

FINANCIAL INNOVATION AND REGULATION.  
THE SOCIÉTÉ GÉNÉRALE AND THE BELGIAN STATE  
AFTER INDEPENDENCE. (1830-1850) (PART 2)\*

DOOR

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Four years had passed since the revolution and the new Belgian state had not solved any of the problems with the regulation of its financial arrangements.<sup>1</sup> Several deficiencies had appeared during the early years of independence especially with regards to the function of the Société Générale de Belgique as 'general state cashier'. The ambiguity about the precise nature of the function persisted. Was the bank a financial agent of the state and therefore accountable to the Cour des Comptes, the Parliament's auditing body, or did the bank merely provide banking services for the Ministry of Finance and the Treasury? If it was the former, as the Cour des Comptes would have it, the mechanism as it was set up by the former Dutch government was unconstitutional under the new regime and had to be changed. The bank claimed that, as a purely private institution, it was not accountable to the Cour des Comptes for any transactions it executed on behalf of its clients. The government was just that: a client.

During the first few years of independence the financial needs of the new nation were such that the ministers of finance had to keep the arrangement with the bank as cashier functioning at all cost, which

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\* This study, part I and II, was undertaken with the financial help of SSHRC-grants, for which I thank the members and direction of St. Paul's College, University of Manitoba, Winnipeg, Canada.

1. See part I: J. LAUREYSSENS, "Financial Innovation and Regulation. The Société Générale and the Belgian State after Independence. (1830-1850)", *Belgisch Tijdschrift voor de Nieuwste Geschiedenis—Revue belge d'histoire contemporaine* (1989) 223-250.

meant postponing any action leading to the resolution of the constitutionality question. On the other hand, the demise of the United Kingdom of the Netherlands created major problems for the bank, not in the least because of its multiple entanglements with King William and the financial policy of the Dutch government.

At the end of 1832 and the beginning of 1833, serious protestations arose in both the Parliamentary assemblies about these connections and the advisability of continuing to use the bank as cashier was seriously questioned. Tempers rose especially about the refusal of the bank to hand over to the Belgian government the considerable surplus balance, of almost 13 million francs, in the 'Dutch account' at the time of the separation. The bank claimed there was a legal doubt about the governments' entitlement to it and that therefore the question should be solved after an official settlement between the two states. As a binding treaty was not signed till 1839, the bank managed to postpone the liquidation of the account which helped it to survive the revolution and weather the economic recession of the early 1830's. Under continuing pressure by the Parliament however, the Minister of Finance Duvivier negotiated a compromise agreement with the bank on the disposition of the balance of the 'Dutch account' in November 1833.<sup>2</sup> Outraged by this arrangement which did not actually free up the money, nor decided anything about the ownership question, the legislative assembly set up its own commission of inquiry to delve into the entire relationship of the Société Générale with the Dutch government and King William. This commission was still working on its report when the De Theux government took office in October 1834.

In the course of its rocky tenure, the 'unionist' De Theux Government has had to deal rather frequently with issues of a political

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2. The government claimed it had consulted the commission members and that they had approved of the arrangement. This was confirmed by all these members except by DUBUS, chairman. see Parliamentary Debates, Chambre of Representatives (hereafter referred to as *Chambre*) session of Dec. 3, 1833. *MONITEUR BELGE*, (hereafter referred to as: *MON.*) Dec. 6, 1833.; and session *Chambre*, Dec. 5, 1833; *MON.* Dec. 7, 1833.

economic nature.<sup>3</sup> This was not so much because it pursued particular economic policies but because extraordinary developments occurring in the economy forced it to take positions. However, one political decision (taken by the preceding government) played a trigger role. It was to establish a state financed, trunk railway system as part of a strategy to prop up the new nation's precarious independence. It was probably the biggest single factor in fuelling the financial and industrial investment boom of the 1830's.

The Société Générale spent late 1830, 1831 and part of 1832 coping with the liquidity problems caused by the 1830 events and the new government's need of funds. Late in 1834, planning to participate in the railway development, Governor Ferdinand de Meeûs definitely settled the major part of the debts incurred by industrialists before the revolution, by acquiring assets in the debtor coalmines and metallurgic enterprises in the Borinage, Charleroi and Liège and setting up corporations for their operations. The bank then embarked on a programme of industrial investment. It developed a system to channel funds through to the corporations, via a series of financial holding companies.<sup>4</sup> The bank's actions triggered a boom in the formation of limited companies in widely diverse areas of enterprise. The response by investors was so great that a fair amount of stock exchange manipulation and speculation occurred. Contemporaries called the creation of corporations 'l'esprit d'association', and according to the conservative de Theux, the spirit spread alarmingly. He worried about the growing influence of the 'parti banquiste', the relative small group of Brussels and Walloon entrepreneurs connected with the heavy industry who started to take shape as a political pressure group, and

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3. Its period in government covered the period from October 4 1834 to April 18, 1840. The members were: *Interior*: De Theux; *Foreign Affairs*: De Muelenaere till December 13, 1836, then De Theux took this portfolio too; *Finance*: E. D'Huart, from April 5, 1839 replaced by L. Desmazières; *Justice*: Ernst, ad interim from Febr. 4, 1839 to June 8, 1839: J. B. Nothomb, then Raikem; *Defense*: Baron Evain, from August 19, 1836: Willmar; *Public Works*: J. B. Nothomb from January 13, 1837.

4. J. LAUREYSSSENS, *The Société Générale and the origin of industrial investment banking*, *Revue belge d'histoire contemporaine-Belgisch tijdschrift voor de nieuwste geschiedenis*, Gent (1975) 113-115.

the proliferation of 'l'esprit d'agiotage', the speculative manipulation of stocks.<sup>5</sup> The expansionary investment phase of the business cycle, starting late in 1834, blew out in the early 1837's. The stock market boom which had accompanied it, carried over into 1838, foreign capital joining the fray, till a financial crash put an end to the whole movement.<sup>6</sup>

It was against this background that the next dispute about the state cashiership was played out. In December of 1834, when the question of the renewal of the contract was brought up once again, the bank had started on its new course. In financial circles, spirits were buoyant, the prosperity Belgium had enjoyed during the best years of the United Kingdom had returned.

#### THE RENEWAL OF THE CONTRACT IS BROUGHT UP.

During most of 1834 the parliamentary commission worked painstakingly to compile a complete dossier on the Société Générale's multiple relationships with the King and the governments of the defunct Kingdom. Come December it still was not ready with its report. It was not expected to take so much time, but the work was interrupted by political agitations and elections. These caused some of the delay. The main problem however, was the difficulty of obtaining the facts and documentation of the case. The Dutch government was understandably not cooperating, so that the bank itself was the main source of information. In spite of its legal authority the commission had to squeeze every piece of evidence out of the bank.<sup>7</sup> This

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5. B. S. CHLEPNER, *La banque en Belgique. Etude historique et économique. Bruxelles (1926)*, 355-407. J. L. LAUREYSSENS, *De Naamloze Vennootschappen en de ontwikkeling van het Kapitalisme in België (1819-1850)*. Unpublished doctoral thesis, State University, Ghent (1970) 62-160.

6. see: B. S. CHLEPNER, *La banque en Belgique...* 57-103 and 151-196.

7. Algemeen Rijksarchief Brussel (General State Archives in Brussels, henceforth referred to as ARA), Archives of the Minister of Finance (henceforth referred to as Min. Fin.) 308. Ledger: Inventaire des pièces relatives à l'encaisse de la Société Générale comme caissier de l'Etat, et aux intérêts de cet encaisse. (henceforth referred to as Ledger Encaisse). Diverse notices of exchanges between the Commission and the Treasury. See also ARA, Archives of the Société Générale (henceforth referred to as

obstructionism can be explained by a number of factors. Although de Meeûs had formally proposed an official inquiry,<sup>8</sup> he had withdrawn his voluntary cooperation from the first commission set up by the minister when it was given a much larger mandate than he had proposed. He also was hostile to the second, the parliamentary commission, because this one had an even a wider mandate than the first, and he had reason to suspect it to be biased against the bank.<sup>9</sup> It was stacked with politicians who had shown themselves adversaries and critics of the bank, such as the Antwerp banker Legrelle, the radical cleric De Foere and especially the firebrand Dumortier, its most vociferous antagonist in the Chambre of Representatives. Moreover, the 'rapporteur' Fallon was a brother of the chairman of the Cour des Comptes.<sup>10</sup> The attitude of the bank affirmed in the minds of many parliamentarians the lingering suspicion that the deposed William I, as the principal shareholder, still had great influence on an institution which was, after all, the guardian of the revolutionary nation's money. The new finance minister Ernest d'Huart, as de Meeûs will soon find out, was a strong patriot with influence in the Cour des Comptes. As a consequence, he tended to favour the legislative assemblies' positions

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SGB) 2584. The Fallon Report of 1835 (henceforth referred to as The first Fallon Report) published in: *Documents Parlementaires*, 1835-1836, #10.

8. ARA, Min. Fin., 308. *Ledger Encaisse*. Entry: "Open letter to Parliament, January 15, 1833. Introduction to royal decree, instituting the commission, February 16, 1833. ARA, Min. Fin., 311.

9. ARA, SGB, 110. *Projet de lettre au Ministre des Finances*, n.d. (February 1833).

10. De Foere and Dumortier figured most in the debate concerning the convention of November 1833. Dumortier proposed the creation of the new commission. There was one member connected with the bank, J. A. Coghén, chosen because he was minister of finance during two of the revolutionary governments. He proposed to turn down his nomination because of conflict of interest but his protest was waved away. Others members were: Dubus, chairman, Brabant, Dumont, Verdussen, Davignon, from the former ministerial commission, and Angillis. Parliamentary debates, published in full in the *Moniteur belge* shortly after the day of the session, in this case Nov. 18, Dec. 3, Dec. 4, 5, 6. Useful summaries of the debates in L. HYMANS, *Histoire parlementaire*, Volume I 1830-1839, 228-229.

and was extremely suspicious of the motivation of the bank, which did not facilitate their relationship.<sup>11</sup>

There was no direct confrontation with D'Huart till the end of 1834. In early December, the aftermath of an incident that happened during the revolution provoked a first clear statement of position from the new finance minister. The agent of the Société Générale in charge of the state cashier in the town of Turnhout, had been forced to surrender his funds – 75,000 florins, not a small sum – to the Dutch army engaged in the short and successful counter-offensive that afterwards was referred to as the 'Ten-days' Campaign'. In September 1833, during the discussion of the budget of the Department of Finance in the Chambre of Representatives, the banker Legrelle mentioned the incident and urged the government to demand restitution of the funds from the bank because the agent had been derelict in his duties. This forced de Meeûs, as a member of the Chambre, to defend the safety policy of the bank. He denied that the state had any legal right to make the bank pay that money: it was clearly a case of 'force majeure' which was covered in the contract. The Minister of Finance wasn't sure, a charge of negligence was perhaps in order.<sup>12</sup> When the question also popped up in the Senate,<sup>13</sup> de Meeûs decided the issue wouldn't go away and he took his case to the Courts, thus initiating the first of several litigations involving the bank that marked this period. But even before the judicial hearings started on the 'Turnhout incident', dispute arose about the proper venue of jurisprudence. This brought again to the surface the ambiguity existing in the minds of the contemporaries about the status of the bank as 'state cashier'. D'Huart, who had replaced Duvivier in the portfolio of finance by then, disputed the fact that de Meeûs had instigated procedures at the civil law courts, claiming the case should be judged by the Cour des Comptes (which

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11. see Algemeen Rijksarchief s'-Gravenhage, Staatssecretarie, 6039. Letter Van Gobbelschroy to Schimmelpenning, March 20, 1836 (included note on SGB).

12. Exchanges during budget of Finance debate. Interventie Legrelle, Session Chambre Sept 26, 1833; MON., Sept. 28, 1833, and Session of Sept. 27, MON. Sept. 29, 1833.

13. Session Senate, Oct. 6, 1833; Interventie D'Andelot. MON. Oct. 9, 1833.

is a judiciary court) because it concerned the Treasury and the state accountancy.<sup>14</sup> This made it clear what D'Huart's position in the accountability question was. In his eyes, the state cashiership was and should be part of the civil service and there should be accountability to the Treasury and the Cour des Comptes. In fact, as emerged later, he seemed to consider the use of the bank for the function a temporary aberration created by the despot Willem I. Only 'Realpolitik' had made it necessary to keep the arrangement alive so far. He did expect to be able to restore the old order soon since the contract with the bank would run out on the first of January 1835, according to a convention signed on August 25, 1832. In the past years since the Revolution, the bank had several times expressed dissatisfaction with the arrangement in the public forum<sup>15</sup> and come December 1834, it had not given any sign to want to negotiate a new contract. At least, this was how his department had briefed him. So it was a surprise when, apparently at the eleventh hour, de Meeûs did approach the minister with a demand to renegotiate the contract.<sup>16</sup> It turned out de Meeûs had no knowledge of the imminent January 1835 closing date. According to his lights, the bank had been operating under an ad hoc ruling which had emerged in December 1832 when Duvivier was the finance minister. It consisted simply of an informal agreement that the bank would continue the service on the old basis for the time being. The government had promised to give six months notice before moving to discontinue the arrangement.<sup>17</sup> In the intermediate time, the bank had frequently complained to the minister of finance about the absence of

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14. ARA, Min. Fin., 311. Quoted in notice by Cour des Comptes to the Treasury of Dec. 16, 1834, from a letter by D'Huart of Dec. 6, 1834.

15. f.i. In a speech to the general assembly of shareholders of the bank on April first, 1833, Meeus had admitted that, if the bank had to consider only its own private interests as an business, and was only seeking to maximize its profits, it would be to its advantage to terminate the contract.

16. ARA, SGB, 2584. D'Huart to SGB, letter Dec. 18, 1834.

17. ARA, SGB, 2584. Letter SGB to D'Huart, Dec. 22, 1834.

De Meeûs mentioned also that in Oct. 1833, during the negotiations for the convention about the balance of the 'Dutch account', Minister of Finance Duvivier had promised that a renewal of the contract for three years would be signed promptly, but it had never materialised.

a firm contract and the insufficiency of funds, and, de Meeûs said, the bank could, at this point, no longer tolerate that kind of uncertainty in view of its plans for the future. He said the Board of Directors had reevaluated the question of the cashiership and it had decided it would rather be relieved of the function unless a new contract was drawn up that would state a definite term and would put it in the same position as before September 1830.<sup>18</sup> D'Huart could not believe Meeus' statement of ignorance about the January 1835 deadline. He even produced as proof a copy of the so called convention.<sup>19</sup> It appeared there had been a genuine communications mishap<sup>20</sup> which, however, could not be explained without imputing the complicity of the Finance administration. Bureaucrats of the Treasury department had apparently contrived to obstruct the bank in this way. They had misinformed the minister deliberately, maybe even made evidence disappear.<sup>21</sup> They

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18. The evidence of the bank's archives confirms this. In the Ministry of Finance's archives the evidence is not to be found. ARA, SGB, 2584. Letter of Dec. 17, 1834.

19. ARA, SGB, 2584. Letters D'HUART to SGB, Dec. 18 and 23, 1834. This so-called copy is nowhere found in the archives.

20. ARA, Min. Fin., 308. Both documents are recorded in the Ledger Encaisse. Notice indicated to have originated from the Treasury: Aug. 25, 1832. "Décision M(inistérie)lle portant que la Soc(ié)té gén(era)le reste chargée de l'office de caissier de l'Etat jusqu'au 1er Janvier 1835." Next entry: also from the Treasury dated Dec. 22, 1832: "Le M(inis)tre des finances, en réponse à la lettre du 15 Sept. 1831, fait connaître (au Gouverneur de la Société Générale) que dans le cas où le Gouvernement serait disposé à lui retirer la caisse de l'Etat, elle en serait prévenue 6 mois à l'avance. Quant à présent il n'est point question d'une telle mesure."

21. ARA, SGB, 2584. Letter DEC. 24, 1834. De Meeûs emphatically denied having received a copy of the agreement. He offers the opinion that this neglect on the side of the administrators of the finance department was intentional. The date makes it a decision taken during the ministry of Coghen. Since Coghen was very close to de Meeus and auditor of the bank, it is very unlikely that Coghen would not have informed de Meeus of this decision. Was the whole 'convention' a fiction manufactured by the department? From the December 22, 1832 letter by Duvivier (who on October 20, 1832 had replaced Coghen) it appears that he also did not know of the alleged convention. Was Duvivier also intentionally mis- or disinformed by his administration? It is suspect that all correspondence in which De Meeûs indeed pushed for a new contract and complained about the frequent lack of funds in the treasury is not to be found in the archives and the ledger on the 'Encaisse' laconically mentions both contradictory agreements (see footnote 20) and nothing else for this period, while other less important notices were entered.

had shown for years a marked hostility in their dealings with the bank. De Meeûs mentioned the trouble with the Finance administration in his first petition to Leopold I in December 12, 1832.

“(... ) (la banque) se trouve maintenant en opposition avec des intérêts particuliers, avec des ambitions puissantes et longtemps comprimées (sic) qui sollicitent avec instance le retablisement d’un trésor, de recettes générales par province et de recettes particulières par arrondissement, ....

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When William I installed the Société Générale as the state cashier, all county tax collectors had to be eliminated since the function disappeared and the choice position in the treasury department, the ‘receveur général’ of each province was turned into a mere provincial director without authority to handle funds.<sup>23</sup> It is probable that this had created the deep hostility towards the bank within the bureaucracy. Could a similar resentment also play a role in the attitude of the bureaucracy of the Cour des Comptes which had been completely disbanded during the Dutch regime?

#### THE DISPUTE ESCALATES INTO OPEN CONFLICT AND THE NEGOTIATIONS ARE POSTPONED.

The escalation of the conflict about the renewal of the contract after this inauspicious beginning towards “un état d’hostilité à peu près déclaré”<sup>24</sup> is not easy to derive from the available sources. The clash ‘in camera’ with D’Huart and King Leopold must have been memorable, judged by written evidence that is left and the actions that are recorded. D’Huart’s position seemed to be fairly clear. He did not attempt at first to consider seriously the negotiating position of the

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22. ARA, SGB, 2584. The letter of December 22, 1832 in which Duvivier ruled rather nonchalantly that the government would let the Société Générale know 6 months in advance when it wanted to end the cashier function also contained a response to this allegation the problem acknowledging with the administration. He pointed out that the state was not at present able to reorganize the department.

23. see Part one of this study. J. LAUREYSSENS, *Financial innovation..* (1989)

24. Archives Foreign Affairs, Dispatches by the French Legation, #50, s. Count de Latour-Mabourg, July 16, 1835.

Société Générale. He obviously wanted to terminate the contract right then or failing that, he wanted a new contract that built in a control mechanism by the Cour des Comptes and guarantees for the state similar to the ones that ruled the former tax collectors in the civil service.<sup>25</sup> He counted on recommendations favourable to his point of view to come forward from the parliamentary commission of enquiry.<sup>26</sup> Since the report of the commission was expected any time, he proposed to extend the deadline with six months to June 30th, 1835. The contract would end then unless a new one could be agreed on before that date. He must have thought the matter settled when de Meeûs reiterated that although it did prefer to continue the service the bank could only do it on the same conditions as before but, he insisted, its particular and private interests dictated it should stop the cashier-ship.<sup>27</sup> Although this is a far from straightforward: yes, we will discontinue the service on June 30th, the bank immediately begun to take measures to prepare for the closing date. Notice went out to all the agents staffing the agencies that starting July 1, their job would become redundant.<sup>28</sup>

Stopping the service in most of the counties would be that simple but, as noted before, the agencies in the bigger commercial centres had

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25. An article from his hand published in the *Moniteur Belge* of January 6, 1835 explained this position.

26. ARA, SGB, 2584. Letter by D'Huart, 18 Dec., 1834. Instead of responding to the bank's conditions for renegotiation, he stalled: the circumstances are too delicate, the decision too important to take now... He pushes for closure on June 30th, 1835 unless an agreement should materialize before that. When the bank claimed to have continued without direction from the minister he asked that if the bank was so worried with uncertainty why didn't they request an end to the contract long before now?

27. One newspaper seemed to have gotten a whiff of what went on: *Le Belge*, according to *L'Independant*, published the following (unconfirmed) news item on Dec. 23, 1834: "La banque est menacée, dit-on, de protêt et de poursuite faute d'obtempérer aux requisitions du gouvernement. Si cette institution ne présente pas sous peu de jours des conditions déterminées et acceptables, elle sera privée, à partir de 1835, du recouvrement des contributions dont elle se chargeait pour le trésor public. Le gouvernement commettrait des agents spéciaux pour les provinces en remplacement des préposés de la banque"

28. They were urged to apply for a job with the state! ARA, SGB, 2584. Memorandum to agents, Dec. 23, 1834.

added to them a number of banking functions so that, in fact, they acted as local branches of the bank. Two important functions were located there: the savings banks and the discount operations serving the local commerce.<sup>29</sup> Was it unavoidable that, as the bank claimed, if the government counters would have to close, also these activities would have to be liquidated and the agencies in the commercial centres completely closed? To this counterfactual question, there is no answer. There is secondary evidence, on the other hand, suggesting that the reserves accumulating in the savings banks were used, for a significant part, to finance the Société Générale industrial investments.<sup>30</sup> Moreover, we know that especially via the agency of Mons and by means of loan operations in support of the coal and iron industrial development, a powerful connection had been forged between the Brussels and local financiers and industrialists.<sup>31</sup> Since 1833, de Meeûs personally, together with Coghen and De Baillet and the directors Basse and Engler, in cooperation with local members of the Mons agency, had been involved in several costly transportation projects for opening up this area for the industry. Towards the end of 1834, the decision to buy and invest directly in the industry was taken.<sup>32</sup> In those circumstan-

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29. about the importance of the discounting of 'papiers de circulation' at the Mons agency for the industrialization and industrial financing see J. LAUREYSSENS, *The Société Générale and the origin of industrial investment banking*, *Belgisch Tijdschrift voor de Nieuwste Geschiedenis*, VI, 1975, 1-2, pp. 93-115.

30. See Algemeen Rjksarchief, S'Gravenhage, Archief Buitenlandse Zaken, 795 A, n.d. (Sept.-Oct. 1836), n.s. (Grebán).

"Les fonds provenant d'aliénations de bois, de la caisse d'épargne et d'autre origine sont en générale employés à soutenir les opérations de la Société de Commerce ..."

31. J. LAUREYSSENS, *Le crédit industriel et la Société Générale des Pays-Bas pendant le régime hollandais*. In: *Revue belge d'Histoire contemporaine-BTNG*, V, 3, (1971).

32. a.o. the project to construct local feeder canals from the Centrum coal basin to the recently completed canal from Charleroi to Brussels; the canalization of the Upper Sambre in France and the canal connecting Upper Sambre to the Oise (and the river system giving access to the Paris market). They were left with a considerable interest in the company for the canalization of the Belgian Sambre after the bankruptcy of the banker Warocqué in 1830. See J. LAUREYSSENS, *De Naamloze Vennootschappen en de Ontwikkeling van het Kapitalisme*. Unpublished manuscript doctoral Dissertation, RUG, (1970), 49-52.

ces, would the Board of Directors have seriously considered dismantling its provincial network? The agencies spread the Société Générale's dominant position in banking and savings to the provinces. In terms of the savings banks the elimination of those agencies would mean not only that they lost access to the resources of the lower middle-class but also that they cut themselves voluntarily out off a monopoly position. A group of Liège business men for instance, was very prompt to respond to the announced closure by jumping into the void the Société Générale Liège agency would leave and founded the Banque Liégeoise et caisse d'épargne.<sup>33</sup> In other words, the bank, already by that time, had grafted to the grid of government counters a commercial financial system that could not be dismantled partially without great damage to the whole.

It is all together more likely that appearing to close the savings banks and the discount operations in the major agencies was used by the bank as a bargaining tool to put effective pressure on the government. The savings banks especially were a powerful means for that purpose. The promotion of good savings habits for the 'lower classes' was an important part of the new bourgeois social policy. After the fall of the French Empire, many communal authorities had founded municipal savings banks. The funds were largely invested in public bonds with the result that the institutions experienced great difficulties at the time of the revolution.<sup>34</sup> At the end of 1831 the Société Générale had come to the rescue by founding its own savings banks in the agencies and bailing out many of the communal establishments. The

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33. *L'Indépendant*, Febr. 1, 1835, cites from *Le Journal de Liège*, Jan. 31, 1835. The bank's measure provoked protest from Regency of the city of Liège. As a result, the bank concedes to give holders of deposits smaller than 500 frs an option to delay withdrawal of their funds till the first of May. Alternatively, they could buy a bond bearing 4 % interest for a one or two year term instead or they could transfer their accounts to Antwerp or Brussels. *Idem*, Febr. 2, 1835. A group of capitalists and traders founded Banque Liégeoise to continue the savings bank.

34. See E. WITTE, "Het Belgische Spaarbankwezen in de eerste helft van de 19de Eeuw: een zaak van door de overheid gesteunde 'haute finance'". In: *De Belgische Spaarbanken: geschiedenis, Recht, Economische Functie en Instellingen*. Tielt, (1986), 59-60.

The initiative had been a great success. By the end of 1834 there was more than 14 million francs in the accounts.<sup>35</sup>

While the announcement of the imminent closure of the savings banks shocked the government and the parliamentarians<sup>36</sup> and provoked an immediate public response, the bank antagonized the deputies even more by sending a categorical refusal to the request of the parliamentary commission of inquiry to open the books on the operations of the year 1830. This would mean, they said, it had to divulge dealings with clients and stockholders such as William I which were entirely of a private nature and it could not be compelled to reveal such information except under court order.<sup>37</sup> This triggered a public reaction by D'Huart who published his views about the needed control of the cashier operations by the Cour des Comptes in the official paper (January 6, 1835). This in turn, caused the bank to send a strong worded 'petition' to King Leopold, on January 8, 1835, in which the bank declared it would never continue the service under the conditions required by D'Huart, rather

“elle exprimerait à Votre Majesté ses regrets de ne pouvoir plus rendre au pays tous les services qu'elle se flatte de lui avoir rendus, tous ceux dont elle avait la pensée...”

It demanded from the King a clear stand on the question of the cashier: did His Majesty think it was in the country's best interest that

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35. See WITTE, *Belgische Spaarbanken...*, 63.

36. Marquis De Rhodes in Senate, March 20, 1835, said according to HYMANS, I, 368 “qu'à la suite de l'attitude de la Société Générale qui, du jour au lendemain, a supprimé les caisses d'épargne et déclaré sa résolution de renoncer au rôle de caissier de l'Etat, le gouvernement ne consentira plus à traiter avec la Banque, quelles que soient les conditions que celle-ci lui offre. “He was co-founder of Banque de Belgique. In the session of March 30th, 1836, he repeats his critique of the suddenness with which the bank acted “... je dois vous faire observer que le ministre ne pouvait pas prévoir et que tout le monde se serait refusé à croire, que le caissier général en eût agi avec le gouvernement comme il l'a fait en lui donnant aucunement part de sa disposition d'en finir ainsi avec la recette de l'Etat, et en supprimant violemment les caisses d'épargne, comme pour jeter de la perturbation dans le pays.” MON., April 2, 1836.

37. ARA, SGB, 2584. Letter Dec. 24, 1834.

the bank should continue the service or not? If he did, the bank “veut se conformer, comme elle l’a toujours fait, aux intentions de Votre Majesté...” But then the King should have an enquiry done to find out if the contract of 1823 was compatible with the existing legislation because the only way the bank would continue the function was under the old conditions. Anything else would jeopardize its shareholders’ and clients’ rights.<sup>38</sup> De Meeûs fired off another ‘petition’ to the King, on January 27.

“La direction, it started, obligée de s’occuper chaque jour des mesures que commande la cessation du service du caissier de l’Etat et voyant combien est imminente la destruction des moyens de crédit qui sont à la disposition du commerce et de l’industrie dans nos provinces, ...”

Then he announced the Board of Directors had decided that in order to wind down the discount service in orderly fashion they should start turning down requests for credit on February 15 in time for the June 30th deadline. This measure was necessary, they claimed, for

“... le Conseil Général a pensé que laisser le commerce dans la confiance que les moyens dont il dispose depuis plusieurs années, ne lui prêter assistance et exiger instantément la restitution des avances faites, ce serait aggraver le mal et exposer les affaires commerciales à une funeste perturbation.”

Before actually implementing this measure, however they wanted to inform His Majesty.<sup>39</sup>

The King’s reactions to these remarkable ‘petitions’ are not directly known but apparently, he was so furious he wanted to dismiss de Meeûs on the spot. D’Huart, however, according to his own testimony, talked him out of it. The minister took great pleasure of reminding him

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38. ARA, SGB, 2584. Letter De Meeûs to Leopold I, January 8, 1835.

39. ARA, SGB, 2584. Letter to Leopold I, January 30, 1835. The letter continues: “Il lui a donc semblé qu’on ne pouvait pas différer, au delà du 15 Fevrier prochain, d’avertir ceux qui ont contracté des engagements, ceux qui croiraient pouvoir en contracter de nouveaux, ceux qui compteraient sur les mêmes ressources que les moyens de négociation qui sont maintenant placés près d’eux ne peuvent plus être conservées...”

of this episode in a letter exchange in 1837 during another dispute with the bank (in which the King supported the bank's claims). D'Huart positively crooned in reply to Leopold's reproach that his reactions to the Société Générale were excessive:

"Votre Majesté me permettra de lui rappeler, que lorsqu'il y a deux ans Elle était disposée à consacrer une mesure extraordinaire en revokant le gouverneur actuel de la Société Générale, je prouvais suffisamment toute ma modération en me déclarant favorable au maintien de ce fonctionnaire...."<sup>40</sup>

The better way to break the arrogance of the bank was to undermine its monopoly position, to create "countervailing power" and so improve the government's bargaining position.

"Un moyen sur de parer aux inconvénients que l'on redoute de la Société Générale, moyen exempt de violence et de toute mesure acerbe, c'est, sans contredit, d'élever à côté de cet établissement une banque nouvelle prête à offrir au pays les ressources que l'autre serait tentée de lui retirer. Cette banque présentant, par ses statuts et par la composition de son administration, des garanties de patriotisme et de sûretés que l'intérêt public réclame, le gouvernement pourrait s'abandonner sans hésitation, à des rapports mutuellement utiles."

Because of the expected increase in financial activity with the railway construction, a great number of projects for the establishment of financial institutions of some kind were being submitted to the government for approval. The project sponsored by a group of 'enemies' of the Société Générale lead by Charles de Brouckère for the establishment of a new corporate bank of issue in Brussels was readily approved.<sup>41</sup> The Banque de Belgique – the name chosen betrays its ambition and the motive for its creation –, was large enough to be a credible alternative to replace the Société Générale as state cashier and

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40. ARA, Min. Fin., 309. Note that D'Huart calls de Meets 'ce fonctionnaire'! After years of discussion about the status of the bank vis-à-vis the state, he still does not subscribe to the view that the bank is a private, independant enterprise and not a civil servant.

41. ARA, Min. Fin., 306. Report about project.

assist the state in other financial dealings as well as provide effective competition. Although the whole procedure of authorization was pushed through very quickly and in secret (the application was presented on the 15th of January, after the first Générale 'petition', and the King signed the decree on February 12) the public offer for subscription of the shares received great publicity.<sup>42</sup> Big names in the financial world, the likes of Rothschild of Paris and his rival Oppenheim paid attention to the event, but especially the participation of many French investors and a group of members of the Senate and the Chambre made the public subscription a tremendous success.<sup>43</sup> The strategy of the government worked, the prospect of a rival did shock the Board of Directors at least to the extent that this event more than anything else convinced them to make a serious effort to keep the service.<sup>44</sup> They called off the preparations for the closure of the agencies and tried to convince the minister they changed their mind for the sake of industry and commerce in the provinces, which needed the credit and because they needed the agencies after all, for the new operations the bank was preparing.<sup>45</sup>

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42. Archives Foreign Affairs Brussels, French Legation, Dispatch February 17, 1837. "... une rupture entre le pouvoir et la Société Générale commença à paraître imminente. Une nuance d'opinion, contraire à celle dont on accusait l'ancienne banque, crût devoir mettre à profit cet état de choses et forma la Banque de Belgique. Cette nouvelle société fût créée, organisée, ordonancée au pas de charge et dans le plus grand secret. Elle apparut à l'improviste comme une saillie, mais elle provoqua une réponse spirituelle..."

43. f.i. in *L'Independant*, February 17, 18, 19, 20, and 23 1835.

44. Rijksarchief s'Gravenhage, Archives Foreign Affairs, 795 A. Document: Situation des affaires de la Société Générale (s. Gréban) "On voulait faire (du service de Cashier de l'Etat) une des attributions de la Banque de Belgique et cette considération plus que tout autre a décidé la Direction à faire des efforts pour conserver le service dont il s'agit"

45. ARA, SGB, 2584. Letter SG to Min. Fin., May 27, 1835. "La Direction a plusieurs fois déclaré et doit le déclarer de nouveau dans cette circonstance, qu'en continuant le service de caissier de l'état, elle n'eu pour principal objet de soutenir les intérêts industriels et commerciaux de plusieurs provinces du royaume, liés aux agences qu'elle y a institué soit par d'anciennes opérations qui n'ont pas encore pu être liquidées, soit par de nouvelles négociations importantes..."

In a letter of February 8, D'Huart declared he was ready to restart negotiations with de Meeûs about the renewal of the contract. His position, however, was not changed: the bank would have to accept direct control of the Cour des Comptes. But de Meeûs was firm in his refusal of this particular condition. Neither was he happy about the clause the minister wanted to attach which stated that, in view of the on-going investigation, the contract could be terminated by any of the parties at an advance notice of some months.<sup>46</sup> Therefore, using the argument that the principle of the control was under investigation, he pushed for postponement of the renegotiation of the old contract till the Commission had completed its report. For the time being, they could merely extend the old contract with the proviso of an advance notice time to start the renewal renegotiations.<sup>47</sup> But D'Huart held out for his conditions, inflexible, in spite of the apparent about-face of the King,<sup>48</sup> till, by the end of May, it became clear that the report would not be ready before the June 30th deadline. Then he reluctantly had to agree to the bank's proposal, gaining the one concession namely to shorten the advance notice time to 6 months.<sup>49</sup>

#### THE FIRST FALLON REPORT: A BLUEPRINT FOR REGULATION.

The Commission's report, commonly called the Fallon Report after its reporter, was finally presented to the Chambre of Representatives

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46. ARA, SGB, 2584. Letter D'Huart to de Meeûs, February 8, 1835.

47. ARA, SGB, 2584. De Meeûs to D'Huart, February 10, 1835. He conceded to send the bi-weekly statement of account, which the bank sent regularly to the minister of finance as required in the contract, also to the Cour des Comptes. This was not a concession towards control. It did not allow the Cour des Comptes to check the transactions as it wanted to do.

48. According to *L'Independant, Le Belge-Liberal* printed on February 26, 1835 the following news item: "On dit que ces jours derniers plusieurs membres de l'ancienne banque se sont rendus auprès du roi pour réclamer contre l'établissement de la Banque de Belgique. On ajoute qu'ils se sont offerts à remplir toutes les conditions, à fournir toutes les garanties qu'on pourrait exiger d'eux, et que le roi a promis formellement d'appuyer leurs propositions auprès de son ministre. M. D'Huart paraît inflexible."

49. ARA, SGB, 2584. Letter SG to Min. Fin., May 27, 1835.

on August 5, 1835. Predictably, it did not embrace the position of the bank but still, its complete support of all the government's and especially its unnuanced acceptance of the Cour des Comptes' claims surprises. About the state cashiership, the commissioners decided that the Belgian state had the right to dispose of the balance of the Dutch account in its totality, by right of conquest. Serious doubt was cast on the legality of the November 1833 convention. It declared the bank had no right to exact guarantees from the government, as it had done for that arrangement. The Cour de Comptes and not the minister should be the final liquidator of the account. The bank had wrongfully been exempted by William I from depositing caution money and this condition should be reinstated. Finally, they claimed that it followed from these interpretations, that the Belgian government had the right to interest on the old balance for the time between December 1830 and November 1833, when the Dutch account had been blocked.<sup>50</sup> The report was tabled by the Chambre and there was no more formal discussion on it at that point. It was understood it would form the base on which the new convention with the bank would be negotiated. The ball was now in the minister's court.

The negotiations, however, dragged on a long time, in fact, it was only towards the end of the following year that finally an arrangement could be worked out. One factor in the delay was that de Meêus, outraged at the Commission's conclusions, resorted to the Law Courts to sort out the rights of the bank. He also tried to argue his cause using the press.<sup>51</sup>

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50. Fallon Report, *Documents parlementaires*, #10.

51. ARA, SGB, 2584. A copy of the report was sent to the corporate lawyers (which were, by the way, also big shareholders and executives of the bank, namely, Drugman, Barbanson and Van Volxem) with the following note from de Meêus-and secretary Gréban: "Ce rapport embrassant toutes les questions qui ont été traitées par le conseil des contentieux et ayant pour objet de faire considérer ses avis comme dénués de fondement, les exceptions qu'il a présentées comme tellement dépourvues de raison qu'aucune d'elles ne résiste au plus léger examen ou comme hostiles à l'ordre politique de pays et mettant en doute la stabilité de sa nationalité, la Direction vous prie, MM de vouloir bien soumettre les raisonnements de M. Fallon et les principes de droit qu'il veut établir, à une délibération approfondie!"

## THE PUBLIC DEBATE

D'Huart conspicuously avoided commenting on any part of the report in the *Chambre* or the press. This silence infuriated de Meeûs especially where it concerned the question of the validity of the 1833 settlement of the Dutch account balance. This was a legal convention concluded with the responsible, legally instituted authority and the minister who represented that authority now should be willing to defend and uphold that convention against the parliamentary attacks. When indirectly the minister let on before the *Chambre* that he also doubted the firmness of the arrangement,<sup>52</sup> de Meeûs instigated a law suit with the Lower Civil Court against the person of the minister of finance. The formulation of the claim was rather bizarre. The bank wanted the court to force the minister of finance to endorse the 1833 convention publicly (t.i. before the Parliament) and to make him swear to adhere to it unconditionally. He wanted it to be demonstrated publicly that a contract between a minister of the government and a private institution was legally binding and could not be challenged by elected deputies of the people. The minister, without giving any prior explanation, countered that the court was not competent to judge on this matter. The court proceeded then to judge on its competence first. It declared itself competent, a judgement that was promptly appealed by the government. In short, this judicial action quickly bogged down for months on a technical matter.<sup>53</sup>

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52. ARA, MIN. FIN., 310. Petition to Leopold, June 5 1838. In his rapport before the *Chambre* of December 3, 1835, he said that it was prudent not to include the money represented by the balance of the Dutch Account (now represented by public debt in deposit with the *Société Générale* following the 1833 convention) with the resources of the state because it was being contested.

53. Rijksarchief s'Gravenhage, Archives Foreign Affairs, 795 A. Doc.: *Situation des affaires de la Société Générale*.

The bank also instigated a law suit against the state following the conclusions of the Fallon Report about the yearly payments to the Amortisation Syndicate and to the civil list for the domains William I had granted to the bank at its foundation. Since 1830 the bank had not payed these dues. The Fallon Report concluded the arrears must be paid to the Belgian state, whereupon the bank decided the matter should be settled in

The bank also tried to influence the debate using the press. For instance, a substantial and well argued pamphlet clearly inspired by the bank, was published in 1836. The (anonymous) author admitted that the creation of the function of 'state-cashier' had caused problems of accountancy although the preceding system had not been foolproof either. At fault, however, were the by-laws of 1824 that had adapted the bureaucratic structure inadequately. The Cour des Comptes, on the other hand, had an inflated idea of its mandate and purposely disregarded the advantages for the country resulting from the arrangement. It also did not understand the business of banking. The government's tax funds were safer with a powerful bank than with the bonded civil servants of the old regime. The tax receipts were far less affected by the changes in regime than had been suggested. On the expenditure side some inefficiencies existed in the payments system but only because of the ill-conceived regulations of the 1824 laws. The requirements of the Court could be met by a few revisions in procedures. It insisted sufficient guarantees existed in the integrity of the bank's directors. Close 'physical' inspection of the government's account would not only be impossible but also be absurd since the government's money was not physically separated from the bank's other deposits. The bank was not a legal "depository" of public money in that sense. All the bank's deposits were used by the bank, since it was a bank of deposit and issue. The system presented mayor advantages which favoured the whole of the economy: savings in administration costs, improvements in the circulation of the currency, increase in the velocity of the circulation, expansion of credit, growth of savings banks and the economy of the lower classes, great reduction in transportation costs of funds, greater speed in the execution of the dispositions of the budget and intergovernmental transactions and

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the law courts. This suit also nearly got bogged down on technicalities, but the Société Générale finally lost it and in November 7, 1836 a convention was signed that settled the terms of payment of these sums to the government. See also ARA, Min. Fin., 310 and the petition to King Leopold, June 1838.

reduction in the amount of Treasury bills the government needed to issue.<sup>54</sup>

In the mean time, the animosity displayed against the bank in Parliament, especially in the Senate, was still vivid. As the Société Générale became more and more actively involved in industrial ventures, the Banque de Belgique, whose founders were strongly disappointed about not getting the government account, dogging it in every step, the camps pro and con in Parliament and in the Press became more defined. In the Senate, which was not more than private-club sized by the way, the group of senators who had a stake in the Banque de Belgique (Vilain XIII, Marbais du Graty, D'Andelot, de Rhodes...) were looking for ways to destroy the bank.

For starters, in January 1836, they were able to push through an amendment to the railway act which in fact made it very difficult for de Meeûs to get the coveted concession for the construction of the railroad from Brussels to Paris.<sup>55</sup>

However, throughout these months of indecision, contacts between the bank and the state were never completely interrupted, however, and in February 1836, the negotiations, conducted in great secret, still proceeded in a relatively satisfactory manner. An arrangement had not yet materialised, although de Meeûs had drastically changed his aggressive attitude to a conciliatory manner. He had been able to dispel all preconceptions King Léopold had harboured about him and had won over a majority in the cabinet to the idea of forgetting the past and to work out a global arrangement on all the different issues

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54. An. "Du Caissier Général de l'Etat et la nécessité de sa conservation. Brussels, 1836. See J. LAUREYSSSENS. Growth of Central Banking. The Société Générale and its impact on the development of Belgium's monetary system during the United Kingdom of the Netherlands (1815-1830). *The Journal of European Economic History*, XV, #3 (1986)

55. Archives Foreign Office Brussels, French Legation, Dispatches January 10, 13 and 16, 1836 s. De Latour Mabourg. This action touched de Meeûs very deeply, since the construction of that railway was his dream. The senators proposed and passed an extraordinary amendment to a routine act for the prolongment of the May 1, 1834 Railway Act.

dividing the state and the bank.<sup>56</sup> Only D'Huart continued his hostile stance towards the bank and the administration. At that time, the French ambassador was told the expectation was that D'Huart would be eventually persuaded by King Leopold. Even so, he thought getting the approval of Parliament would still be a difficult hurdle to take even if the final arrangement would be favourable to the state.<sup>57</sup> These doubts were confirmed when on March 30 the Senate tried to stage a kind of a legislative 'coup d'état' by threatening to refuse approval of the budget for 1837 if the government kept the Société Générale as state cashier. The commission of the budget who came up with this scheme was chaired by Vilain XIII. In the lively discussion that followed the presentation of its report the bank found a eloquent defender in the person of the Minister of Foreign Affairs, De Muelenaere, who pointed out that the Commission with this act was outrageously trespassing on royal prerogative. It could not dictate the government in this manner, so it was making an empty threat which reduced it to a low personal attack aimed at the bank. In his unbiased opinion, he said, for he had no personal interest in any bank, the government could not afford to turn its back on the cooperation of a company like the Société Générale if it wanted to develop the economy: it was better to use it to the country's advantage.<sup>58</sup> De Muelenaere's intervention, revealed that within the cabinet the rift was growing between those who favoured the bank and those against.

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56. Archives Foreign Affairs Brussels, French Legation, Dispatch of 16 February 1836, s. De Latour Mabourg.

57. Archives Foreign Affairs Brussels, French Legation, Dispatch February 13, 1836, s. De Latour Mabourg. "(de Meeûs) homme trop éclairé pour ne pas comprendre les véritables intérêts de l'établissement qu'il régit, se montre on ne peut plus conciliant..."

58. MON., April 2, 1836. Debates in Senate, session March 30, 1836. "Défenseur naturel des intérêts du trésor, le gouvernement doit veiller à ce que ces difficultés reçoivent une solution légale. Mais, pour ma part, j'ai toujours pensé que les besoins, les progrès de l'industrie, de l'esprit d'association en Belgique, imposaient au gouvernement le devoir de procéder avec une sage circonspection, et de ne pas se priver, sans une nécessité impérieuse, du secours que peut offrir une société, que je regarde comme le levier le plus puissant pour une administration habile qui saura en tirer parti."

D'Huart, during the same discussion, counters that, if the Société Générale was not willing to settle the different controversies with the government, it would maybe be proper to take the service of the Treasury away from it because it undeniably derived much profit from it.<sup>59</sup>

After this, it was clear that more mellowing of the feelings had to take place before the sense of reality on both sides would prevail and a suitable formula could be found. Finally, in the fall of 1836, that stage was reached. D'Huart had to admit that the creation of the Banque de Belgique had not been sufficient to break the power of the bank. On the contrary, since that time the Société Générale had developed ever more means of credit and influence. On the other hand, as the French legate claimed, maybe de Meeûs was tired of this seven years war with the government, maybe he was more shaken by the competition of the Banque de Belgique than he cared to admit or the Board of Directors had been shocked badly by the continuing hostility and the animosity demonstrated against their persons.<sup>60</sup>

A new convention was finally signed on November 7, 1836. What conditions did the government obtain? The service would be allocated to the Société Générale only for a term of three years but could be prolonged for another three years at the same conditions if the present

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59. MON., April 2, 1836. Senate, session March 30, 1836.

"Les discussions et contestations élevées à ce sujet ont fait l'objet des méditations du gouvernement, et c'est à tort qu'on lui a fait le reproche de ne pas s'en être occupé; il n'est pas resté inactif, et s'il n'a pris encore aucune résolution définitive, c'est que la question est grave, et qu'il s'y rattache des intérêts majeurs; ceux du commerce et de l'industrie belge peuvent être mis en cause dès lors le gouvernement ne doit agir qu'avec la plus grande circonspection (...) je le dis franchement, si la Société Générale ne s'entendait pas avec nous sur les différentes questions litigieuses entre elle et le gouvernement, il serait peut-être convenable de lui ôter le service de la caisse qui incontestablement lui est avantageux."

60. Rijksarchief 's Gravenhage, Foreign Affairs, Van Gobbelschroy Papers, 795 A. The author of the document: Situation de la Société Générale... claims that the French King had intervened to smooth the roughened feathers on both sides. "Il y a lieu de croire maintenant que les conseils d'une haute parenté française ont surmonté des répugnances qui paraissaient invétérées, ont écarté bien des difficultés et amèneront dans un terme peu éloigné un arrangement." This information awaits confirmation from other sources.

convention had not been annuled before the end of the term. These conditions remained those of the contract of 1823, only the transaction fee was lowered from 1/4 to 1/5 of a per cent of all transactions. The guarantee was also reinstated: 5 Million Frs., to be deposited in the form of public debt.<sup>61</sup> Looking at these terms one does wonder what all the fuss was about. After a fiery and lengthy battle between government and the bank, this is the convention that is supposed to mark the submission of the Société Générale? It seems rather the government was the greater compromiser. Even Gréban, secretary of the bank, had to admit it appeared to be the case. He comments as follows:

“On doit peut-être s'étonner de ce qu'après avoir été l'objet de passions si haineuses et si acharnées, (la Société Générale) parvienne à se consolider sans de plus grands sacrifices. On aurait pu sans doute continuer la guerre au risque d'une catastrophe, mais du moment qu'on entrait dans les voies de conciliation, il n'a pas fallu peu d'habileté pour obtenir les conditions qui viennent d'être indiquées.”<sup>62</sup>

Without doubt the Société Générale must have been skillful in obtaining these terms, since D'Huart did get nowhere on the condition of control by the Cour des Comptes. However, as long as he was minister of finances, he did not change his mind about this question. Neither did the Cour des Comptes.<sup>63</sup> Nevertheless the Société Générale paid a larger price in the arrangements on other issues that were in dispute, which makes it look like there had indeed been a trade-off in compromises. There was still no judgment in the law suit about the 1833 convention but there was an agreement that if the minister would confirm the validity of the convention before the Parliament, the bank would destroy the public debt fund that served as guarantee.<sup>64</sup> The

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61. ARA, SGB, 2611. Convention of November 7, 1836.

62. Rijksarchief 'S Gravenhage, Archives Foreign Affairs, 795 A. Van Gobbelschroy Papers, Doc.: Situation des affaires de la Société Générale.

63. ARA, Min. Fin., 311. Verdict Cour des Comptes, May 4, 1850.

64. This never took place in actuality. I did not find any judgment in the case against the government, but it is a fact that the debentures representing the balance remained in the bank's possession till after the liquidation with Holland. See “Arrêt

bank lost a second law suit and was forced to pay to the Belgian state the arrears of the sums it was due for the domains grant and the future payments on it.<sup>65</sup> The most important concession was, however, that the bank would have to issue the 29,000 shares needed to complete its authorized capital. King William's 25,000 shares were 'immobilized' since the revolution. This meant that the net worth of the bank as well as the effective control was resting with the very small group of owners of the 5,000 odd remaining issued shares. Few were traded and no wonder the the price quoted at the stock exchange was 810 guilders for the 500 guilder share. The new shares would be issued at 700 guilders, the surplus value of 200 guilders would be added to a reserve fund. The old shareholders were given extra favourable conditions to obtain the new shares and to compensate them for the loss that could result from the watering down of their stake. The issue would bring in new capital means as well as increase the number of Belgian shareholders. This last point was the main motive for the government to insist on the new issue: to counter the often repeated objection against the bank that the benefits from its operations did not stay in Belgium. The direction had resisted a new issue for a long time but finally had to give in.<sup>66</sup>

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porté sur le compte des intérêts dûs par le Caissier Général en caisse au premier Octobre 1830." Judgment Cour des Comptes, May 4, 1850. ARA, MIN. FIN., 311.

65. ARA, SGB, 2611. Convention of November 7, 1836.

66. Rijksarchief s'Gravenhage, Archives Foreign Affairs, Van Gobbelschoy Papers, 795 A. Situation des affaires de la Société Générale. The presumed author Gréban adds that the old shareholders not only could buy the shares at 700 guilders a piece but that the money to buy them would be lend to them at very good conditions. "On ferait ainsi tout ce qui serait possible pour les indemniser de la perte qui pourrait résulter pour eux de l'émission. On croit que le prix des nouvelles actions se rapprocherait bientôt de fl. 810. Cette émission procurerait à la Société Générale de nouveaux capitaux et en augmentant le nombre des actionnaires détruirait cette objection sans cesse reproduite que les bénéfices obtenus par la Société Générale ne restent pas à la Belgique. Cette opération a longtemps et fortement repugné à la Direction, mais elle a cédé à des instances réitérées auxquelles elle a cru ne pas pouvoir résister davantage." The bank finally used much of the newly created shares to establish a system of control over its financial and industrial subsidiaries. It also started a policy of buying back its own shares and putting them in a reserve fund, so that in spite of the increase in the capital fund there were few significant changes in

The function of cashier, however, remained surely with it from then on and the terms of the contract were not contested any more, apart from some rumblings in the Parliament.<sup>67</sup> In 1839, when the contractual three years had run out, the term of the service was made indefinite.<sup>68</sup>

The 1838 financial crisis in which the Banque de Belgique failed and even the Société Générale experienced serious difficulties, brought home how fragile the private banking system was and how potentially dangerous it could be to leave the state's funds entirely mingled with the private circulation. In 1839 a mixed commission was formed with representatives from the Parliament, the Cour des Comptes and the administration of Finance. It was charged with the preparation of a bill reorganising the administration of state's financial system and a second bill which would specify more rigorously the responsibilities of the Cour des Comptes and coordinate this body's procedures with the new system of the treasury. Its activities led to the presentation of the two bills to the Parliament in January 1844. They became law in 1846. Clause 58 of the law concerning the accountancy of the state authorized the government to keep the Société Générale as state cashier till the end of December 1849. At that time a special law for the organisation

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the number and composition of the controlling group of shareholders till 1848. See for this L. FRANCOIS "De reacties van de aandeelhouders van de Société Générale op de revolutiegolf van 1830" in: B.T.N.G.-R.B.H.C., XII, 1981, 3, pp. 423-478.

67. ARA, SGB, 2589 and 2604. Debate in Chamber of Representatives in February 23, 1837, about interpretation of the November 7, 1836 convention. See *Moniteur Belge* of February 24, 1837 a.o. the members wonder whether art. 3 which states that the bank will send bi-weekly statement of account to the Cour des Comptes does not imply that the bank recognizes the legitimacy of the control of the Court? Correspondence of D'Huart with Société Générale, in which the bank denies all of the suggested interpretations of that sort. Letter by d'Huart of March 1, 1837 and response by Gréban (secretaris)-de Meeûs of same date.

68. ARA, Min. Fin., 308. An additional clause was attached to the 1836 convention changed clauses 1 and 2 of the contract stating that the government or the Société Générale respectively will have the option to declare their wish to discontinue the service, on whatever time of the year, and the arrangement would cease to operate one year after that declaration. Copy of the convention of November 6, 1836. Note: this measure was agreed to by Desmairies who succeeded D'Huart after he resigned from the de Theux government!

of the service would have been worked out.<sup>69</sup> This law would take care of the transitional measures for the transfer of the service to the National Bank of Belgium.<sup>70</sup>

## CONCLUSION

The renewal of the contract for the state cashiership was not the end of the battle between the Société Générale and the De Theux government. D'Huart persisted, as long as he was Minister of Finance, in trying to bring the bank to heel. King Leopold, on the other hand, had definitely rallied in support of de Meeûs' policy of industrial investment. Shortly after the conventions of 1836, he proposed that de Meeûs and Coghen would be attached to the cabinet as ministers of state to put their expertise in financial matters to the disposal of the government. De Theux, D'Huart and Ernst threatened to resign in protest. To prevent the fall of the cabinet, the proposition was dropped and De Muelenaere, who had supported the plan, effectively resigned as Minister of Foreign Affairs.<sup>71</sup> In spite of the wide ranging character of the arrangement that was reached in 1836, still other issues of regulation and controversies around its entrepreneurial activities kept the bank in the limelight during the rest of the 1830's.<sup>72</sup>

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69. Law on accountancy of the State (*Loi sur la comptabilité de l'Etat*) published in *MON*, May 19, 1846. Law concerning the organisation of the *Cour des Comptes*, published in *MON*, November 1, 1846.

70. This suggests that the idea for the creation of a National Bank had germinated at the time. The question how much the problems with the Société Générale as state cashier have contributed to the conception and realisation of the Belgian central bank need to be the subject of another study.

71. see BOEYNAEMS, "Benoeming en ontslag van de ministers in België van 1831 tot 1884", Vol. I (244-260). Unpublished Doctoral thesis State University Ghent, Faculty of Arts, 1963.

72. f.i. about the interpretation of the convention of november 7, 1836; about the right to reissue its notes in French and expressed in francs; about the right of the government to use or to change the composition of the debentures composing the balance of the Dutch account; the payment of the interest on the balance of the Dutch account for the time it had been in possession of the bank. The decision on this last question had to await a verdict of the *Cour de Cassation*, Belgium's highest court of appeal. It convicted the Société Générale to pay the interests (1850).

The first six years of independence, however, will stand out as the time when the bank was the focus of the most hateful passions. The revolutionary government helped it to survive the separation and was supported in turn to consolidate the revolution. Yet, questions around the function of statecashier lead to such a crisis in the relationship with the government that it came to a point where not only the dismissal of the governor became a possibility but even its very survival as an institution was seen to be in jeopardy. I have tried to reconstitute the different steps that led to the escalation of the conflict and its rather provisional conclusion in 1836. But have I explained the deeper reasons for the hostility? Superficially, one can ascribe a great deal of the animosity against the bank to the suspicion of orangist attachments. With the Parliament, the suspicion that King William I could still exercise influence on the bank via his ownership rights was certainly a factor. The refusal of the bank to release the balance of the Dutch account and the November 1833 agreement did add considerably to these fears. However, the suspicion of orangism alone does not explain the strength and nature of the real resentment displayed throughout the conflict about the state cashier, certainly not in the case of D'Huart or initially also by King Leopold. What really gave rise to strong feelings was the attitude of the bank, the way it acted in its dealings with the state, its ministers and the representatives of the people. This attitude can maybe best be described as arrogance. One is not surprised that the hotheaded revolutionaries amongst them strongly resented the fact that they had to rely on 'William's bank' to get loans from the Rothschilds in order to save the revolution while one is told on the other hand that that same bank refuses to give back their own money to them? Did the bank not in that manner earn enormous profits by lending them back their own money? One is not surprised that people resented the fact that the bank, having received from 'the enemy' a privileged monopoly position in the financial market, was willing to hold the nation's commerce and the savings of the middle class at ransom as it did when it suddenly announced the suppression of its savings banks and discount counters? Afterwards, in early 1835 and because of the bank's building of a financial and industrial empire, other emotions such as envy of its dynamism and increasing influence grew fast, especially

with those who had a stake in the weaker rival institution. For those who were in direct contact with the bank's leadership, the ministers of the government in casu and King Leopold, who was appealed to be arbiter in the dispute, the way the bank conducted itself in the negotiations created a feeling of outrage. With them the impression was created the bank acted as if it saw itself as a power on the same level as the government. They even came across as such to the King, implying as they did that they had a special status with him that was separate from that with the government. This was the greatest mistake the bank made in its dealings with the authorities. I have tried throughout the study to give an impression of the particular tone and phraseology of the bank when paraphrasing its major communications to the minister of finance as well as in its appeals to King Leopold. The tone alone almost explains the offense that was taken. This interpretation is confirmed by a comment made by the French legate De Latour de Marbourg.

*"(Les directeurs) n'ont pas toujours mis dans leurs relations le liant ou la convenance qu'on avait le droit d'attendre. J'accorde même, ce qui est un des plus graves reproches qu'on leur adresse, qu'ils ont essayé de lutter et de traiter avec l'autorité royale de puissance à puissance..."*<sup>73</sup>

King Leopold obviously trusted the bank had learned its lesson and knew its place after this episode. He wrote in 1837:

*"Depuis la signature de la convention entre le gouvernement et la Société Générale, convention par laquelle la Société Générale a accordé au gouvernement tout ce que les procès les plus heureux n'auraient jamais pu lui donner, pour ma part je considère la soumission de la Société Générale comme complète."*<sup>74</sup>

Looking back on this episode with the hindsight that comes to historians, we can only conclude that his optimism was rather premature!

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73. Archives Foreign Affairs Brussels, Dispatches by French Legation, 13 February 1836.

74. ARA, Min. Fin., 309 Letter March 13, 1837 Leopold I to D'Huart (my emphasis).