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# **MONETARY ANNOUNCEMENTS IN A DUAL-CURRENCY SYSTEM**

The emission and circulation of Reichskreditkassenscheine (RKK-Scheine), a German war script, in occupied Belgium during WWII remains a largely overlooked aspect of Belgium's recent monetary history. During the occupation, the RKK-Scheine were never formally demonetized in Belgium and continued to circulate up until the end of 1944. The amounts were important, hence providing a prime area of investigation for long-term exchange dynamics in crisis times. This paper's contribution is twofold. First, it proposes a comprehensive view of the history of RKK-Scheine in Belgium based on archival sources from the National Bank of Belgium. Second, it develops a model of currency exchange in a dual-currency regime putting emphasis on the credibility of monetary authority's announcements. Using a novel dataset of wartime exchange from RKK-Scheine to Belgian Francs, we show that even in an environment where two currencies are legal tender, ambiguous announcements on the liquidity of one currency can lead to arbitrage in favour of the second one. Interestingly, salience of the announcement is not a determinant factor for exchange, showing that insider knowledge may have played a large role in the diffusion of monetary information during the war.

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