FINANCIAL INNOVATION AND REGULATION
The Société Générale and the Belgian State
after Independence
(1830-1850)

BY

JULIE M. LAUREYSSSENS

University of Manitoba

King William I of the United Kingdom of the Netherlands introduced important changes to the Belgian financial system. Although some of these changes were truly innovative, they created constitutional problems once Belgium became independent after 1830. The thrust of the King's actions had always been to take charge of financial matters personally and evade effectively the auditing powers of the elected chamber, the Staten-Generaal. To implement his policies, he created a number of institutions over which he kept a close personal and secret control. The Société Générale des Pays-Bas, Belgium's first corporate bank, was one of those institutions. When William I charged the bank with the function of Caissier général de l'Etat or "general state cashier," he introduced a new factor, a private enterprise, into the realm of the public finances.¹ He also broke the chain of the internal control mechanism over the operations of the state treasury. This set the stage for conflicts over accountability and regulation between the bank and the government.

after independence. These conflicts will be the subject of this series of articles. They cover the period from the revolution to 1850 when the problems were definitely solved by the creation of the National Bank of Belgium.

The Belgian revolution of 1830 broke up the union of the Netherlands and Belgium adopted the constitutional monarchy as its new state form. The Constitution of 1831 was the most liberal of the time. It clearly stated the basic principles of the separation of the powers and of responsible government. The central political institutions of the constitutional monarchy, the executive, legislative and judiciary bodies, were readily established. It took more time and strife to build the administrative mechanisms necessary to ensure responsible government. This required implementing effective safeguards to assure control through all the normal operations of the state and regulation of the relationship between the government and the institutions involved.

The area of public finance has always been a very sensitive area in this respect, and, while the vetting of the budget by the elected assemblies presented no major practical obstacles, the implementation of a control mechanism over the government’s spending and over the collection process of its income required elaborate bureaucratic procedures. Moreover, when a private enterprise is involved in government related business, regulatory guidelines are required which delineate clearly the respective rights and obligations.

The Parliament’s auditing right over the government’s accounts was recognized in the Constitution and the responsibility for the execution of it was assigned to a judiciary body, the Cour des Comptes or “Accounts Court.” The Constitution of 1831 thereby reinstated an institution that had originally been established by the French when Belgium was part of the Empire.

The new ruling class of 1830, whether revolutionary or conservative, was largely inexperienced at national government. The bureaucracy of the modern state had barely a longer tradition dating from the early 1800’s. One also has to keep in mind that, although we are examining the relationship between a private nationwide banking

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2. I take the term “Responsible Government” to indicate a system of government where the executive branch is fully accountable for its actions to the legislative and representative branch.
institution as a sovereign state, we are in reality dealing with a small group of people who move in the same circles. There are far more linkages and direct contact between the leaders of those institutions than there is today and therefore the relationship was less formal and more volatile.  

Conflicts of a regulatory nature are interesting in several respects. The battleground consist of the nebulous area where public and private rights overlap and as such the "cashiership" issues are central to any regulatory body. They illustrate the perils to a responsible government in using private sector enterprise for its affairs. Finally, the episode of the cashiership by the Société Générale was a significant stage in the development of Belgium's system of central banking.

This study focuses on the issues of the establishment of responsible government and the regulation of the relationship between the bank and the state in particular with regard to conflicts between political and individual, commercial freedom that arose in this formative period of European democracy. There are other interesting aspects to the vivid public debate generated by the Société Générale in the period 1830-1850 such as the one related to the bank's endowment of domains, its heavy involvement in industrial investment during the economic boom of the thirties etc... For these issues, I refer to the incomparable work of Chlepner.  

THE CREATION OF THE SOCIÉTÉ GÉNÉRALE AS STATE CASHIER

William I established the Société Générale des Pays-Bas in Brussels in 1822. In spite of its name and its founder, the "Générale" was modeled after a conventional private banking corporation that would primarily serve the capital's commerce. It possessed however a few exceptional features which directly resulted from William I's objectives concerning the state finances. In particular, the bank's

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3. As B.S. Chlepner points out quite aptly in: La Banque en Belgique. Etude historique et économique, Bruxelles, 1926, pp. 139-141. It needs to be underlined that Chlepner's classic work still provides the most complete and authoritative treatment of the banking history of the first half of the nineteenth century. I fully recognize my debt to him.
authorized capital of 50 million florins was exceptionally large in view of its intended operations such as they were originally stated at the foundation. The reason became clear when the King charged the bank with the function of “general state cashier,” soon after its installation. This entailed that the bank was to act as the official receiver of all the public funds and to be the state’s paymaster for the whole of the United Kingdom which consisted roughly of the combined territories of modern Belgium, Luxembourg and the Netherlands. The terms of the contract were established by convention between the minister of Finance Elout and the governor of the Société Générale Repelaer van Driel and was signed on September 22, 1823. The administrative procedures necessary for the execution of the function were described in the convention. For the bank, they were incorporated in its by-laws (articles 126 to 130 of the Règlement Intérieur) which were also validated by royal decree. In turn, the administrative procedures of the Treasury were adapted to the new procedures in the by-laws of October 24, 1824. None of these changes were submitted to the approval of the legislative body.

The tax receipts of the United Kingdom rose in the 1820’s to approximately 70 million florins of which 20 million were produced by the South. Sixty agents, one in every county seat, received the tax proceeds deposited by the local collectors and executed disbursements for the Treasury. The bank received a 1/8% commission plus mailing expenses to cover the cost of the service. The agencies in four major commercial centres in the South were set up as branches. The agency of Antwerp was incorporated and became this port’s first

5. J. LAUREYSSENS, op. cit.
6. The conditions of the arrangement were finalized between the minister of Finance and the Governor on Sept. 22, 1823. The official document of the convention was signed by Elout on Sept. 27 and by the Governor of the SGB on Oct. 3, 1823. AGR, Min. Fin, 308. This last date is always used by the SGB as the date of the convention. See AGR, SGB, 2607 for the relevant file.
7. The “Règlement Intérieur” of the SGB went through three versions. The first one was authorized by Royal Decree of Febr. 1823, the second of Febr. 24 1824, finally the last version was authorized in March 22, 1827. See AGR, SGB, 22 and 45 to 64.
corporate bank. There was no reserve requirement on the government account other than the bank's responsibility to meet the government's financial needs at all times. However, the bank was required to furnish 10 million florins in government securities as caution money. After a few years of operation and in order to enable the bank to make substantial advances to the government, William I allowed successive mobilizations of those assets so that in 1830 the guarantee had effectively disappeared. There is no doubt that the government account was the biggest source of cash for the bank during the Dutch period. It regularly showed a surplus ranging from 10 to 20 million which the bank put to good use. The state on the other hand, also profited considerably from the arrangement. Funds circulated far more efficiently and substantial savings resulted. Through the network of agencies the basis for a unified financial market was laid. Financing of the public enterprise and the managing of the public debt were facilitated by the connection of the state with a powerful bank.\(^9\)

During the United Kingdom, the relationship with the bank did not create any problems with regard to the nature of its function, nor with the procedures of the Treasury and the accountability to the public auditing body. This was due largely to the lack of power of the Staten-Generaal and the Dutch cabinet and the secrecy surrounding the King's actions.

The successful Belgian revolution of 1830, by dissolving the union of the Netherlands, put the bank in a very difficult position because of the financial crisis it created and because of the bank's entanglement with the public finances of the United Kingdom.\(^10\) During the first decade of independence it had to deal with inexperienced governments building a new nation under very trying circumstances.

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10. In addition to the cashier's function, the King involved the bank in a number of transactions with the Amortisation Syndicate, Waterstaat loans, minting operations, even industrial investment... see R. DEMOULIN, *Guillaume Ier et la transformation économique des provinces belges, 1815-1830*, Liège-Paris, 1938.
THE AFTERMATH OF THE REVOLUTION:
CONFUSION AND CONFLICT (1830-1833)

The Provisional Government, on taking charge in September 26, 1830 was understandably in dire need of funds and immediately, on the next day in fact, asked to be informed of the amount of the cash balance in the government’s account in order to draw on it. In the name of the bank, director Charles Morel, who was, by the way, one of King William’s men, sent a statement on the account but, although there was a credit on the balance, he claimed little of it was really available because it was tied up in assets momentarily blocked because of the revolution and the economic crisis. He informed the Provisional Government, that, in accord with its contract, only mandates from the (legitimate) minister of Finance could be honoured and warned against forcible seizure by pointing out that the considerable funds held in the branch of Antwerp, which was still in Dutch hands, would be vulnerable to capture in reprisal. Finally, he claimed that the revolution had created a delicate legal situation. The funds belonged to the treasury of the United Kingdom as a whole and the disposal of the balance of the account should await a negotiated settlement between the parties. The Provisional Government, although under strong pressure, made the fateful decision not to resort to force. It consented to negotiation and a temporary agreement was reached. The government promised, for the time being, not to touch the available cash on condition that the assets in the Antwerp branch would not be touched. It also ordered the bank not to honour any mandates originating with the govern-

11. It is important that the government clearly indicated its intention to draw on the account and its conviction in its right to do so. The relevant passages read as follows: "Vu l'urgence d'avoir à sa disposition les sommes nécessaires pour pouvoir aux dépenses de l'administration... arrête: la Société Générale des Pays-Bas (Banque de Bruxelles) donnera immédiatement l'état des fonds qu'elle a disponible en sa qualité de Caissier de l'Etat afin qu'on puisse en disposer par mandat pour le besoin du service..." It was signed by A. Gendebien, Ch. Rogier, J. Vanderlinden, Nicolay, S. Van de Weyer, Jolly, F. de Coppin. AGR, SGB, 2602, letter Sept. 27, 1830.

12. AGR, SGB, 2602, letter SGB (signed Ch. Morel) to Provisional Government, Sept. 28, 1830.
ment of King William. The bank would open a new government account which the Treasury could use for deposits and payments and it offered a credit line of 200,000 guilders for real urgent expenses. As far as the prohibition against executing mandates from the old administration was concerned, the bank would comply where possible i.e. in the territories where the Provisional Government's authority was recognized. Moreover, the Board of Directors felt obligated to continue to pay out mandates issued by the minister of Finance in The Hague or assignments of the Treasury administrators on their credits as long as these assignments were delivered and the credits opened before September 30, 1830. These sums were in any case not chargeable to the readily available cash of 3,860,218.52 1/2 guilders to which the prohibition of the government applied. Morel asked for confirmation of this agreement but there is no written reply from the government on record. Possibly, the matter was left unattended because on November 2 the bank asked the Treasury if it could still execute payments from the balance of 1830 and was told yes as long as the bank made a clear distinction between the old and the new account. From later statements of the account, it appears that withdrawals on the old account were made till at least early December.

In view of the circumstances, the compliance of the Provisional Government with the demands of Morel are understandable. It urgently needed cash and a functioning and cooperative bank to consolidate its position. Decisions had to be made quickly and there was too little time to negotiate the finer details of the arrangement.

13. The official dispatch read: “En conformité de la décision prise ce matin en conseil du Gouvernement Provisionel, conjointement avec MM. Morel et Caroly, membres de la direction de votre société, nous venons vous confirmer que provisoirement nous ne toucherons en aucune manière au solde que vous nous annoncez avoir réellement disponible, mais ce pour autant et à condition qu'il ne soit en aucune manière touché aux valeurs en portefeuille déposées à la banque d'Anvers.” AGR, Min. Fin., 308, copy, letter Sept. 29, 1830. See also: B.S. Chlepnér, La Banque en Belgique..., pp. 103-106.


15. AGR, Min. Fin., 308. As described in “Inventaire des pièces relatives à l'encaisse de la Société Générale comme caissier de l'Etat et aux intérêts de cet encaisse.” Original document not found.

However, the absence of a clear understanding concerning the old Dutch account will cost the government dearly. The matter will only be settled completely in 1852 after long and costly judicial litigation.

During the next couple of months the revolutionary leaders as well as the bank's new management were occupied with ensuring their survival. The Provisional Government was able to establish its finances on a solid basis with the aid of loans from the Rothschilds which were secured thanks to the effective cooperation of the new governor of the bank Ferdinand Meeus.

The government, on the other hand, helped to restore confidence in the bank mainly by publicly assuring the bank's notes would be

17. The new governor, the Brussels banker Ferdinand Meeus was appointed by the Provisional Government on October 14; Director Charles Morel was replaced by Jacques Engler; on recommendation of Meeus C.J. Gréban replaced C. Beerenbroeck as secretary. The new members of the “Conseil des Commissaires” which represented the shareholders were J.A. Coghen, who was still minister of Finance till February 1831, Count Vilain XIII and F. Demunck. See list in J. LAUREYSSENS, Industriële naamloze vennootschappen, pp. 517-518. For a thorough analysis of the shareholders and their reaction to the revolution see L. FRANCOIS, “De reacties van de aandeelhouders van de Société Générale op de revolutiegolf van 1830”, RBHC-BTNG, XII, pp. 423-440.

18. We keep referring, as the sources do, to the Provisional Government (a direct translation of the French term used, “Gouvernement Provisoire”) as representing the executive power. As John Gilissen has proven in his article, “Le caractère collégial des premières formes de gouvernement et d’administration de l’Etat belge (1830-1831)”, RBHC-BTNG, XII, 1981, 3, pp. 609-636, the government at that point had a collegial character and the real executive power was in the hands if the “central committee” of the so called Provisional Government which was responsible for implementing policies recommended by “special committees” in charge of the important branches of government. The Finance committee was one of those. J. Coghen and after him Ch. De Brouckère were thus the chairmen (“chefs” is Gillissen’s terminology) of the special committee of the Finances. They are usually called minister of Finance, in contemporary as well as historical literature. This committee being one of the more technical departments, the members were bureaucrats from the Treasury: Mercier, inspector of direct taxes; Fournier, first clerk of import and export taxes; Willemans, comptroller of registrations; De Bay, comptroller first class. Before Sept. 30, there was only Coghen and a secretary, A. Delfosse, a lawyer. The members were added one after the other from Sept. 30 to Oct. 10; J. GILLISSEN, op. cit., pp. 627-628.

accepted by all government agencies. Soon, however, conflict arose between the bank and the minister of Finance over the handling of the government account. At first, it was the fate of the old account and the other Dutch assets in the bank’s possession that created problems.

In mid October, Meeus had taken office. In the beginning of December, the minister of Finance asked the bank to deliver 100,000 guilders worth of “domein losrenten,” which represented debt of the United Kingdom and were part of the portfolio of assets the Dutch Amortisation Syndicate had deposited with the bank. Meeus refused to comply stating that he was not surrendering any of the Dutch government assets as long as a general liquidation of all financial assets between the nations had not taken place because the bank would probably end up as a net creditor towards the Dutch state. This refusal shocked the government into the realisation that the time for compromise was over and it fired off an official decree sternly ordering the bank to transfer all funds and other assets resulting from dealings with the former government and its departments to the reserve account of the Provisional Government and to keep the funds and assets of the Amortisatie Syndicate at its immediate disposal. But by then the revolution was several months old and it was too late in the game to exercise the right of conquest. As soon as the Provisional Government in the heat of the struggle of the September days gave in to the threat of reprisal, it had lost the edge. Anyways, at that point it was clear that the government could not afford to loose the support of the bank and its influential and affluent group of shareholders and management. To the order Meeus replied that the money was tied up in support of industry and commerce and to

20. B.S. CHELPNER, op. cit., p. 58. See also for more details on the liquidity problems of the SG and the steps taken in August-September by the Board of Directors to secure help from the Dutch government in E. WITTE, op. cit., pp. 152-154.
21. AGR, Min. Fin., 311, SGB to Min. Fin., Dec. 9, 1830.
force the bank to retrieve the money at that moment would not only harm the bank but the whole of the economy.  

The records show no reaction to this but it is a fact that no action was taken. In any case, shortly after this, on December 31, Charles de Brouckère, a military leader of the revolution and fervent patriot, replaced Jacques Coghen as minister of Finance. His term in this function will only last a short time, till May 31, 1831 but it was long enough to clash with the Société Générale again and the way it happened will forever make him a fierce enemy and later competitor of the bank. Typically for these times, he appeared not to have been briefed on what went on before nor did he seem to be in possession of the finance department’s files on the state cashier. He did seem totally unprepared when Meeus fired his next shot in the dispute between the bank and the state. On March 31, Meeus announced that the bank would not pay out any more assignments on the old account claiming that doing so would jeopardize the bank’s interests. De Brouckère reacted with obvious shock on receiving such a message and on finding that the bank had already started to implement the measure without consultation, putting the treasury agents before a fait accompli. Under the circumstances he had little choice but to go along with the measure, for the time being. His exact wording is important so I quote the relevant passage:

“Quant à la mesure elle-même, je puis tout au plus, Monsieur le Gouverneur, la tolérer, en prenant momentanément les intérêts de la Société en considération; mais en me réservant de faire des dispositions spéciales lorsque des besoins pressant me seront prouvés, et moyennant d’en donner

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26. AGR, Min. Fin., 308. Inventaire... Early in his office, De Brouckère asked the bank to send him a copy of the contract of 1823, letter Jan. 1831. The bank sent a copy of the Royal Decree of August 1822 which does not contain any details of the contract! Letter, Jan. 7, 1831. There were rather frequent changes in government in the short time between Sept. 26, 1930 and July 24, 1931, when the first government of King Leopold was installed, as is bound to happen in such revolutionary times. There were three governments of which the first, the Provisional Government lasted the longest, namely about 5 months till Febr. 26; the first government of the Regent, till March 23, 1831 and the second government of the Regent, till July 24.
27. AGR, SGB, 2605. Letter SGB to min. of Fin., March, 31, 1831.
This does not sound, surely, as a policy decision that would override or change a convention sanctified by royal decree? Still, Meeus choose to claim later that he had an binding agreement with De Brouckère about the freezing of the old account. In the same letter the minister had requested special treatment for some payments to provinces which had outstanding claims. In an arrogant reply, Meeus contended that the order to stop transactions on the old account was only given when it became clear that there were no funds left. Already on the fifteenth of October (when he came to the office) there remained only 38,000 guilders in cash. Since then the bank had paid out nearly one and a half million in assignments on the old account. So it could not be said that they were obstructing the government. Only the provinces with claims on funds they had deposited before the revolution could be accommodated if the amount was not more than 150 à 200,000 guilders, that is. But the money would be drawn on the new account, because "la société n'ayant point en ce moment d'autres fonds à sa disposition." According to later statements, there was or should have been a balance of close to 17 million francs on September 15, not counting the funds in the Dutch agencies. Almost 5 million francs were eventually paid out, which brought the balance in the old Dutch account in December 15, 1830 to almost 13 million francs. The Société Générale, by not having the funds available to honour duly authorized assignments, had defaulted the contract, which stated in article #18 that the Société will take care to have the necessary funds ready at all points where payments have to be effected. Furthermore, the stipulated guarantee provision had been violated so that the government did not have recourse to that source of money. If, by informal agreement, the bank had been allowed to use surplus funds, this could only be interpreted as allowed, conditional to the contractual requirements. The problem was that the bank had acquired illiquid assets with the funds and found itself without

28. AGR, SGB, 2605. Letter De Brouckère to Meeus, April 6, 1831. The emphasis is mine.
29. AGR, SGB, 2605. Letter Meeus to De Brouckère, April 8, 1831.
30. AGR, SGB, 2602. Statement on old account (1833).
sufficient reserves when the economic and political crisis struck. Meeus always vowed that the bank in the matter of the cashiership only could be held to the obligations and liabilities stipulated in the contract and the general regulations of commercial law. If we apply this to the dispute in point, Meeus had no legal ground to refuse payment on the old account. He could only invoke the extraordinary circumstances and plead for mercy. But Meeus was not the man to take that line: the bank’s lawyers produced a way to stall litigation and he masterfully played his trumpcard: the monopoly position of the Société Générale and the young nation’s dependency on the European financial market to which the bank provided the only access. On the other hand, the first governments did not have the choice at this point nor perhaps the will to confront the Société Générale heads-on in a lengthy judicial fight to confirm its rights and legally force the bank to comply to the rules of the contract. So they accommodated and compromised and refrained from effective action and frankly, they let themselves be bullied by Meeus.

Even De Brouckère, to pick up the story again, was forced to limit his reaction to Meeus’ arrogant bluff to futile verbal commentary. His initial shock turned to real anger when on top of refusing to debit the old account Meeus told him he wanted to be paid double the commission they were receiving now or they would stop the service. He claimed that from October 1830 on, the commission had not covered the cost. Almost as an afterthought he offered as an alternative solution the payment of all cost as they occurred. De Brouckère would not hear of any increase. According to him, cost could be easily paid out of incoming revenues and the service, reduced as it was, did not require the same amount of personnel so total cost would be considerably lower. He was especially outraged at the unwonted manner of the bank of cancelling a contract at a moment’s notice. Meeus’ response to this accusation was very revealing of his attitude. He told the minister that it was his interpretation of the past events that the bank had been lured by the Dutch King into taking on the service of state cashier with the promise there would be constantly an large surplus in the account

31. see also conclusion in: E. WITTE, La politique financière, pp; 673-674.
32. AGR, SGB, 2584. Second letter Meeus to De Brouckère, March 31, 1831.

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which the bank could use for profit. This opportunity had now disappeared. He was not claiming this advantage now because it was impossible under the present circumstances but while the bank accepted to forgo this profit at the moment, it was not reasonable to expect it to sustain losses. His request for an increase in commission should be interpreted as a gesture of goodwill. Warning that no more losses would be tolerated he agreed to postpone any action for some months to allow the government time for discussion and investigation of the question. The record does not give any indication whether De Brouckère ever agreed to negotiate. We know that he was replaced as minister of Finance by Adolphe Duvivier on an ad interim basis on May 30 (The above incident happened in the beginning of April). King Leopold I was inaugurated in July, 1831 and on September 24, his first cabinet took office. It was formed by De Muelemaere, who was known to be very favourable disposed towards the Société Générale and the industrial interests and Jacques Coghen (by now also a “commissaire” of the bank), was chosen again as minister of Finance.

Even after this, maybe surprisingly, the relations between the bank and the minister were less than cordial and rife with conflict. Meeus did obtain the 100 percent increase in commission he had asked for but after an exchange of correspondence that shows Meeus at his most obstinate and Coghen as very irritable and impatient with the bank's pressure tactics. In the midst of the negotiation, Meeus upped the ante by again threatening to stop the service altogether if he did not get firm assurance that the contract would be operational for at least 18 months till January 1833. The bank also won this round.

The wrangle about the activation of the old account did not abate. There were still a number of claims against it assigned before the

34. AGR, SGB, 2584. Letter Meeus to De Brouckère, April 9, 1831.
35. See B.S. CHEMPER, op. cit., pp. 65, 116 and 137-141.
36. AGR, SGBi, 2584. Letter Coghen to SGB, Aug. 26, 1831; SGB to Coghen, Sept. 1, 1831; Coghen to SGB, Sept. 6, 1831; SGB to Coghen, Sept. 8, 1831; Coghen to Meeus, Sept. 9, 1831; SGB to Coghen, Sept. 13, 1831; and id. Sept. 15, 1831. Decision to increase commission logged Sept. 6, 1831.
37. AGR, SGB, 2584. SGB to Coghen, Sept. 15, 1831.
revolution. When Coghen requested pay-out of those, Meeus had the new account debited, referring to the so called agreement with De Brouckère. Coghen vehemently denied that De Brouckère's acquiescence to the measure at that time was a serious policy decision. He referred to the initial promise of Morel for the Société Générale in September 1830 (before Meeus had taken office) to hold the Dutch account open. He ordered the bank to debit the old account. The Société Générale refused.

Events on the political front came then the rescue of the Société Générale. In November 15 Belgium signed the Treaty of the 24 Articles recognizing its independence. Article 13 of the Treaty stated that a bilateral committee should proceed with the liquidation of funds of the Amortisation Syndicate and of the "Banque de Bruxelles" charged with the service of the "trésor général du Royaume Unis des Pays-Bas." This gave support to the bank's legal position that the balance could not be paid out to the government before a official and general liquidation of financial assets took place between Holland and Belgium. But the Treaty was not signed by William I at that time and any action on the liquidation matter was postponed, as it turned out till well into 1839.

So Coghen tried again in January 1832 and in March to get the bank to honour its contractual obligations by pointing out that the government had considerably accommodated the bank so far to help it through its troubles and it was time the bank now cooperated with the government:

"j'aime à croire que la Direction aidera la marche du service public, comme je chercherai moi-même à concilier la marche du service public avec les

40. AGR, Min. Fin., referred to in Coghen to SGB of Oct. 21, 1831 as ordered by letter of Sept. 23, 1831, I quote: "Le gouvernement n'a jamais pu approuver, M. le Gouverneur, l'opinion que la Direction aurait cru devoir émettre dans sa dépêche du 8 avril précitée; aussi, le Ministère s'est-il borné a user de tous les ménagements que la Direction pouvait désirer dans l'intérêt de la Société Générale et parce qu'il n'a pas repondu à cette observation pour la combattre, il n'en resulte pas qu'il n'ait jamais admise comme une information communiquée sérieusement, ni qu'il lui conviendrait de la prendre en considération."
41. AGR, SGB, 2606, SGB to Coghen, Oct. 24, 1831.
42. Cited in judgement of Cour de Cassation de Belgique, Febr. 8, 1852. in La Belgique Judiciaire, X, nrs. 11 and 12.

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The bank paid out some money as a result of this plea but it agreed to do so only because it was the balance of funds the provinces had deposited with the bank before the revolution. It did not pay out any dues resulting from assignments on the account by the former government and Meeus never admitted the minister had the authority to make him do it.\(^4^4\)

In the meantime, the role of the bank as cashier had been questioned in the legislative assemblies and had become a topic of public debate. Questions had already appeared in the National Congress preparing the Constitution and during the Parliamentary sessions on the budgets of 1831 and 1832.\(^4^5\) On the other hand, the newly reinstated Cour des Comptes had put in a request for the cashier’s account of expenses and disbursements since the revolution.\(^4^6\) The bank had refused to comply on the grounds that, according to its contract, it only was required to send a fortnightly statement on the situation of the account to the minister of Finance.\(^4^7\) The Cour des Comptes insisted on its rights, referring to the Constitution and the law of December 30, 1830 which described the mandate of the court. It stated that the court was charged with the examination and the liquidation of the accounts of all the public accountants and had the right to request from them any documents that were deemed necessary.\(^4^8\) The bank consulted Coghen, as minister of Finance, on the validity of this claim. On this, Coghen supported the bank’s position. He admitted there was a problem with the constitutional law but he considered the regulation of the state cashier arrangement to fall under the domain of the Department of Finances’ by-laws. Since the by-laws ruling the Treasury were not changed yet, the bank could refuse to comply. In fact, he understood that the bank found it unnecessary and also impossible to comply

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43. AGR, Min. Fin., 311, Jan. 10, 1832.
44. AGR, Min. Fin., 311, Jan. 17, 1832.
45. B.S. CHLEPNER, op. cit., pp. 105-106.
46. AGR, Min. Fin., 308, Inventaire..., Dec. 23, 1831.
47. AGR, Min. Fin., 308, Inventaire..., Jan. 6, 1832.
with their request. Thereupon, the bank refused this and all subsequent requests from the Cour des Comptes.

The public debate finally crystallised around three main questions. First: did the Belgian government have the right to the balance of the “Dutch” account? Second: in view of the fact that the bank ended up keeping these funds for about three years, did the government have the right to interest on that money for the duration? Third, did the fact that a private bank like the Générale handled the state funds infringe upon the people’s right to audit the financial operations of the state and therefore was the arrangement unconstitutional? In that case, must the service be returned to the Treasury?

The fate of the balance of the “Dutch” account touches only peripherally on the issue of accountability but it was an issue that fired the popular imagination and it served to bring the whole matter into sharp focus. The Société Générale’s arrogant refusal to hand over the money ignited the animus against “William’s bank” and exposed the bank to accusations of orangism. The second and third questions directly concern the important issue of accountability. At the core of the question of the interest was the proper definition of the status of the bank as general state cashier. Did the function make the bank accountable to the state as all the former treasury agents were? Or was the bank only the state’s banker and not an accountant? If the cashiership made it also accountable, then it was subject to the regulations that ruled the treasury agents: a proper amount of caution money was required and interest was to be paid on any surplus remaining deposited with the agent for any length of time.

The last question originated with the Cour des Comptes. As we have seen, soon after its reinstatement as public auditor, it instigated an action against the Société Générale to force it to behave as a responsible civil servant. The bank refused and this is the beginning

49. AGR, Min. Fin., 308, Coghen to SGB, Jan. 30, 1832.
50. AGR, Min. Fin., 308, SGB to court, Febr. 27, 1832; court insists, March 6, 1832, March 25; SGB announces it will soon send statements (no notice of receipt); court requests statements Febr. 16, 1833, SGB promises to send them; no receipt noted; March 8, 1833, court asks minister to send it the statements of the SGB.; Inventaire... In the end, at least before the beginning of 1835, the bank sent a statement to the court but otherwise never produced the documents the court requested.
of a conflict that will trigger a change in the by-laws of the Treasury administration and the allocation of the general cashier function to the newly founded National Bank of Belgium in 1850.

In what way did the allocation of the general cashier function to a private bank frustrate control over the public purse? To make this clear, a more detailed look at the treasury’s accounting procedure and the changes made by William I is necessary.

THE MECHANISM OF CONTROL OVER THE PUBLIC PURSE AND THE QUESTION OF ACCOUNTABILITY.
THE POSITION OF THE COUR DES COMPTES

The bureaucratic structure of the Treasury including the control mechanism was originally put in place during the French regime. Napoleon created the Cour des Comptes by a decree issued on December 16, 1807. The court stood second in rank after the final court of appeal, the Cour de Cassation. As is the case with most judiciary bodies in French law, its members were irremovable. During the Empire they were appointed for life by the Emperor. Waterloo interfered with this arrangement and article 202 of the constitutional law of the United Kingdom replaced the Cour des Comptes with an non judiciary Chambre Générale des Comptes after the Dutch tradition. The Kingdom was formally a constitutional monarchy and the law of June 21, 1820 described the Chamber’s powers and duties accordingly. The bureaucratic structures of the Treasury department were largely left in place. It is in this area that the change occurred when the Société Générale took on the function of general state cashier.

Under the old system, there were three levels of tax collectors. Regular and special local collectors constituted the bottom level. They deposited the collected funds with the district tax collector installed in the administrative centre of each county. Each payment was tagged with its authorization document, for all local collectors were accountable to the district collector. In turn, the special district collectors transferred the funds to the general tax collector of which there was one per province. The same validation process was applied at this level and finally, the general collectors handed endorsed receipts and validation documents over to the central treasury office.
where all receipts were recorded, by origin, in the "Grand Livre," the general ledger of the Treasury.

On the expenditures side, only the general collectors and some special agents for specific expenditures had a mandate to make payments, after verification by the Treasury (to check correlation with the budget dispositions and authority). The general collector verified the qualifications of the receiver of the payment and authorization, for he was directly accountable to the Treasury. All documents were transferred to the Treasury and the transactions were recorded in the same general ledger along with extraordinary spending items. The "Grand Livre" was submitted every year to the Cour des Comptes’ audit. Thus in the old system, all treasury agents who handled the public money were at the same time cashiers and accountants. Through the general record the Cour des Comptes was able to trace and scrutinize every government action involving money.\(^{51}\)

The establishment of the Société Générale as general state cashier changed the system in the following way: the functions of district collector and general collector were abolished. The cashier-and-accounting-administrative function was split up and assigned each to a separate agent. The bank, through a network of agencies established in every district capital, took over the cashier function. The accounting and administration function was performed by a treasury director established in each provincial capital. The Société Générale staffed the agencies and their task was the following: to receive for deposit in the government account the funds collected by the local and special tax collectors. For each deposit they issued a simple receipt as proof of deposit into the state account without recording nor accounting as to origin nor other imputation, as would any teller effecting a transaction on a modern checking account. Secondly, they paid out any assignment of credit presented by the treasury directors, paid out interests on government securities on presentation of coupons etc... The agents, of course, kept a record of the transactions and every fortnight provided the bank’s head office in Brussels with a statement of the account. Once all the statements were

\(^{51}\) from the "cahier d’observations" drawn up during the December 27, 1832 session of the Cour des Comptes as quoted in AN, *Du Caissier Général, de ses avantages et de la nécessité de sa conservation*, 1836, pp. 8-19.
collected they were sent on to the department of Finance. The documents sent along consisted solely of cancelled checks issued by the directors and cashed coupons etc... no proof that the expense was justified or the collection accurate or not. The nine directors were civil servants attached to the Ministry of Finance. Their function was mainly to issue the checks corresponding to the mandates and ordonnances of the Treasury and assure delivery of them to the appropriate banking agency. Secondly, they kept the accounts in the manner prescribed by the law to permit the Treasury to compose the general or national financial account, which was audited by the Cour des Comptes.\footnote{Document nr. 70. Chambre des Répresentants. Séance du 26 Dec. 1849. Service du caissier de l'Etat; Expose des Motifs, pp. 1-2.}

Soon after the implementation of the system it became clear that the change produced a good number of advantages for the bank and via its operations for the economy at large and no major disadvantages, even if the surplus on the government account that existed during the Dutch period disappeared. The government also profited from the connection with a powerful bank.\footnote{See J. LaureysSENS, op. cit.}

For the Treasury and especially for the Cour des Comptes the rearrangement created a great number of problems. Indeed, effective auditing of the government account under the system was impossible. This was especially the case for the deposits made into the government account. The directors of the Treasury had the task to collect the proof of deposit as well as the nature or origin of the payment made. Each depositor was bound to send the receipt he received to the Treasury director of his province. If the depositor was a tax collector this was eventually done (although most of the time late, the auditors complained) and the operation was duly verified and recorded. But unfortunately, there were quite a number of deposits that originated from ministerial departments other than Finance or from provincial or municipal authorities. Some deposits were payments for services or goods sold by one state institution to another or to a private citizen or a company. The receipts of these transactions (which were outside the domain of the provincial treasury directors) reached the Treasury somehow or other and fairly often not at all. The bank was not required to give the Treasury any
information that would allow it to identify the origin or reason of each deposit thus the Treasury was unable to break down the bi-weekly statements of the account into identifiable components. Since the Cour des Comptes had only the information given to it by the Treasury it was unable to audit the general state account properly. Consequently, the general state cashier was a direct agent of the minister of Finance who, because of the inadequacies of the system could in all circumstances dispose off public funds without having to submit his mandates to the prior scrutiny and visa of the Court, reducing the role of the institution to an entirely passive one. According to the Court, this was contrary to the spirit of the Constitution.54

During the first insecure years of independence the efforts of the Cour des Comptes to correct the system were misdirected in the sense that it mainly tried to force the Société Générale to act like a government finance department blaming all the faults of the system on the bank’s attitude. Its obstinate refusal to recognize the jurisdiction of the court was the problem. Its behaviour was branded as monopolistic, unconstitutional and unpatriotic. Even if, in its report of 1839 it did finally admit that the idea of entrusting the handling of the state funds to a bank was a sound one and had its advantages, it still considered the use of a private bank, even the Société Générale as a realistic proposition, if only the bank would agree to act as a public accountant and submit to the control of the Court as required by the Constitution.55

THE DEVELOPMENT OF THE DISPUTES: DUVIVIER FANS THE FIRE

As we have seen, during the better part of three years after the 1830 revolution, Meeus succeeded, by refusing to pay out legitimate claims against the public account, in forcing the government to subsidize the bank. This probably helped to save the bank from going under because the economic slump which had started in 1830 dragged on till well into 1833 and prevented the bank from cashing in the loans it had extended before 1830 to the coalmines and

ironmasters in the Hainaut region. Additional measures helped, such as partial redemption of its notes as they were presented by panicking clients and using King William's personal funds to pay out a 5% guaranteed dividend to its shareholders at the end of 1830.\(^{56}\) Its liquidity problems persisted, however, long after the panic had subsided because too much of its assets were tied up in immobilized Dutch public debt. On the other hand, the bank probably saved the new Belgian state when Meeus, as mentioned above, used both his personal and some of the directors of the bank's connections with James de Rothschild of Paris to negotiate several loans to the new Belgian state at a time when its credit on the international financial market was practically non-existent.\(^{57}\) Moreover, throughout 1831 and 1832 the bank now and again had to cover the government's cheques at times when the Treasury lacked sufficient funds.\(^{58}\) It was clear that the bank and the government needed each other.

On October 20, 1832, the new minister of Finance, Duvivier, talking before the Parliament about the closing of the budget accounts for 1830, declared that he had listed the credit balance of the Dutch account only as a reminder, since it was in dispute and that the Treaty of the 24 Articles stipulated that a liquidation should take place between the former regime and the Société Générale. According to the 1835 Fallon Report,\(^{59}\) this unfortunate declaration was produced "spontaneously." It is not clear that this meant that it was not done deliberately as a result of a policy decision or that it

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\(^{58}\) AGR, SGB, 2584. Letter Governor to King Leopold, Dec. 26, 1832. However note: since the government account was to be considered as equal to any other "compte courant" or current account, allowing overdrafts or having a debit on the account was normal practice.

\(^{59}\) Report of the Commission established to investigate the relations of the Société Générale with the State, tabled Aug. 5, Chambre des Représentants. See documents Chamber of Representatives, nr. 10. I will refer to this report as: First Fallon Report. A Second Fallon Report was made after the convention of 1836 with the Société Générale.
was an explanation offered gratuously. In any case, his words sparked renewed criticism from the floor of the Assembly and this in turn prompted the Société Générale (1) to seek legal advise on its position in the Dutch account dispute and (2) to press the minister for a renegotiation of the contract when it was due for renewal.

The Société Générale engaged seven eminent Brussels lawyers including three, Van Volxem, Drugman and Barbanson, who were closely connected with the bank, to consider the question if the Société Générale could, at this point, legally turn over the balance to the Belgian government. The answer was unanimously no and the lawyers offered as a bonus the opinion that the diverse ministers of Finance before Duvivier obviously thought likewise since no action had been taken by them!  

On the other hand, confusion about the renewal of the contract arose which Duvivier handled with a curious lack of political sense. The contract, according to the inventory of Treasury documents in the Ministry of Finance, was renewed by Coghen to run till the first of January 1833. On May 25, 1832, Meeus reminded the minister that only 6 to 7 months remained before renewal. The agents started to get nervous and he requested that the minister should make his intentions clear. According to the Treasury ledger, the administration received notice of a ministerial decision dated August 25, 1832 that the Société Générale would remain cashier till January the first, 1835. However, the bank did not seem to have been informed of the decision. Perhaps the fact that there was a change of government caused this fateful development. On October 20, 1832, the De Muelenenaere government was replaced by the first Rogier government and Coghen was replaced as the minister of Finances by August Duvivier. In any case, in late November of that year, Governor Meeus sent a letter to Duvivier claiming he had not received any reply to his May 25 letter. He insisted on renegotiation of the

60. AGR, SGB, 2608. Consultation of Jan. 26, 1833.
61. Agr, SGB, Minister of Finance to SGB, Letter Oct. 22, 1831. The decree itself is not in the Bank's Archives nor in the Finances Archives nor is the decision logged in Inventaire...
62. AGR, SGB, 2584. SGB to Min. Fin., May 25, 1832.
63. See AGR, Min. Fin., 308. Inventaire...
contract especially in view of shortage of public funds at that moment. He added,

"elle (la Société Générale) doit vous faire observer qu’il est indispensable qu’à l’avenir les fonds appartenant à l’état ne soient jamais insuffisant pour que toutes les caisses des agens (sic) puissent être constamment pourvues dans les proportions des besoins de ce même service."\textsuperscript{64}

On receiving no reaction at least not a recorded one, the Société fired off his first (at our knowledge) of many direct appeals to King Leopold I. Vowing that the bank had nothing but the welfare of the country at heart, a fact that it had unequivocally proven by creating the country’s international credit rating amongst others, Meeus informed the King that it now seemed to have run into opposition from special interest groups, with powerful ambitions longtime repressed, which demanded to reestablish the system of one Treasury, of general accounts per province and special accounts per county. He urged the King to consider if these ambitions were in harmony with the public interest and demanded only to know if the service would be continued beyond December 31, 1832 and for how long.\textsuperscript{65} This produced at least some response from Duvivier but it is inconsiderately casual, suggesting that he did not realize at this point the seriousness of the conflict that was building up. He did not think, he said, that the cashier function would be taken from the bank as long as the general administration remained organized in the present fashion. The Cour des Comptes had some changes in mind. When there was any action on those suggestions the bank would be duly informed.\textsuperscript{66}

Needless to say this answer did not satisfy Meeus. It prompted a hard-hitting and far from humble second request to King Leopold in which his views on the role and position of the bank versus the state were clearly expressed. The minister of Finance, he claimed, had no right to give orders to the Société Générale as if it were a government department. It was an independent private organization, the rules governing the function should be established by a convention. In the negotiation of the rules, the bank should be able to

\textsuperscript{64} AGR, SGB, 2584, Letter SGB to Minister, Nov. 23, 1832.
\textsuperscript{65} AGR, SGB, 2584, Petition addressed to King Leopold I, Dec. 12, 1832.
\textsuperscript{66} AGR, SGB, 2584, Letter Duvivier to SGB, Dec. 22, 1832.
participate freely as a partner to establish the term and conditions of the agreement.

"La Direction croirait porter une grave atteinte à la dignité de la Société Générale si elle acceptait un semblable état de dépendance et d’instabilité, elle croirait se manquer à elle-même, si elle y donnait son assentiment, alors même qu’il devrait en résulter des avantages importants pour cette société." 67

To silence the voices of the critics in the House of Representatives, claiming that the bank owed the government funds on the Dutch account, a letter was read in the House a few days later demanding that a special commission of inquiry be formed to look into the present situation of the Société Générale vis-à-vis the former regime. The bank solemnly promised to give this commission all the necessary information. 68 In the following debate Duvivier showed his true colours. He believed that no inquiry was needed on that point. The bank as state cashier, was simply an agent of the executive power and as such, it was accountable to the government. In fact, the statutes of the bank clearly showed, according to him, that the ultimate control of its operations as a private company belonged to the King since it owed its existence and its continuation to the royal power. Thus any debate had to take place between his majesty’s government and the bank only. The legislative power had no rights in this matter. Questioned further, he admitted that it looked like the bank might owe the government. He and Lebeau, the minister of Justice, reassured the Assembly that the cabinet had worked out a possible solution which would reconcile the interest of the bank with the concerns of the representatives. 69 The records provide no precise information on this but a royal decree of February 16, 1833 appointed a ministerial commission with a very wide reaching mandate for enquiry. It was to investigate all aspects of the relationship of the bank with the former government including its arrangements with the Amortisation Syndicate, with William I personally and with his family as well. It was also to produce a

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67. AGR, SGB, Petition SGB to King Leopold I, Dec. 26, 1832.
68. AGR, SGB, 2606. Jan. 15, 1833.
69. Session Jan. 16 and 28, 1833. Moniteur, Jan. 30, 1833. Article 61 of SGB Statutes to which Duvivier probably referred reads as follows: Le pouvoir est expressément réservé au Roi d’empêcher au de suspendre les opérations de la Société qu’il croirait contraire à la sûreté ou aux intérêts du Royaume.
report on the performance of the bank to assess if it had acted according to its statutes in its dealings with the state. The bank considered this an assault on its independence. It did not want a ministerial commission but one that would come forth from the Chamber. It would never admit, it contended, that its statutes gave the King the right to control its operations nor gave the government the right to investigate and supervise them. Without the cooperation of the bank the commission, of course, floundered. By October of that year, it had yet to meet, never mind produced a report. But, having thus managed to soothe the public outcry with this well known political sop, a public inquiry, Duvivier proceeded to handle the problem in a way he thought the government had the right to handle it: he started secret negotiations with the bank directly to try to work out an "amiable arrangement" at least for the politically most troublesome question of the balance of the Dutch account. Was it not possible, asked the minister, to find a way to put the funds momentarily in the governments' hands under conditions that guaranteed and assured that a definitive settlement would be effected when the liquidation of all financial matters between Holland and Belgium took place? A way was found. By convention signed on November 8, 1833, the Société Générale agreed to "advance" to the government the amount of the credit balance as established on November 30, 1830, that is 12,990,437.23 francs, without interest, commission or cost. The government on the other hand, agreed to deposit with the bank, as collateral, the same amount in government securities. The government would collect the interests for as long as

70. AGR, Min. Fin., 311. Decree Febr. 16, 1833.
72. Members of the first commission were Representatives Dumont, Brabant, Davignon, Verdussen and Chairman: Dubus.
73. AGR, Min. Fin., 311. On August 2, 1833, two high officials of the ministry of Finance were added to the commission as consultants: M. Jadot, general secretary par interim of the Minister of Finance and Van Kerckhove of the General Treasury. AGR, Min. Fin., 308. Ministerial Letter of April 27, 1833 to the commission to exhort it to make haste with its investigation; On Aug. 27, 1833 the Minister reports to the King on the causes of the slowness of the commission. In Sept. 26, 1833, Minister Duvivier reported again to King Leopold that the Dubus Commission had not yet reported its findings. They did have difficulties in finding time to meet with all members present(1) AGR, Min. Fin., 308 and 311.
74. AGR, SGB, Min. of Finances Duvivier to SGB, Oct. 24, 1833.
the official liquidation was not finalized. When it took place, the Belgian government would reimburse to the bank such sums it was established the state cashier owed the Dutch state.\textsuperscript{75}

Duvivier was again less than politic in the manner he chose to announce this decision: the deal was casually alluded to in the opening speech of the 1833-1834 parliamentary session. It produced the absolute opposite effect he had wanted to achieve. Fierce debate broke out in the House and questions were raised again, the result of which was the decision to nominate a special parliamentary commission that would supersede the lame duck ministerial one. It would report directly to the Parliament. But its mandate was even wider. It was given carte blanche to examine all questions relative to the Société Générale in its relationship with the state. The commission started its work on December 6, 1833 and it will finish it only in August 1835.\textsuperscript{76} In the mean time, the relations between bank and state reached new heights of conflict and confusion especially after the government formed by De Theux took office in October 1834.

CONCLUSION 1830-1833

By making the Société Générale the general state cashier, King William of the United Kingdom modernised the bureaucracy of the Treasury and Belgium’s financial system as a whole but after the revolution, when responsible government was introduced, the new nation faced problems of accountability and regulation. The procedures established by the 1823 convention and the by-laws adapting the operations of the Treasury with the bank as cashier did not permit the Cour des Comptes to execute fully its mandate to audit the state’s financial transactions in the manner prescribed by the new Belgian Constitution. The people’s representatives had difficulty accepting that “William’s bank” would be handling the public funds without being submitted to any control from the Legislative through the Cour des Comptes. Moreover, with King William’s influence eliminated and Ferdinand Meeus at the helm, the bank took a fiercely independent course. It refused to make available the balance of the

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\textsuperscript{75} Convention of Nov. 8, 1833. AGR, SGB, 2609.
\textsuperscript{76} Second Fallon Report, \textit{op. cit.}, p. 2.
old Dutch account on no valid legal grounds and obtained even an increase of 100% on its commission fee from the Provisional Government. Coghen and De Brouckère in Finances, accommodated the bank because its eventual failure would have caused a threat to economic and social stability and because the government needed the support of the bank to consolidate its power. These circumstances changed during 1832 when the new nation was firmly established and the banks liquidity problems were solved. The bank maintained its refusal to hand over the balance of the Dutch account on the grounds that the state’s entitlement to the money would be legally in dispute, a point which would not be settled until a official liquidation of all financial matters between the Dutch and Belgian state would take place. The refusal of William I to sign the Treaty postponed the solution of this question indefinitely. The bank refused to comply with any demands of the Cour des Comptes for information and accountability. This question also could not reach a solution until a change in law would bring more clarification to the nature of the state cashier function and rearrange the procedures of the Treasury operations.

Although decisions on those matters were thus postponed, the political pressure kept the issue alive and the continuation of the arrangement was continually put into question. Meeus did not succeed in the period 1831-1834 to obtain a renewal of the contract on the same terms as the original as he wished, but gained only temporary prolongations. The next minister of Finances Duvivier’s handling of the relations with the bank, instead of solving some of the problems, only made them worse. His two major decisions, the nomination of a ministerial commission to investigate the issues alienated the bank and the 1833 convention which brought a compromise solution for the transfer of the balance of the Dutch account to the Belgian State was immediately questioned by the Parliament which set up its own commission. So the ambiguities remained: what was the precise statute of the bank in its function of state cashier? Was it an accountant of the State? Was it to be made accountable to the state in that function? Did the balance of the Dutch account rightfully belong to the Belgian state? To which branch of government must the regulation, if any was indicated, resort: the executive in the person of the minister of Finance or the
legislative via the Cour des Comptes? These were the major questions the Parliamentary commission had to address.

(to be continued)