being the only feasible candidates. Used, as he was, to having his ideas accepted, Gutt left the meeting beside himself with indignation. For his part, Baudewyns saw the Bank’s future threatened by an unprecedented rift between government and the National Committee. Nevertheless, Gutt was to get his way, but only after he had promised to ensure that Theunis’ appointment would be only for the duration of the war.

On 27 November 1941, the government in London issued two decrees. The first replaced royal decrees of 24 August and 2 October 1939 on the operation, organization, competence and bye-laws of the Bank, and, for the duration of the war, granted the Minister of Finance power to appoint or dismiss up to seven directors. In addition, it specified that,

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28 Baudewyns Family Archives: letters of October-November 1941 from Baudewyns (London) to his son (Oxford).

for the duration of the war, the governor and the board of directors were the sole management bodies of the Bank: business was to be conducted at the registered office established in London. The board of directors had a quorum when at least two members were present and should the governor be prevented from attending, he was to be replaced as chairman by the eldest of the directors present; it specified further that the amendments to the bye-laws were justified by the exceptional circumstances of the moment and that the board of directors in Brussels, the supervisory council, the board of scrutineers, the general council and the general meeting of shareholders were no longer competent to take administrative measures and to represent the Bank in law.

The second decree appointed Theunis as governor of the Bank for the duration of the war. Because only one director was present in unoccupied territory and because this might threaten the Bank’s proper operation, Ansiaux was appointed director on 12 December. This followed Gutt’s message on radio ‘Free Belgium’, in which he had explained the reforms and made it clear that the government in London regarded Goffin’s appointment as illegal and, moreover, had relieved the leaders of the Bank still active in Brussels of every administrative and executive competence.

THE REACTIONS IN BELGIUM

As was only to be expected, the news from London came as a bombshell to those in occupied Belgium, creating confusion and uncertainty among the leaders of both the Bank and the country. At the Royal Court in Brussels, the decrees were interpreted as the opening salvo in a wider campaign by the government in London to curb any autonomous exercise of power in the occupied territory and to reinforce its own political influence in Belgium. In industrial circles, many did not worry too much about the changes; they were regarded as an unnecessary and

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30 SG, Archives, Direction, Galopin, 94: message of 05.01.1942 from Galopin (Brussels) to Gutt (London) via Bemelmans (Berne).
inappropriate interference on the part of the government in London in the internal administration of occupied Belgium\textsuperscript{32}.

At the Bank, too, there were some who thought that the second decree could be taken with a pinch of salt. However, the board of directors in Brussels was not entirely at ease with the tone of Gutt’s radio broadcast. The board therefore resolved to consult the jurist Marcq\textsuperscript{33}, who gave it as his firm opinion that the Bank’s registered office was validly transferred in July 1940 from Mont-de-Marsan back to Brussels. Additionally, Marcq recognized Goffin’s appointment as governor, contradicting Gutt’s claim: the appointment by Plisnier was in conformity with the transfer of ministerial authority to the secretaries-general by the law of 10 May 1940 and fully respected the necessary conditions of urgency for that authority to be exercised.

Marcq also examined the scope of the two decrees. In his opinion, they had been validly promulgated and consequently had the force of law; thus, with effect from 27 November 1941, Goffin was no longer the governor of the Bank and was replaced by Theunis. With effect from that date, too, the Bank’s registered office was transferred from Brussels to London. Marcq nevertheless stated that the decree reorganizing the Bank did not provide for closure of the Bank in Belgium\textsuperscript{34}; nor did it remove from office the four members of the board of directors in Brussels, Ingenbleek, Goffin, Berger and Van Nieuwenhuyse. Although they no longer had any power to take administrative and executive decisions, their competence was now governed by article 1375 of the Civil Code, whereby their activities were required to be in line with what was expected of scrupulous and diligent caretakers\textsuperscript{35}.

\textsuperscript{32} According to the Court, the reaction of many industrialists was: ‘Qu’ils nous fichent la paix!’: KP, Archives, fonds Leopold III, cabinet du roi, dossier 232 b: réactions aux arrêtés-loi du 27 novembre 1941 (03.12.1941).

\textsuperscript{33} BNB, Archives, SD, Malaise Papers, 1, dossier 9.5.5/ s. f. 1: maître Marcq, questions soulevées par la communication radiophonique de Londres, 01.12.1941.

\textsuperscript{34} Gutt later wrote that he would have liked to close the Bank in Brussels on 27 November, but that Pierlot and the other members of the government had advised him against doing so: ARA, Theunis Papers, ‘correspondance Theunis-Gutt’: letters of 20.03.1942 and 29.04.1942 from Gutt (London) to Theunis (New York).

\textsuperscript{35} The government in London attached great importance to the opinion of the jurist Marcq, who had stated that Goffin was no longer governor and that, with effect from 27.11.1941, the function was legally held by Theunis: (‘Gutt est aux anges!’,
The board of directors in Brussels concurred with Marcq’s opinion and resolved to remain in post, not wishing to be accused after the war of desertion. The German commissioner at the Bank, for his part, thought that the moment had come to force a break with the Bank in London and attempted to convince the board to inform the Federal Reserve Bank of New York that Theunis, Baudewyns and Ansiaux were no longer part of the Bank. However, the board refused to countenance this, stating that only the general assembly was competent to pass a resolution of that nature.

Galopin and the limited circle of leading bankers were apparently much more on the qui vive than the Brussels board of directors and, in order to gain a better insight into the actual scope of the decrees, Galopin attempted to contact the government in London. Arthur Bemelmans, a director of the Société Générale de Belgique, had obtained a passport to travel to Switzerland and, at Galopin’s request, he sent a telegram to Gutt from there in December 1941 to ask for an elucidation of the measures of 27 November. The telegram pointed out that Gutt’s radio broadcast had caused a great deal of turmoil in Belgium and that it was very difficult to gauge the intentions behind the measures. It asked whether the decrees were intended solely to provide a more solid legal basis for the proceedings in New York or whether the decisions taken were really in earnest: more particularly, whether Goffin and Plisnier were to resign as governor and secretary-general respectively, and whether the Bank in Brussels and its branches throughout the country were to be closed. The telegram also underlined that both the group around Galopin and other leading figures in business and public authorities wished to follow the government’s directives, but desired further information about the exact nature of the matter.

36 BNB, Archives, sd, London Archives, 1 (1942), ‘correspondance’: letter of 16.03.1942 from Baudewyns (London) to Ansiaux (New York). In a memorandum of 29.05.1943, drawn up in London, Henri Rolin declared his agreement with Marcq’s opinion (BNB, Archives, Studiedienst, 13, dossier 01.02.01.70 (A 320/ 5): memorandum of 29.05.1943 from Henri Rolin).
37 BNB, Archives, DC, 05.12.1941.
Gutt telegraphed his reply to Bemelmans via the British embassy. The text, indeed, indicated clearly that important motives for the decrees being issued were to secure the deposits of Belgian gold abroad, to strengthen Belgium’s legal position in the proceedings in New York against the Banque de France; and finally to use the decrees for underpinning the government’s image as an active participant in the allied camp. However, Gutt went much further in explaining the reasons for the decrees. He claimed that the removal of the Bank’s registered office from Mont-de-Marsan to Brussels had been illegal, as had been Goffin’s appointment as governor by Plisnier. All this, coupled with the regrettable interview of Goffin in the newspaper Le Soir, meant that Goffin had to resign as governor. Gutt also stated that he did not wish to make a final statement about Plisnier, but that there was no doubt that the secretary-general had committed a number of grave errors. In respect of the Bank’s closure, Gutt said that he was not prepared to make an unequivocal judgement, but the Bank could probably consider scaling down its activities and having recourse to another issue institution, as had been the case during the First World War. The directors of the Bank, including Goffin, could remain, but could no longer exercise any management authority as a board of directors.

Insufficient care was taken by the British diplomatic authorities to deliver Gutt’s telegram safely to Bemelmans, who was handed it in the middle of a meeting at a Swiss bank with his German counterparts. Feeling certain that they had noticed something suspicious and probably suspected him of espionage, he destroyed the document, conveying its contents verbally to Galopin on his return to Brussels. For fear of the Germans, Galopin and Bemelmans agreed to keep the telegram’s existence secret, which is why, although he realized how important Gutt’s message was, Galopin never explicitly mentioned the telegram to Goffin.

Galopin nevertheless made several attempts to bring the attitude of the Bank’s leaders in Brussels more into line with the political decision-making of the government in London. In February 1942 he invited Goffin several times to exchange thoughts on the matter. During those personal discussions, Galopin placed the question of the gold cover in the wider context of Gutt’s radio broadcast of 28 November of the previous year, in which the validity of Goffin’s appointment was disputed
and displeasure expressed with Goffin’s interview in *Le Soir*. He also asked whether the question of the gold cover was perhaps not a good opportunity to scale down the Bank’s activities and for Goffin himself to resign as governor of the Bank and as chairman of the *Banque d’Emission*.

Goffin declared that he was prepared to follow the government’s instructions as far as possible, but that he would not resign as governor, as this would give the Germans a free hand to do what they had done in the Netherlands and appoint a Belgian puppet governor. Nevertheless, he gave an undertaking to Galopin that he would continue as governor only in a caretaker capacity.39

During that February, Galopin also emphatically defended his position to the board of directors of the *Banque d’Emission*, suggesting that, to scale down its operations, the Bank ought to cease to issue notes; in this way it would be acting in the spirit both of the decrees (of which it had been sent a copy from Basel to Brussels via the BIS) and of Gutt’s radio broadcast. If necessary, the *Banque d’Emission* could undertake the issue of new banknotes. This view was supported by de Munck, Collin, Bekaert and Peltzer, but not by most members of the board, who felt that a dual circulation of banknotes had to be avoided at all cost. It was this argument that proved decisive in the rejection of Galopin’s proposal.

GOFFIN’S APPOINTMENT AND THE OUTSIDE WORLD

The London decree likewise led to confusion at the Bank of International Settlements (BIS) in Basel. That institution had been set up in 1930 in the wake of the Young Plan agreements to manage the financial

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39 BNB, Archives, *SD*, dossier 8.11.25/ s. f. 10, ‘divers’: report of the Galopin-Goffin meeting of 19.02.1942. On the relations between the Bank for International Settlements at Basel (BIS), the government in exile in London, the Bank in Brussels and in London, as far as analyzed in the next subchapter, we were able to draw on a comprehensive memorandum that Dr. Piet Clement, archivist of the BIS, prepared for us on the basis of the BIS archives at Basel, for which our heartfelt thanks. The main BIS file used was: BIS, Archives, dossier 7.18 (5), descriptive catalogue, Hechler Papers, Belgian Treasury Bills. We also used: ARA, Theunis Papers, dossier 22; BNB, Archives, *SD*, Goffin Papers, dossier 3, ‘Banque des Règlements Internationaux’.
operations linked to the rescheduling of German war reparations. The BIS was required to operate in currencies that satisfied the conditions of the gold standard or of the gold exchange standard. By the end of the 1930’s, few currencies still met those conditions, but one of those few was the Belgian franc. In consequence, the BIS began to invest a proportion of its liquid resources in short-term Belgian Treasury certificates, which went by the name of ‘Mendelssohn bonds’, payable and repayable in Dutch guilders, since they were issued through the mediation of the Amsterdam house, Mendelssohn. Subsequently, there were further investments in Belgian Treasury certificates, also denominated in Dutch guilders, but issued through the mediation of the houses Pier- son and Beyersdorf-Terlinck. At the end of August 1939 – on the eve of the Second World War – the portfolio of the BIS contained a considerable quantity of Belgian Treasury certificates for a total of 12.65 million Dutch guilders, redeemable on 29 May 1940.

In the meantime, the German armed forces had invaded Belgium, the Belgian government had fled to France, and the country had come under total occupation. From France, the Minister of Finance, Gutt, informed the BIS that the government was prevented from redeeming the Treasury certificates on maturity and paying the interest, due to the exceptional circumstances of war. Because of this, the maturity date would be postponed for three months. It so happened that, at the end of the period, Gutt was in London, together with the Minister for the Colonies, but at that time, not the rest of the government. Redemption or the payment of interest was once again excluded. Even after the Belgian government had regrouped in London, the redemption and interest payments on the Mendelssohn bonds had to be postponed further; in fact, the government went so far as to suspend all redemptions of Belgian foreign debt until after the war. In his letter of 22 October 1940 to the BIS, Gutt also made it known that the government would make no exception, and certainly not ‘when an institution dominated by enemy interests is concerned’. He was clearly not particularly well disposed towards the BIS.

For its part, the BIS was not pleased with the Belgian decision. Its investments in short-term Belgian government paper represented a substantial proportion of its liquid resources, and these were now frozen or perhaps lost for good. The insinuation in Gutt’s letter was not well
received either, and the irritation felt on both sides shows all too clearly in the further correspondence. However, the BIS did not give up and in December 1940, its chairman, McKittrick, attempted via American mediation to achieve a compromise solution, whereby the BIS would accept consolidation of the Treasury certificates until after the war, but expected that the interest due would be paid regularly during the duration of the war, taken from the stock of gold that the Bank had deposited under dossier with the Federal Reserve Bank of New York. McKittrick’s efforts came to nothing. Gutt then proposed that the BIS should cease to pay dividends to Belgian shareholders, i.e. to the Bank and the few private bank-shareholders in Brussels, but this was rejected, as the BIS felt obliged to meet its obligations towards its shareholders, even in time of war. At a complete loss, McKittrick decided on 15 May 1941 to address himself to Janssen in Brussels, who, with the government’s legal approval, had returned the Bank’s registered office to Belgium.

The BIS had logic on its side in the change of approach. It had obligations towards the Bank and towards certain private Belgian banks, because together they held 19,772 BIS shares out of a total of 200,400. The governor of the Bank sat ex officio in the board of directors of the BIS and, as representative of the private shareholders, Galopin was also a member. The Belgian shareholders were entitled to a dividend in a gold-convertible currency and all of them currently had their registered office in Belgium. It was therefore normal that the BIS should seek a solution in that country.

When McKittrick wrote to Janssen, he asked whether, via an offsetting formula, the obligation to pay out dividends could not be applied to settling the Belgian Treasury’s debt to the BIS. He sent a similar letter to Plisnier. Janssen and Plisnier apparently responded positively, but wished to link any approval – in Janssen’s case in consultation with Galopin – to a number of conditions: among these were a reduction in the rate of interest from 4 to 3 per cent, the integration of the question of the Mendelssohn bonds into an overall arrangement for Belgium’s outstanding foreign debt and free disposition of the amount of gold-convertible currency to be paid out at Basel, to the extent that it exceeded the amount involved in the offsetting arrangement.

The conditions appeared to be over-ambitious and, to find a solution, the BIS requested the Reichsbank and the German Ministry of
Finance to mediate. Negotiations proved laborious. Galopin, Janssen and his successor, Goffin, initially held to their original demand that Belgian shareholders have free disposition of the gold-convertible foreign currency accruing to them in Switzerland. Ultimately, however, they were unable to succeed. The eventual agreement of 22 August 1941 was totally in line with the wishes of the BIS: the Ministry of Finance in Brussels declared itself prepared to pay to the Bank in Belgian francs the interest due on the outstanding Treasury certificates held by the BIS; in exchange, the Bank was prepared to use those receipts to pay, in Belgian francs and on behalf of the BIS, the dividends due to Belgian shareholders.

However, a new element was introduced by the decree of 27 November 1941, whereby the Belgian government in exile in London had transferred the Bank’s registered office from Brussels to London, declared Goffin’s appointment as governor void and designated Theunis in his place. Indeed, Gutt had already informed McKittrick two weeks previously that the question of interest on the Belgian Treasury certificates or Mendelssohn bonds and the dividends due by the BIS to the Bank was to be discussed and settled exclusively with the Belgian government and the Bank in London.

On 5 December, McKittrick answered that he was prepared to resume discussion of the two questions with Gutt, preferably in Portugal, but reiterated his proposal made a year earlier that the certificates be consolidated until after the war and that the payment of interest be made from the Belgian gold deposited in New York. Furthermore, he stated that the BIS could not sever its contacts with Belgium completely, as dividends had to be paid out to the private shareholders in Belgium and that, as members of the board of directors of the BIS, Goffin and Galopin had to be consulted where Belgian interests were involved. As far as the BIS was concerned, the transfer of the registered office to London and the latest appointments at the Bank were primarily inspired by political considerations, in respect of which the BIS could not adopt a definite position, given its neutrality during the war and the fragmentary information available at the time. At first sight the arguments put forward by the Bank in Brussels and the Bank in London to prove their legitimacy appeared to be valid. The BIS therefore proposed to solve the problem for itself by henceforth sending all documents to both gov-
ernors and by suspending its decisions about appointments and other measures regarding the Bank until the question of legitimacy had been resolved.

Gutt did not accept McKittrick’s proposals and allowed the BIS dossier to gather dust until he was informed in the spring of 1942 of the arrangements of 22 August 1941 between the BIS and the Bank in Brussels, whereby the dividend payments to the Bank and the private shareholders, and payment of interest to the BIS would be organized via reciprocal offsetting in Brussels. Gutt now changed his tune and insisted on an agreement between the BIS and the Belgian government and the Bank in London. After an exchange of letters, Gutt concluded that the solution of the problem posed two alternatives: the BIS and the Belgian government (the latter via the Bank in London) would have all dividends and interest due since 1940 transferred in dollars to the respective gold accounts of the BIS and the Bank at the Federal Reserve Bank of New York, either without account being taken of the Brussels offsetting arrangement of 22 August 1941 (Gutt’s standpoint), or with account being taken of that arrangement (the BIS standpoint).

Only in the course of 1943, after McKittrick’s personal negotiations with Theunis in February in New York, was a solution found that both Theunis, Gutt, and McKittrick could accept. It consisted of the Belgian Mendelssohn bonds being consolidated until after the war and payment of interest to the BIS, as well as BIS dividends to the Bank, being executed in US dollars via the Federal Reserve Bank of New York, without account being taken of the Brussels offsetting arrangement of 22 August 1941. For their part, Theunis and Gutt agreed that the BIS would continue to pay dividends to the private shareholders in Belgium. On 29 October 1943, they gave the green light for a transfer of 331,512 US dollars from the Bank’s gold account to the BIS gold account at the Federal Reserve Bank: from the 543,328 US dollars due to the BIS in accrued interest (since 1940), 211,816 US dollars were deducted for dividends due to the Bank from the BIS (since 1940). At the same time, in order to pay dividend to the private shareholders, the BIS offered a small number of Mendelssohn bonds for sale in Brussels, which reduced the total number in the BIS portfolio from 12.65 million to 12.1 million Dutch guilders’ worth. After the liberation of Belgium a satisfactory solution was found for the redemption of the bonds and for the double payment
of dividends and interest for the years 1940-1941. Maurice Frère, who had meanwhile been appointed governor of the Bank, was instrumental in bringing about this arrangement and reconciliation.