

Guy Quaden: The National Bank of Belgium - a century and a half of Belgian and European history

Introductory statement by Mr Guy Quaden, Governor of the National Bank of Belgium, at a symposium on the history of the National Bank of Belgium, Brussels, 22 November 2005.

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Ladies and Gentlemen,

When Belgium celebrated its 175th anniversary, the National Bank naturally joined in. Thus, we sponsored an exhibition on "*La Belgique visionnaire*", and today we are publishing a book on the history of the Bank, together with a set of detailed articles on the period 1940–1971. The history of the Bank is closely intertwined with that of the Belgian State. However, while the Kingdom of Belgium is celebrating its 175th anniversary this year, the Bank is only –might I say – celebrating its 155th birthday.

During the first twenty years of Belgium's existence, banknotes were issued by several private banks, mainly the Société Générale, founded in 1822 under the Orangist regime, and its principal rival, the Banque de Belgique, established in 1835.

The financial crisis of 1848 led to the imposition of the 'compulsory rate' – i.e. the suspension of the right to exchange banknotes for precious metals – and paralysis of the discount credit system.

At this time, a young, dynamic politician, Walthère Frère-Orban, was appointed as Minister of Finance. Drawing radical conclusions from the situation, he took action against the two big mixed banks which were monopolising financial power in the country. He forced them to amend their statutes, renouncing their right of issue together with certain discount activities in favour of a new institution, the National Bank. By way of consolation, when the National Bank was launched, the two big banks became the sole shareholders in the new company, established in the form of a private limited liability company.

All the same, at the time of its establishment the National Bank was not the mere puppet of the big private banks. Thus, the Governor, the linchpin of the system, was appointed by the King and the Government also nominated a Commissioner, making the institution different from its counterparts in neighbouring countries. In return for the right of issue, the State also received a substantial part of the Bank's revenue.

The National Bank has never been quite like other financial institutions or limited companies.

Minister Frère-Orban, addressing parliament in 1850, made the following statement which I have sometimes had occasion to repeat in recent years: "Que voulons-nous en instituant une Banque ? Nous voulons, non pas donner des bénéfices à des particuliers, non pas enrichir des actionnaires, mais nous instituons une banque dans l'intérêt public, dans l'intérêt général". (What is our intention in setting up a Bank? We do not want to give profits to individuals, nor do we want to enrich shareholders; we are establishing a Bank in the public interest, in the general interest).

Like the other central banks of the day, however, the Bank did combine functions in the public interest with commercial activities. The book being published today describes the long and sometimes bumpy road, leading from the issuing and discount institution created in the mid 19th century to the modern central bank which the National Bank of Belgium gradually became in the course of the 20th century.

Over the years, the Bank underwent a metamorphosis, shaped by developments in the monetary and financial system, changing attitudes towards the role of government in economic life, and changes in the international context. It gradually phased out its commercial activities, becoming increasingly public in character, especially just before and just after World War II. And the Bank's activities became international in scope.

Nowadays, the National Bank of Belgium performs its functions as a modern central bank within a European context: issuing banknotes, defining and implementing monetary policy, managing the official foreign exchange reserves, overseeing the payment systems and contributing to the stability of the financial sector. The Bank has been a member of the Eurosystem ever since it was launched in 1999.

The National Bank of Belgium has always been pro-European. In accordance with our country's motto, we believe that in union there is strength. At the National Bank of Belgium we are not at all nostalgic for a monetary sovereignty which has in any case become illusory in highly integrated small and medium-sized economies. The switch to a single monetary policy, decided on by the Governing Council of the European Central Bank, has not meant any loss of monetary power for Belgium. Quite the reverse. In reality, since the day when the Government and the Bank decided, fifteen years ago, to peg the Belgian franc to the most stable European currency, Belgium was in reality already importing its monetary policy from Frankfurt. The difference is that, while our monetary policy is still decided in Frankfurt, the decisions are now taken around a table where at least one Belgian has a say.

Furthermore, the Eurosystem - comprising the European Central Bank and the national central banks of the twelve countries which have so far adopted the euro - is an unprecedented structure governed by the principle of subsidiarity and having no equivalent in the world of central banks. The implementation of the monetary policy is decentralised. And, in the analysis of each country's situation, in dealings with the financial players, and in communication with the general public, the member central banks, being closer to their own particular country, retain a supreme role.

Finally, it is unusual for modern central banks to be purely central banks. They are also businesses providing services for the government, the financial world and the population in general. However, the National Bank of Belgium differs from many of its colleagues in the diversity of the public service tasks entrusted to it by the legislature. For example, in Belgium the Bank is the main centre for the collection, processing and analysis of economic data, covering both the national accounts and the financial and social balance sheets of businesses, as well as consumer credit. In view of its acknowledged expertise, its commercial neutrality, its sense of the public interest and its autonomy, further reinforced recently by the Maastricht Treaty, the Bank is regularly called upon to cater for new needs of Belgian society.

In the Maastricht Treaty, the European States in fact opted for the model of a European central bank and national central banks with a high degree of independence. Under this arrangement, once the central bankers have been appointed and recognised by the political authority, they act in accordance with their own instincts and conscience, without seeking or receiving instructions, taking the decisions which they consider best suited to the attainment of the objectives assigned to them by the European treaty and by national law.

Most people believe that such a system is the best way of ensuring the credibility and effectiveness of monetary policy; in particular, it makes it possible to keep risk premiums to a minimum and to maintain relatively low interest rates. But this increased autonomy also implies that we are under greater obligations, of which I am particularly well aware.

First, there is the obligation to keep a closer watch than ever on the objectivity and impartiality of our analyses, decisions and recommendations. And there is the obligation to render account for our actions, to be tireless in our efforts to explain and where possible persuade, because the ultimate foundation of the independence of the central banks is not a law, nor even a treaty, but the support of the people concerned for the objectives pursued and the measures which they devise.

Similarly, I am also glad that the Bank's Council of Regency has been retained, even if it has finally lost all monetary power. It provides an irreplaceable opportunity for dialogue between the officials of the central bank and the experts representing Belgian society in general.

The Bank gave responsibility for the publications being presented today not only to some of its own staff, but also to teams of experienced economists and historians: that is, in its own way, a further illustration of our desire for objectivity and neutrality.

I would like to express our thanks to the various authors. I would also like to express my gratitude and that of my colleagues to our predecessors at the head of the National Bank of Belgium. Like any human endeavour, the history of the Bank is certainly not without its imperfections. But overall, that history has been distinguished and fruitful. The Bank has made a significant contribution to the economic development and financial stability of Belgium. It has also always been a steadfast supporter of international monetary cooperation, and particularly of European monetary unification.

In the new context created not only by the changeover to the euro, but also by the spread of the new technologies and the concentration taking place in the commercial financial sector, we are striving to fulfil our aim of being a modern central bank, increasingly capable of meeting the expectations of Belgian society and taking our place on the European and international stage.

Ladies and gentlemen,

As I said on the occasion of the celebrations marking the Bank's 150th anniversary in 2000: we are proud of the Bank's past and we are ambitious for its future.