Belgium after World War II
*An Experiment in Supply Side Economics*

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I know too little about the economic planning efforts with which Albert Kervyn has been associated in Belgium and Zaire to contribute a paper along those lines. My knowledge of the Belgian economy is abysmally shallow though I find that I have written about the country on three occasions: on her historical terms of trade [1954], again on her slow growth from 1949 to 1959 [1967, pp. 74-76], and on the monetary reform after World War II in which Professor Léon Dupriez both played a leading role and wrote the history [1984, pp. 410-412]. Let me then celebrate Professor Kervyn de Lettenhove's elevation into the Valhalla of those of us who have served their time by touching on a period of very rapid growth in Belgium's economic history, an episode with which I had some slight personal contact and considerable embarrassment at the time. It has some modest intellectual interest as an early example of supply-side economics.

Belgium, you will perhaps recall, or more probably because of your relative youth, you will have read in history books, emerged after World War II in pretty good shape compared to the rest of Europe. Her physical plant was depreciated, to be sure, and soil and mines had been depleted, but there was little wartime destruction since the fighting had swept rapidly over the country both in May 1940 and in August 1944. In discussing reparations from Germany later, the Belgian government estimated physical damage as $2 billion [Department of State, Lot 122, Recovery, Box 13107 17A; Gillingham 1977, pp. 172, 182, 189]. Financially, moreover, it was in
excellent shape at a time when the rest of Europe, and indeed much of the rest of the world, suffered from a dollar shortage. In May 1940, the gold reserves of the National Bank of Belgium had been taken from Brussels to France where the German Wehrmacht captured them; the Belgian authorities sued the government of France for having allowed this to happen, bringing the case in the jurisdiction of New York where the Bank of France had gold under earmark, and won. Its gold reserves were thus reconstituted intact by December 1944. In addition, under the Belgian lend-lease agreement with the United States, the country received very little but furnished a great deal to the United States in reverse lend-lease. This last consisted in considerable part in billets for the U.S. armed forces and in services for the troops on the part of labor that might otherwise have been unemployed. The resultant drain on Belgian resources was limited. (I have a vivid recollection of the comfortable hotel in Namur where I was stationed after the 12th Army Group pulled back from Luxembourg, and being served such banal U.S. army rations as baked beans and frankfurters by waiters in tail costs and white ties, complete with upper-class flourishes). The American share of this reverse lend-lease, net of direct contributions to Belgium, through March 1947, was $253 millions which was paid in dollars [ERP, Country Studies 1948, chap. iii, p. 1]. Thirdly, in addition to British troop expenditure through which Belgium accumulated sterling, Belgium was an early beneficiary of the British strong desire to reestablish the pound as an international currency. The British payments agreement of October 1944 made provision for limited convertibility of sterling into dollars [Cairncross, 1985 p. 123]. With the negotiation of the Anglo-American Financial Agreement of 1946 (The British loan), Britain made a new set of arrangements, that with Belgium taking effect in October 1946. Britain refused to grant the insistent requests of the Belgians and the Dutch for exchange guarantees of sterling holdings, sought by the Low Countries after their losses from the depreciation of sterling in 1931, but the agreements did provide for larger credit margins and convertibility. In the first five months of 1947, Belgium converted £13 million