

INTRODUCTION

Just after his appointment, in 1946, as the first managing director of the International Monetary Fund (hereafter IMF) *Fortune Magazine* depicted Camille Gutt in the following terms:

There is little to suggest the international banker in Camille Gutt's outward appearance. He lacks the impressiveness of a J. P. Morgan, the aloof dignity of a Montaigu Norman. A wiry little man with quizzically arched eyebrows and an irrepressible beard, he looks more than an unshelled turtle than anything else. Yet, despite his appearance, Camille Gutt is one of the most outstanding financial authorities on the international scene today.¹

The rise of Gutt to the pinnacle of financial diplomacy certainly owed less to a well planned career than to the result of a succession of unpredicted events and meetings that formed the landmarks of his impressive accomplishments. Indeed, very little in his early life suggested that Gutt would embrace the career of an international businessman, international negotiator and Belgian finance minister in 1934–5 and again during the Second World War as a leading member of the Belgian government-in-exile in London. And yet, if Gutt could easily be considered as one of the most influential Belgian political figures of the first part of the twentieth century, biographical information about him is rather scarce. Though Gutt published two short books recounting his first experience as finance minister in 1934–5 and his war experiences,² he has not attracted much attention of Belgian economic and political historians.

Three reasons may account for this neglect. The first was the fact that, until very recently, there were no real archives relating specifically to Gutt. The very nature of his professional activities on the fringes between private and public life did not lead to the production of public papers usually available for an individual of such historical importance. The second was certainly due to his unusual career which made him difficult for historians to define as either *politician* or *businessman*. Indeed, until the 1980s, Belgian and international historians were still reluctant to grasp fully the importance of what would be referred to as business history, let alone financial history, for the understanding of the evolution of twentieth-century international history.³ The third reason relates to relationship

between the international and the national aspects of Gutt's career and activities. Indeed, if the interwar period is sometimes defined as one of 'hypernationalized geopolitics',⁴ it was also a period of intense transnational activities especially in the form of a new kind of financial diplomacy that reflected a great fluidity between the domestic and the international dimensions of financial matters that has been overlooked in much traditional diplomatic history.⁵

This book proposes to address this neglect by examining the role played by Camille Gutt in shaping postwar international finance. It will address this role in the context of three major questions.

The first relates to the involvement of private businessmen in financial policy either in its domestic or international dimensions and how to account for the role of such private interests in the conduct of public policy. It is true to say that despite the substantial analysis of this period the existing scholarship provides few examples of the role of individual actors in this process.⁶

The second question relates to the influence of private interests in shaping national interest.⁷ In other words, to what extent did private interests contribute to shaping the national interests as expressed in national diplomacy? This book will address this question through the specific case of Belgium focussing essentially on Belgian diplomacy during the Second World War in the framework of the Belgian contribution to the Allied war effort.

The third question concerns the construction of the postwar monetary order that consisted of multilateral economic cooperation as embodied in the creation of the Bretton Woods institutions and of regional cooperation as reflected in the creation of the Benelux agreements between Belgium, the Netherlands and Luxembourg. Based on new material and new scholarship it will raise the following question: to what extent were the discussions on the postwar monetary order more concerned with the problems inherited from the interwar period rather than laying down the basis for a *new* departure?

In view of these questions, this book goes well beyond a traditional biographical approach. Rather, it will try to position Gutt's career in the transformations of the relations between finance and politics with a focus on the Second World War and the direct postwar era, especially in its international monetary and financial aspects. It will be argued that Gutt's case reflects the extent to which the period from the end of the First World War to the 1950s, could be considered as part of a single historical sequence of events. This process was marked by the attempts of a generation of political and economic elites to come to terms with the political and economic transformations generated by the First World War, the consequences of the Great Depression of the 1930s and the new situation created by the Second World War and the subsequent nascent Cold War.

Therefore, this book has to be regarded primarily as a case study in international financial history. Such an approach has indeed led to the emergence

of a new way of looking at the history of financial and economic diplomacy. This new scholarship is important for two main reasons. In the first place, it emphasizes the role of individuals in the process in terms of both perceptions and decisions.⁸ Indeed, if economists and economic historians have tended to neglect individuals in favour of institutions, structures, and complex arithmetic models, international financial history deals with individuals and tries to understand the factors that may have contributed to their decisions, whether they proved successful or not. Secondly, it is because it leads to a re-assessment of European history in the era from the 1920s to the 1950s and in particular emphasizes the impact of financial diplomacy on the relations between states.⁹

Indeed, international financial diplomacy reflected a new way of dealing with relations between states. If such a form of diplomacy already existed in the nineteenth century, it became much more visible and influential after the First World War. As such, it was characterized by a number of features that made it a specific form of diplomacy. In his book published in 1935, the financial journalist Paul Einzig defined its main forms as conferences that brought together experts rather than diplomats, though these experts had also to take account of their respective countries' positions.¹⁰

More recent scholarship has attempted to refine Einzig's assumptions. One view highlights the interwar period as a period of transition from the control over financial diplomacy in the 1920s by businessmen to central bankers.¹¹ Another view stresses the role already played by central bankers in the 1920s in stabilizing currencies through international cooperation.¹²

Not surprisingly, Belgium and Belgians do not feature as central figures in this literature as their role quickly became marginal. At occasions, some Belgian personalities are even mistakenly presented as having been French.¹³ Nevertheless, they were not only witnesses but also active actors in this international financial diplomacy that arose from the ruins of the First World War even if the international scholarship has not been very generous about them.¹⁴

As far as Gutt's career was concerned, his positions as an international businessman and negotiator made him a perfect example of the transnational economic elite that emerged during the interwar period. Some recent scholarship has emphasized the importance of transnational communities as important factors for the understanding of the shaping of international cooperation, or the lack of it, since the First World War. In this perspective, transnationalism is not to be understood as a one-way street leading almost naturally to greater international cooperation. Instead, it may also lead to the strengthening of national sovereignty and the defence of specific interests within the different countries.¹⁵

In some respects while also underlining the way in which perceived national interests played an important role in international financial diplomacy, this book will contribute to this field by emphasizing the impact of transnationalism on

international cooperation. It will suggest that the case of Gutt should not be differentiated too much from a more collective transnational experience of the First World War and its direct aftermath that affected a whole generation of Belgian elites. For these elites, the First World War was seen as a double blow. Despite having emerged on the winning side of the First World War, the outcome of the conflict precipitated the decline of her economy. In the second half of the nineteenth century, the Belgian economy that was able to take full advantage of the country's political neutrality, emerged as one of the most successful ones on the Continent. Though a small country, it had secured a vast overseas colony, the Belgian Congo, and its banks were major investors in Russia, South America and China. In 1918, however, the Belgian economy emerged devastated from the First World War and had to undertake a painful and expensive process of reconstruction. To finance this process, the Belgians counted on the payment of German reparations while they resented their status as junior political actors in the peace negotiations and the subsequent international arrangements sealed in the 1920s.¹⁶ As a result, Belgian political and economic elites shared the feeling that the country had been unfairly treated even though it had paid a heavy price as a result of the First World War. Finally, the Belgian economy suffered from the fragmentation of the international and the Continental economy during the 1930s. In turn, Belgian political and economic elites tried to push for the opening of their neighbours' economies but without much success.

During the Second World War, Gutt was finance minister in the Belgian government-in-exile in London. There is no doubt that because of his past experiences, international connections and close relationship with George Theunis, he became the most important figure among the Belgians in exile in London. However, his role should not only to be understood in the light of individual choices. It has also to be put in the context of his functions as Belgian finance minister confronted with the need to redefine Belgium's international economic policy as a result of the Second World War. These two dimensions, the personal and the national, are indeed inseparable. Essentially this book will also propose a fresh view on Belgian diplomacy that hitherto has not attracted much attention from international historians.¹⁷

In the context of the Second World War, many among Belgian elites, such as Gutt, had to find a way of reconciling two opposing objectives. One the one hand, as representatives of a small nation, they sought to defend their national sovereignty. And on the other hand, they were acutely aware of the need for their country to secure outlets for its exports and to protect it from the evils of monetary instability. Because of this they had to enter into some forms of economic cooperation at the risk of compromising their country's sovereignty. In this respect, in addressing these issues, this book will re-assess the existing literature on Belgium's foreign policy during the Second World War. It will argue that

Belgian wartime international financial diplomacy was based on the defence of national sovereignty as the precondition of international cooperation rather than the acceptance of possible outright limitations of sovereignty for the sake of international cooperation as it is often presented in the literature.¹⁸

Finally, this book also deals with the political decisions made by representatives of governments-in-exile during the Second World War in shaping the postwar financial and monetary order. Such experiences have been until recently rather neglected by twentieth-century historians.¹⁹ For sure, the impact on these governments-in-exile's policies on postwar Europe remained largely minimal.²⁰ Nevertheless, this book will present a fresh assessment that takes into account two important dimensions. First, the experiences of exile constituted, at the level of elites, an intensive form of transnationalism among allied officials, businessmen and politicians. Secondly, the experience of exile also led these elites to start a process, however incomplete, of a re-assessing their interwar foreign, financial and monetary policies.

In this context, this book deals with the case of Camille Gutt and his role in all the questions mentioned above while encompassing not only his role in Belgian history but also to some extent in European history as well. It will attempt to place Gutt's experience in the wider picture of the relationship between warfare, economics and finance. There is indeed no doubt that, if wars represent an extreme situation, they often reveal some deeper socio-economic trends. For Marxists and neo-Marxists, these are analysed from the view of the construction of a military-industrial complex in which wars are just seen as a class struggle by other means.²¹ More historical research on the subject has been rather rare with some notable exceptions such as the seminal book by Alan S. Milward's *Economy and Society* or Niall Ferguson's *The Pity of War*.²²

In this book, the argument will be made that wars contribute to making the relationship between business and politics both more visible and more complex. If business interests participate in the definition of national interests, business people have also their own views on what they consider to be the national interest. In other words, national interests are not fixed in a permanent way. They also evolve as the result of specific personal and collective experiences as shown in the case of Gutt.

This book can be considered as a sequel of an early book consisting of the author's doctoral dissertation and published in French in Belgium in 1999.²³ Nevertheless, it proposes a different angle that emphasizes the international dimensions of Gutt's career over his domestic ones. This book has also taken account of new materials, including an updating of the Belgian and international historiography on the different issues covered. Indeed, in the last decade, a series of biographies of some important actors during the period such as Paul van Zee-land, Paul-Henri Spaak and Hubert Pierlot have been published in Belgium.

Other recent valuable works of reference are the two volumes on the history of the National Bank of Belgium. The first volume covers the Second World War while the second deals with Belgian postwar monetary policy.²⁴ There has also been a renewed interest in financial history, especially in its international dimensions in the last few decades. To the already mentioned books by Ferguson and Milward can be added the scholarship produced by Barry Eichengreen, Patricia Clavin and Harold James, without forgetting Robert Skidelsky's biography of John Maynard Keynes.²⁵

In terms of sources, this book relies mostly, but not only, on Gutt's personal archives that were deposited in the Centre d'Etudes et de Documentation Guerres et Sociétés Contemporaines (hereafter CEGES) in Brussels by his son Etienne Gutt. These archives concern Gutt's activities during the Second World War as well as his experience as managing director of the IMF alongside other documents and correspondence of a more personal nature. They also contain the complete private correspondence between Gutt and Theunis during the war, which offers a unique insight into the Second World War and the issues covered in this book. If these archives do not contain significant material concerning Gutt's activities during the interwar period, this gap can be filled by the Theunis papers that contain some interesting documents. The latter were not accessible at the time of the French publication but have been used for this book. Finally, these archives were supplemented by other available documents in the American, British and French archives.²⁶

Finally, a brief overview of each chapter follows below for the reader's benefit: Chapter 1 deals with Gutt's career during the interwar period. It includes a descriptive section dealing with Gutt's early life and career. It also analyses Gutt's career path in the context of the changing relations between business and politics in Belgium's interwar financial policy in both its domestic and international dimensions.

Chapter 2 addresses Gutt's role in the negotiations over the Belgian contribution to the Allied war effort. It will emphasize the importance of these discussions as they reflected both the difficulties experienced by the Belgians in exile in revising the old paradigms of Belgian interwar foreign policy and the legacy of failed attempts at providing free trade in Western Europe.

Chapter 3 is concerned with Gutt's participation in the discussions that took place in London with respect to postwar international monetary cooperation. It emphasizes the extent to which the Allies continued with a negotiating framework that already demonstrated its shortcomings during the interwar period. It also underlines the difficulties for Gutt as well as other Europeans in exile in adhering to the principles of the 'Keneysian revolution'.

Chapter 4 deals with Gutt's attempt to resolve the dilemma between the need for international cooperation and free trade and the safeguarding of national

sovereignty as reflected in his plans for a monetary and trade agreement between Belgium, the Netherlands and Luxembourg, known as Benelux. In doing so, it will propose a new approach to these agreements while highlighting both the legacy of Gutt's interwar experience and his scepticism towards the universalist approach adopted by John Maynard Keynes and Harry Dexter White as well as the need for a gradual regional approach to economic cooperation, albeit one restricted to Western Europe.

Chapter 5 addresses Gutt's participation in the discussions that led to the Bretton Woods conference of July 1944. If the Belgian minister did not play a central role in these discussions, his views on both Keynes's and White's plans were very specific. In these discussions, Gutt's positions were also determined by the legacy of his interwar experience and the dilemma between international cooperation and the defence of Belgium's sovereignty.

Chapter 6 deals with Gutt's immediate postwar experiences, first as Belgian negotiator of the settlement of the Lend-Lease agreements with the Americans, then as participant in the Savannah conference and finally as the first managing director of the IMF from 1946 to 1951. The main contribution of this chapter is to include Gutt's personal views on the different issues relating to the IMF policy towards the reconstruction of the Western European economies.

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