

ELIZA KOMIERZYŃSKA-ORLIŃSKA

## THE ORIGIN OF THE POLISH NATIONAL LOAN FUND AND ITS OPERATION ON THE POLISH LANDS

### INTRODUCTION

Since the liquidation of the Bank of Poland (*Bank Polski*), established in 1828,<sup>1</sup> and until the First World War, there were monetary systems and issuing banks introduced by the partitioning states in the Polish territory—Austria, Germany and Russia. This was the case because for 123 years the Polish land was divided among three separate economic organisms and thus different monetary zones. Henryk Nowak wrote in 1928: “The policy of the issuing banks of the partitioning countries was chiefly focused on their general state interests, often contrary to the economic interests of individual Polish regions; nevertheless, the institutions of issue constituted the basic element of the pre-war credit structure of the country.”<sup>2</sup> The separation from the monetary systems of the partitioning countries took place only as a result of the First World War.

After the seizure of the former Kingdom of Poland in August 1915 by the armies of the Central Powers, it was divided into two zones: German and Austrian. In the occupied area, Germany established the General Government of Warsaw (*Generalgouvernement Warschau*), headed by General Hans

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ELIZA KOMIERZYŃSKA-ORLIŃSKA, PhD, is an assistant professor at the Department of Administrative Law and Science, Institute of Administration and Public Law, Faculty of Law and Administration of Maria Curie-Skłodowska University in Lublin (UMCS); address: Pl. Marii Curie-Skłodowskiej 5, 20–031 Lublin, Poland; e-mail: [ekosieradzka@wp.pl](mailto:ekosieradzka@wp.pl); <https://orcid.org/0000-0002-3121-7443>.

<sup>1</sup> For more on this subject, see E. KOSIERADZKA, “Geneza banku centralnego na ziemiach polskich,” *Annales Universitatis Mariae Curie-Skłodowska Lublin-Polonia*. Sectio G (Ius) 63, no. 1 (2016): 41–60.

<sup>2</sup> T.J. BUCZKOWSKI and H. NOWAK, *Bank Polski 1828–1928. Dla upamiętnienia stułetniego jubileuszu otwarcia* (Warszawa: Drukarnia Banku Polskiego, 1928), 135.

Beseler. The Governor General's auxiliary body was the so-called Civil Administration, led by Wolfgang von Kries. The Suwałki area and part of Podlasie were not included in the General Government and were directly subordinated to the front command. In the lands occupied by Austria, the Military Government of Lublin was established. On November 5, 1916, the Austrian and German emperors proclaimed the formation of the Kingdom of Poland, whose sovereignty was not legally guaranteed and the borders not defined. In the absence of a king, the country was ruled by the Regency Council with limited powers, composed of 3 officers.<sup>3</sup>

When the Germans seized Warsaw and a lion's share of Congress Poland, a desire was growing to bring order to the country's monetary system; at that time, it seemed that creation of a new issuing institution might contribute to that. However, it should be emphasized that Polish society and the authorities of the occupying states put forward different proposals in this regard, all catering for the interests of diverse parties.

By the end of 1915, representatives of the Polish economic circles had prepared a plan (based on that of the Warsaw Stock Exchange Committee) and presented it to the German authorities in June 1916. The plan envisaged a bank with a joint-stock structure and a share capital of 10 million roubles with the right to issue notes of up to the worth of 80 million roubles, which were to be legal tender throughout the Kingdom of Poland. The German authorities did not initially raise any objections to this concept. This changed due to the political situation and the publication of the Act of 5 November 1916, which provided for the creation of a Polish state. The Polish plan was then declared obsolete and the plan to keep the rouble currency was thus abandoned. The German authorities were looking for a solution that would facilitate integration of the future Polish state into the German currency area. A separate issuing institution was envisaged for the German-occupied territory, modelled on German lending banks. The Polish National Loan Fund was established (*Polska Krajowa Kasa Pożyczkowa*, henceforth abbreviated as PKKP), an institution which, contrary to the original plans (on both the German and Polish sides), was to last for seven years to be later transformed into the first issuing bank of an independent Polish state after the war.<sup>4</sup>

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<sup>3</sup> L. KOKOCIŃSKI, *Pieniądz papierowy na ziemiach polskich* (Warszawa: Rosikon Press, 1996), 68.

<sup>4</sup> Z. KARPIŃSKI, *Ustroje pieniężne w Polsce od roku 1917* (Warszawa: Państwowe Wydawnictwo Naukowe, 1968), 17–18.

THE CREATION OF THE POLISH NATIONAL LOAN FUND  
AND ITS OPERATION UNTIL POLAND'S INDEPENDENCE

On December 9, 1916, by virtue of the ordinance on the establishment of “Polnische Landes Darlehnskasse,”<sup>5</sup> The Polish National Loan Fund was created. By calling this institution into being and giving it the privilege of issuing new bank notes, the diversity of monetary systems in the Polish territory was not eliminated. The new monetary unit was named *marka polska* [the Polish mark]. In this way, after an absence lasting several decades, the adjective “Polish” was revived in the name of this monetary unit. At the same time as the PKKP charter was adopted (December 9, 1916), the ordinance of 13 December 1916 was announced<sup>6</sup> equating the Polish mark with the *Deutsche Mark* and extending the provisions on the German currency to the Polish one. The German authorities were guided by various objectives when creating the new institution of issue—first and foremost, the aim was to limit the area of circulation of the German mark and create an instrument which was to draw the occupied Polish area into the financing of the war. According to the political strategy of the Reich at that time, the form in which the PKKP was to function was intended to facilitate the incorporation of the future Polish state into the German currency area. This is why the new monetary unit was given the name “marka.” The Bank was to operate “under supervision and management” and “on the account” of the administrative head of the General Government of Warsaw, therefore the banknotes issued by it were signed by Chief of the Civil Administration Governor von Kries (after his name these banknotes were later referred to as *kriessowskie*).<sup>7</sup>

According to the Ordinance on the establishment of “Polnische Landes Darlehnskasse,” the PKKP’s aim was to satisfy the credit needs of the area under German occupation. This institution was a juridical person and, as mentioned above, it was to perform its operations under the direction and on the account of the General Government of Warsaw, under the supervision of the German Reich. The ordinance gave the PKKP the right to establish branch offices in the areas under German occupation. The Bank’s head office was located in Warsaw.<sup>8</sup> The extension of the Bank’s operation into the

<sup>5</sup> Dz. Rozp. [Dziennik Rozporządzeń dla Generalnego Gubernatorstwa/Verordnungsblatt für das Generalgouvernement] No. 57, item 222, as cited in: E. CZAPSKA, “Polska Krajowa Kasa Pożyczkowa,” *Bank i Kredyt* 5–6 (1988): 21.

<sup>6</sup> Dz. Rozp. No. 57, item 223.

<sup>7</sup> KAPIŃSKI, *Ustroje pieniężne w Polsce*, 21.

<sup>8</sup> CZAPSKA, “Polska Krajowa,” 21.

Austro-Hungarian occupation area was made contingent on an agreement with the Austro-Hungarian government, which, however, did not materialize.

The Bank was authorised to issue notes for Polish marks which were legal tender on a par with the German mark (at 1:1 ratio of the nominal value). The issue was limited to 1 billion marks.<sup>9</sup> The ordinance also established a mandatory security for the issued banknotes. It was a fiction, however, because the PKKP vault never had a single gram of gold throughout its existence. However, the German Reich guaranteed that when the PKKP banknotes were withdrawn, they would be paid for with German marks at the nominal price. The operations of the Polnische Landes Darlehnskasse included: granting interest-bearing loans, discounting bills of exchange, granting loans for receivables in the Reichsbank, accepting Polish and German marks with and without interest, and providing cash services for the Administration. The amount of a loan could not be less than 100 Polish marks. Loans were granted only in Polish marks, and the repayment could be made in the Bank's notes or in the German currency. The period for which they were granted was not to exceed 6 months, they were short-term loans. The operation of the PKKP was to be managed by a board consisting of a chairman and his deputies and members. The board was assisted by a representative of the Reich appointed by the Chancellor of the Reich. A personal council was also created, which was convened for extraordinary meetings. Its role was to provide expert information to the management board. The ordinance provided for the liquidation of the Bank two years after the formal establishment of the Kingdom of Poland at the latest. The surplus arising upon the liquidation and withdrawal of Polish brands and a reserve created from the Bank's profits was to be transferred to the Polish State.<sup>10</sup>

In addition to the regulation establishing the PKKP, a number of other regulations were promulgated, providing a legal foundation for the activities of the Bank in the area of issue and credit. These were, among others, the ordinance of April 14, 1917 providing that as of April 26, 1917 the only legal tender in the General Government of Warsaw would be the Polish mark.<sup>11</sup>

The ordinance established the exchange rate at 216 marks to 100 roubles. Liabilities would be repaid with marks so long as the market price of the rouble exceeded this ratio, and whenever the exchange rate fell below this

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<sup>9</sup> BUCZKOWSKI and NOWAK, *Bank Polski 1828–1928*, 174. Agnieszka Mikos reports that the first issue amounted to 23 million marks, A. MIKOS, *Ustrojowa pozycja banku centralnego w Polsce* (Warszawa: Wydawnictwo C.H. Beck, 2006), 16.

<sup>10</sup> CZAPSKA, "Polska Krajowa," 21.

<sup>11</sup> Dz. Rozp. of 1917, No. 69, item 290; as cited in CZAPSKA, "Polska Krajowa," 21.

level, debtors would discharge their liabilities in depreciating roubles. This caused speculative symptoms, especially in numerous transactions in town and countryside real estate which was encumbered with mortgage. Moreover, other factors influenced exchange rate fluctuations: rouble banknotes flowing from the east in large quantities (of various categories—tsarist roubles, Don roubles or *kerenkas*) and the demand for roubles from the Austrian authorities, who thus paid for food in Ukraine. Due to demands of the Polish state, the occupation authorities put an end to legal doubts and issued an ordinance of June 29, 1918<sup>12</sup> providing that a creditor had the right not to accept roubles when repayments were made for debts arising before April 26, 1917.<sup>13</sup>

The PKKP started operation on April 26, 1917. Its basic task during the occupation period was to relieve the Reichsbank by reducing the circulation of German marks within the territory of the General Government of Warsaw. This objective was to be achieved by withdrawing the circulating of German marks and supplying them to treasury of the Reichsbank, and by satisfying the needs of the occupying authorities with Polish marks instead of, as before, issuing German marks. The other activities of the Bank were of little importance.<sup>14</sup>

Thus, despite the assurances of the occupying authorities that the PKKP would be an institution propping up the Polish economy and banking, its operation was aimed at satisfying the financial demands of the German Reich and the occupying authorities. The PKKP did not perform the tasks enshrined in its statute. It did not satisfy Poland's credit needs and did not provide assistance to Polish banks as their central institution of issue. Its activities caused serious damage to Polish economic life. Firstly, the Bank had a negative impact by issuing a huge quantity of Polish marks, which was unjustified by the economic turnover, thus upsetting the market balance and causing a serious increase in inflation; secondly, it channelled significant amounts of gold and silver from the Germany-occupied area, and these seriously reinforced the Reichsbank's stock of gold and silver (the Bank was buying gold and silver coins and sent them back to the Reichsbank). It should also be remembered that PKKP's receivables and all its funds were kept in German banks. When Poland regained its independence, the Reich government distrained them, treating them as a reserve to cover the claims of

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<sup>12</sup> Dz. Rozp. of 1918, No. 119, item 465; as cited in Karpiński, *Ustroje pieniężne w Polsce*, 23–24.

<sup>13</sup> KARPIŃSKI, *Ustroje pieniężne w Polsce*, 23–24.

<sup>14</sup> BUCZKOWSKI and NOWAK, *Bank Polski 1828–1928*, 175.

the holders of the Bank's notes printed before November 11, 1918. For more than three years, this prevented the PKKP from using its reserves. It was not until December 18, 1922 that the Dresden Conference settled the issue of the Reich's responsibility for the money issue during the occupation in Poland's favour. However, until then, as a result of the extreme inflation in Germany, the value of the PKKP funds had fallen to such a low level that they did not play a major role. It is also important to remember that the PKKP was treated as a temporary institution. According to the ordinance on the establishment of the PKKP, it was to be dismantled at the order of the Chancellor of the Reich no later than two years after the formal establishment of the Kingdom of Poland. Thus, after two years, it was planned to integrate Polish finances directly into the currency system of the German state and to subordinate them to the fundamental objectives of the Reichsbank's policy.<sup>15</sup>

In 1922, Stanisław Aleksander Kempner wrote: "The policy of Germany at that time, proclaiming an independent Polish state, and aimed at creating a small state unit [...] had the goal of making this unit completely subordinate to the Central Powers, or rather to Germany itself. This independent Poland in miniature was to become a «Hinterland,» stuck into the German economic system, exploited by Germany and deprived of independent economic foundations. The foundation for this system had been prepared in advance."<sup>16</sup>

#### UNIFICATION OF MONETARY CIRCULATION IN THE INDEPENDENT POLISH STATE

The First World War, which ended in 1918, all three partitioning powers were defeated. Germany and Austria were defeated by the Allies, and Russia was destroyed by the Bolshevik Revolution. In November 1918, an independent Polish state emerged, which initially had neither a developed political system nor delimited borders—they took a few years to materialize. Józef Piłsudski became the head of the state and elections for the Sejm were held, which in March 1921 enacted a constitution establishing a system of parliamentary democracy in Poland.<sup>17</sup>

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<sup>15</sup> CZAPSKA, "Polska Krajowa," 22–23.

<sup>16</sup> St. A. KEMPNER, *Dzieje gospodarcze Polski porozbiorowej w zarysie* (Warszawa: Druk K. Kowalewskiego, 1922), 412.

<sup>17</sup> KOKOCIŃSKI, *Pieniądz papierowy*, 74.

In the first years of the independent Poland's existence, apart from Polish marks (issued by the German occupier), there were still German and eastern marks, tsarist roubles and crowns in circulation. The territorial monetary separation was being gradually eliminated. The act on The Polish National Loan Fund legislated on December 7, 1918<sup>18</sup> stipulated that the only issuing institution of the Polish State was now the PKKP, and the Polish mark was made legal tender throughout the Republic of Poland. The act also anticipated the determination of an exchange rate for other currencies against the Polish mark.<sup>19</sup> Therefore, the Polish mark was established as a mandatory legal tender throughout Poland, although in fact multiple currencies lingered on.<sup>20</sup>

The unification of the monetary circulation based on the Polish mark proceeded in stages. Firstly, the question of the German mark was regulated, which was the easiest to do. The act of November 20, 1919<sup>21</sup> determined that in the area of the Former Prussian Partition the Polish mark was the only legal tender. The question of the rouble was more complicated as a lion's share of the nation felt attracted to it. Pursuant to the act of April 29, 1920 which prohibited withdrawals in the Russian rouble currency and conversion of rouble liabilities into Polish marks,<sup>22</sup> the rouble ceased to be legal tender and rouble liabilities were to be converted at the former parity ratio, that is 100 roubles = 216 Polish marks. The roubles were not exchanged, so rouble transactions were done using the principles of foreign currency trading. The greatest difficulties—in economic and political terms—were caused by the Austro-Hungarian crown, which after the collapse of the monarchy and the Bank of Austria-Hungary was separated from its issuing bank and became a “homeless” currency. Apart from the issue of future settlement with the Bank of Austria-Hungary, there was a growing problem of the conflicting economic interests of individual regions. It was not until January 15, 1920 that a law was passed introducing the Polish mark as legal tender throughout the whole country, with crown liabilities converted into marks at the ratio of

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<sup>18</sup> Act on the Polish National Loan Fund, Journal of Laws of 1918, No. 19, item 56, as amended.

<sup>19</sup> H. NOWAK, *Bankowość w Polsce* (Warszawa: Skład Główny w “Domu Książki Polskiej,” 1932), 234–35.

<sup>20</sup> A. JEZERSKI and C. LESZCZYŃSKA, *Historia gospodarcza Polski* (Warszawa: Wydawnictwo Key Text, 2001), 324.

<sup>21</sup> Act of 20 November 1919 on currency in the Former Prussian Partition, Journal of Laws No. 91, item 492.

<sup>22</sup> Act of 29 April 1920 prohibiting withdrawals in Russian rouble currency and conversion of rouble liabilities into Polish marks, Journal of Laws No. 38, item 216.

100:70.<sup>23</sup> The next law of 24 March 1920 on the stamping and exchange of crown notes issued by the Austro-Hungarian Bank<sup>24</sup> made it obligatory to exchange crown notes for mark notes, which eventually took place in June 1920, thus harmonising money circulation throughout the country within its borders in the first half of 1920. There were still monetary issues to be settled in Upper Silesia and in the Free City of Gdańsk (Danzig). In this regard, Poland was not independent but it was bound by international resolutions. Finally, after many perturbations, the Polish Government, by the Ordinance of the Council of Ministers of 21 December 1922 on the introduction of the Polish currency in the Upper Silesian part of Silesian Voivodeship,<sup>25</sup> determined that as of November 1, 1923 the Polish currency would be the only legal tender in the Upper Silesian part of Silesian Voivodeship. After November 1, 1923, the German mark became a foreign currency in Upper Silesia. The currency unification in Gdańsk was not successful. In March 1924, a few weeks before the establishment of the Bank of Poland, the Gdańsk authorities established a separate issuing institution called the Bank von Danzig, which issued its own monetary units under the name of the Danzig gulden.<sup>26</sup>

THE POLISH NATIONAL LOAN FUND IN THE PERIOD  
OF THE SECOND REPUBLIC OF POLAND.  
THE LEGAL FOUNDATION OF ITS ACTIVITY

The Polish National Loan Fund was taken over by the Polish authorities as a state institution on the day when Poland regained its independence (November 11, 1918). According to Elżbieta Czapska, the official note concerning the transfer of the Bank was placed in the PKKP minutes and went like this: "On November 11, 1918, at 1 p.m., The Polish National Loan Fund, established and governed by the German occupation authorities as of

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<sup>23</sup> Act of 15 January 1920 on establishing the Polish mark as legal tender in the territory of the Republic of Poland, Journal of Laws No. 5, item 26.

<sup>24</sup> Act of 24 March 1920 on the stamping and exchange of krone notes issued by the Austro-Hungarian Bank, Journal of Laws No. 28, item 166.

<sup>25</sup> Ordinance of the Council of Ministers of 21 December 1922 on the introduction of the Polish currency into the Upper Silesian part of Silesian Voivodeship, Journal of Laws No. 115, item 1038.

<sup>26</sup> KARPIŃSKI, *Ustroje pieniężne w Polsce*, 37–43; see also A. JEZIERSKI, "Reformy pieniężne w Polsce w perspektywie historycznej," *Bank i Kredyt* 10 (1994): 11.



April 26, 1917, passed into the Polish hands. At the request of the Polish government commissioner Józef Englich, the governance of the Bank was taken over by: Stanisław Karpiński as the Chairman and Zygmunt Chamiec as his deputy.<sup>27</sup> On November 24, 1918, Stanisław Karpiński was approved by the Council of Ministers for the position of president of the PKKP management board. Thanks to his efforts and with the participation of Wacław Fajans (delegated from the Ministry of Treasury to work on the new law on the Bank), as early as on December 7, 1918 the legal basis for the continued operation of the Bank was laid down. The Act on The Polish National Loan Fund was announced in the form of a decree by the Chief of State.<sup>28</sup>

The first article of the law provided that the Bank was the only bank institution of issue in the Polish State, the central bank of state offices and the place of storage of deposits in the care of the State. The law stipulated that The Polish National Loan Fund was to be a transitional institution “until the Bank of Poland was established by virtue of a Sejm resolution.” The law specified that the sum of the Polish marks issued by the PKKP by November 11, 1918, would be 880,150,867 marks and 50 pfennigs. The German state was made responsible for this issue. On the other hand, the further issue of Polish marks (i.e. beyond the amount indicated above circulated by November 11, 1918) was to be carried out by PKKP on behalf of the Polish State, under the supervision of the Government (especially the Ministry of Treasury). The issue, which was to be effected after November 11, 1918 could not, according to the law, exceed 500 million marks. The Polish mark became legal tender throughout the country and was to be accepted by all offices at face value. The ratio of Polish marks to roubles or crowns legally circulating in some regions of the country was determined periodically by the Minister of Treasury. All PKKP paper currency was to be backed with gold or other securities (bills of exchange, commodities, Polish interest and dividend papers, and banknotes of other countries). Loans were granted in Polish marks for a period not longer than 6 months. Loans were to be repaid in Polish marks or in the future Polish currency. The PKKP accepted only interest-free cash deposits (either on current accounts or remittance accounts). The Bank could grant short-term loans—for 6-month periods at the longest—to the State Treasury and *gminas* [smallest units of local government—Translator’s note], only by way of a resolution passed each time by

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<sup>27</sup> PKKP minutes dated November 11, 1918; PKKP files, AAN; quoted after CZAPSKA, “Polska Krajowa,” 24.

<sup>28</sup> CZAPSKA, “Polska Krajowa,” 24.

the Council of Ministers and approved by the Chief of State, or by way of a Sejm resolution as long as the Sejm convened. The act granted the Bank the right to open branch offices throughout the Polish State, after the relevant motion of the management board was approved by the Minister of the Treasury. The Bank's governance was entrusted to a board of directors consisting of the chief executive officer and his deputy, both appointed by the Prime Minister at the request of the Minister of the Treasury. The entire annual profit of the Bank was to be transferred to a reserve fund, the allocation of which, as well as the liquidation of the Bank, was to be decided by the Sejm. The law entered into force on the day of its announcement and the Act of 9 December 1916 on the Polish National Loan Fund expired (Articles 1–7, Article 10, Articles 14–15, Article 18, and Article 21).

The provisions of the act regulating the limit and the rules for granting loans to the State Treasury soon changed. Subsequent resolutions and laws of the Sejm stretched the adopted limit, and were not always respected in the future. The decree of February 8, 1919 permitted an additional issue of 250 million Polish marks.<sup>29</sup>

Other provisions of the Bank's statute were amended. On July 14, 1920, the Act amending Article 5 point a) of the act on the Polish National Loan Fund was adopted, which relaxed the conditions for securing issue for loan purposes of the Treasury.<sup>30</sup> The Act of 15 April 1921 amending Articles 10 and 12 of the act on the Polish National Loan Fund (Dz. Pr. of 1918, No. 19, item 56)<sup>31</sup> introduced changes in the said articles of the PKKP act. The new Article 10 extended the scope of the Bank's activity, allowing it to accept cash deposits in fixed-term accounts and to make transfers both nation-wide and internationally. Cash deposits could be accepted not only interest-free, but also at interest. The new Article 12 allowed the Bank to charge interest on that part of loans granted to the State Treasury which exceeded the amount of the actual unbacked issue of PKKP notes.<sup>32</sup>

The PKKP Act was intended to create conditions for its operation only in the coming months. There was a conviction that the establishment of the

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<sup>29</sup> Decree of 8 February 1919, Journal of Laws No. 14, item 167.

<sup>30</sup> See Act of 14 July 1920 amending Article 5 paragraph a of the act on the Polish National Loan Fund, Journal of Laws No. 62, item 402.

<sup>31</sup> Act of 15 April 1921 amending Articles 11 and 12 of the act on the Polish National Loan Fund (Dz. Pr. of 1918, no. 19, item 56), Journal of Laws No. 38, item 227.

<sup>32</sup> *Ibid.*

Bank of Poland<sup>33</sup> would provide the basis for the ordering of financial relations and that the monetary reform would enter into force quickly and smoothly. However, it was not so easy to organize the economic life of the country and create the basis for its rapid development. There was not enough experience in managing the economy, and this deficiency resulted from Poland's long period of dependence on the partitioning states.

On November 11, 1918, the PKKP started to operate under Polish administration. Elżbieta Czapska writes: “The authorities of the reborn Poland were faced with two fundamental tasks in the field of finance:

—to unify monetary circulation in the territory of a united state

—to carry out a monetary reform, that is create its own new money with a possibly constant value.

The monetary reform was to coincide with the creation of Bank Polski [Bank of Poland], which would take over the issuing function after dismantling the PKKP.<sup>34</sup> We should agree with Władysław Baka’s argument that “the PKKP should be credited with unifying the monetary system on the Polish territory by replacing the withdrawn Russian roubles and Austrian crowns with a uniform monetary unit—the Polish mark.”<sup>35</sup>

The tasks that were assigned to the PKKP were closely related to the problems presented above. The apparently provisional operation of the Bank was intended, among other things, to pave the way for the future operation of the Bank of Poland. The PKKP was also involved in the unification of the currency and overcoming the related problems. Its task was, for example, to set up branches in all districts of the country and supply them with Polish marks. In addition, the Bank accepted roubles to grant loans to the State at 5% and supplied roubles to the government for administrative and military purposes. The PKKP was also obliged to purchase krone banknotes with Polish marks for the State Treasury on the domestic market. The Bank was released from that obligation only by the Ordinance of the Minister of the Treasury establishing the ratio of the Polish mark to the krone.<sup>36</sup> The PKKP’s task was also to exchange the krone for Polish marks at the

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<sup>33</sup> For more on this, see E. KOMIERZYŃSKA-ORLIŃSKA, “The Foundation and Organization of the Bank of Poland Joint Stock Company,” *Annales Universitatis Mariae-Curie-Skłodowska. Sectio G (Ius)* 65, no. 1 (2018): 53–67.

<sup>34</sup> CZAPSKA, “Polska Krajowa,” 25.

<sup>35</sup> W. BAKA, *Bankowość centralna. Funkcje—metody—organizacja* (Warszawa: Biblioteka Menedżera i Bankowca, 2001), 91.

<sup>36</sup> Ordinance of the Minister of the Treasury establishing the exchange rate of the Polish mark to the krone, Journal of Laws of 1919, No. 96, item 513.

exchange rate of 70 marks for 100 crowns. On May 1, 1919, the Bank took over the Galician branches of the Bank of Austria-Hungary. The PKKP also expanded its operations into the areas of Upper Silesia granted to Poland (in June 1922, a PKKP branch was opened in Katowice, and by December 31, 1923, apart from the Warsaw Main Branch, there were 44 provincial branches).<sup>37</sup>

The basic activity of the PKKP was the issue of banknotes, which was the major component of the Bank's liabilities.<sup>38</sup> The circulation of banknotes was steadily increasing due to the increasing issue, and in 1923 it reached astronomical proportions. 1923 saw the fastest increase in the circulation. This was the direct cause of inflation turning into hyperinflation.<sup>39</sup> At the same time, the real value, that is the purchasing power of the Polish mark, decreased as the circulation grew. The main reason for maintaining the issue was to grant loans to the State Treasury. Its needs were steadily increasing while tax revenues were low. The successive governments were forced to pass new resolutions, which brought further increases in the issue of banknotes. In the first two years alone, the issue cap was raised to 55 billion Polish marks.<sup>40</sup>

It should be stressed that—in accordance with the Bank's statute—the increase in issue could only be achieved by virtue of a resolution of the Council of Ministers or a Sejm act, but these provisions were often disregarded. Gaps in the budget forced the successive ministers of the Treasury to issue orders to the PKKP management to increase the issue of banknotes without the required legal basis, a practice which gained general approval of the public. This was very dangerous as it opened the possibility of unlimited money issue to the State Treasury.<sup>41</sup> Zbigniew Landau points out another reason for the increase in money issue: “loans granted for economic enterprises by state-owned banks [ ... ] and the purchase of foreign currencies, instruments of foreign exchange and gold, which soon were to form the basis of the new currency.”<sup>42</sup>

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<sup>37</sup> CZAPSKA, “Polska Krajowa,” 25–26.

<sup>38</sup> Idem, 27.

<sup>39</sup> Z. LANDAU, “Waluta polska w latach inflacji,” *Wiadomości Narodowego Banku Polskiego* 1 (1966): 25.

<sup>40</sup> W. ROSZKOWSKI, *Kształtowanie się podstaw polskiej gospodarki państwowej w przemyśle i bankowości w latach 1918–1924* (Warszawa: Państwowe Wydawnictwo Naukowe, 1982), 197.

<sup>41</sup> CZAPSKA, “Polska Krajowa,” 27–28.

<sup>42</sup> LANDAU, *Waluta polska*, 26.

As for liabilities, it is worth looking at giro accounts of individuals and private companies. The number of deposits placed with the Polish National Loan Fund fell, probably due to their low interest rate, which, as reported by E. Taylor, did not exceed 7.5%, while the inflation rate was causing a much faster decline in the value of the mark.<sup>43</sup> As far as PKKP assets are concerned, the Treasury's debt was the main asset.

In the early years of the interwar period, the PKKP spent most of its funds on loaning to the State Treasury, which were used primarily for military purposes and provided subsidies for the reconstruction of the country. The situation changed in 1921. Since then, the current debt of the State Treasury was lower than the growth of the volume of issue, which can be explained by the growing importance of economic loans granted by the PKKP. The Polish National Loan Fund granted business loans by discounting bills of exchange, granting fixed-term loans, commodity loans and open credit. Initially, the PKKP's financing of the economy was insignificant.<sup>44</sup>

Józef Kulikowski wrote in 1923: "Scant lending for economic purposes was mainly due to the PKKP's conviction that issue of money for economic purposes increased inflation."<sup>45</sup> During this period, private capital did not exert any pressure on the central institution, meeting its credit needs via private banks. Increased inflation was accompanied by growing credit difficulties. As a result, at the end of 1923 the ratio of loans granted by PKKP and those granted by private banks was reversed. At that time, the PKKP granted 71% of loans, while private credit institutions granted only 29%.<sup>46</sup> Thus, one of the effects of inflation was the increased importance of the state sector in banking. We should agree with Wojciech Morawski that, rather, it was not a deliberate staffing policy and that state banks simply filled the vacuum created by the weakness of private banks. The years of inflation brought, on the one hand, a turbulent growth in the number of private banks and, on the other, the destruction of its real financial potential. It was then that the ground for the future collapse of private banking was laid as well as for the actual staffing policy in this area of economic life. First and foremost, the Polish National Loan Fund, as the bank of issue, was state-owned, and it did not even try to play the role of the "bank of banks," directly

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<sup>43</sup> E. TAYLOR, *Inflacja polska* (Poznań: Poznańskie Towarzystwo Przyjaciół Nauk, 1926), 268.

<sup>44</sup> CZAPSKA, "Polska Krajowa," 28.

<sup>45</sup> J. KULIKOWSKI, *Kredyt w Polsce w dobie inflacji* (Poznań: Fiszer i Majewski Księgarnia Uniwersytecka, Drukarnia Spółki Zjednoczenia Młodzieży, 1923), 65.

<sup>46</sup> CZAPSKA, "Polska Krajowa," 28.

supporting economic life with loans and thus acting as a competitor of private banks.<sup>47</sup>

Also, Landau stresses that the fact that “the State had in fact acquired a dominant position on the credit market [...] did not result from any pre-determined plans or conceptions of bank nationalisation and control. On the contrary, the State was determined to support the development of private banking, but the overall economic situation caused an outflow of bank deposits from the network of private banks and created the need to fill the emerging vacuum by the central issuing institution granting loans directly. It can therefore be concluded that the period of inflation, and hyperinflation in particular, resulted—against the government’s intentions—in an increased state control of loans, and thus restriction of the role of private banking in favour of the Polish National Loan Fund. Other state-owned banks did not play any important role.”<sup>48</sup>

On the assets side, the PKKP stands out in terms of its gold stock, which almost doubled from year to year. As much as 40% of the total growth came from Poland’s share in the assets of the Austro-Hungarian Bank, which was undergoing liquidation, while the remainder of the PKKP’s gold was purchased. In terms of currency, the Bank was involved in domestic and foreign stock exchanges operations. In 1922, it launched a series of new transactions of this kind, such as: the sale and purchase of time-bound foreign exchange, contango, granting of reimbursement credit in pound sterling, and the acceptance of deposits in foreign currencies.<sup>49</sup> Wojciech Roszkowski mentions Bank’s another role: “The Polish National Loan Fund also administered the State Treasury—established on January 29, 1919 as a special fund created using donations of precious metals, currencies, bonds, stocks and securities—to be transferred to the future Bank of Poland. On November 15, 1921, the National Treasury’s goal was clarified: to secure the future Polish currency. From then onwards, apart from the donations of private individuals, the Treasury was also used to hoard State-owned bullion, and acquired by state institutions by way of purchase.”<sup>50</sup>

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<sup>47</sup> W. MORAWSKI, *Bankowość prywatna w II Rzeczypospolitej* (Warszawa: Oficyna Wydawnicza Szkoły Głównej Handlowej, 1996), 45; IDEM, “Polska bankowość prywatna w okresie inflacji 1918–1923,” *Bank i Kredyt* 5–6 (1991): 40ff.

<sup>48</sup> Z. LANDAU, “Etatyzacja polskiej bankowości prywatnej w II Rzeczypospolitej,” *Bank i Kredyt* 5–6 (1991): 33.

<sup>49</sup> CZAPSKA, “Polska Krajowa,” 29.

<sup>50</sup> ROSZKOWSKI, *Kształtowanie się podstaw*, 200.

WŁADYSŁAW GRABSKI'S REFORMS  
AND THE FINAL STAGE OF PKKP'S OPERATION (LIQUIDATION)

The Polish National Loan Fund failed to cope with the intensifying hyperinflation,<sup>51</sup> which within a few years ruined the monetary system based on the Polish mark. It became necessary to conduct a profound monetary overhaul and to establish a central bank which would respond to the new demands, in particular the need to stabilise the Polish currency.<sup>52</sup>

The Sejm, torn among parties involved in mutual fighting, was not able to halt the economic ruin of the State. However, when on the eve of 1924 the inflation rate reached its critical stage while the internal and external situation of Poland could have led to the collapse of its statehood, that very Sejm took almost unanimous decisions to save the country. On December 19, 1923, the President entrusted Władysław Grabski with a mission to form a government, and by the Act of 11 January 1924 on the reform of State Treasury and currency reform<sup>53</sup> granted him extensive powers, limiting its own prerogatives. Grabski, as Prime Minister and Minister of the Treasury, was granted such great powers as no one before in the history of Polish parliamentarianism. They were even described as “dictatorial.” For the purposes of the reform, the government was empowered to issue statutory orders, without the consent of the Sejm or Senate. The most important competence also included an authorisation to index taxes (including property tax) and loans. Internal loans were launched in order to raise capital for the implemented reforms. Grabski ordered far-reaching budgetary, administrative and investment cost-cutting, and stopped the issuance of the mark for the needs of the State Treasury. It was only when budgetary balance had been reached and inflation contained that the reform of the Treasury and currency commenced.<sup>54</sup>

On January 11, 1924, the Sejm passed the act on the repair of the State Treasury and currency reform presented by Prime Minister Grabski. Pursuant to Article 1 point 11a), in order to repair the Treasury and implement a currency reform, the terms were determined on which the liquidation of the Polish National Loan Fund would be conducted, therefore we should treat this law as the legal basis for the liquidation of the PKKP. The act imposed

<sup>51</sup> The same view is presented in MIKOS, *Ustrojowa pozycja*, 18.

<sup>52</sup> BAKA, *Bankowość centralna*, 91.

<sup>53</sup> Act of 11 January 1924 on the reform of State Treasury and currency reform, Journal of Laws No. 4, item 28.

<sup>54</sup> KOKOCIŃSKI, *Pieniądz papierowy*, 99–100.

on the President of the Republic of Poland the obligation to implement the provisions of Article 1 of the act by June 30, 1924 by way of ordinances issued on the basis of government resolutions.<sup>55</sup>

The law (Article 1 points 8–11) authorised the President of the Republic of Poland to issue ordinances to lay foundations for a new monetary system, namely to:

- 1) establish and introduce a new monetary system based on gold only
- 2) determine and release means of payment having the power to release from liabilities
- 3) establish ratios between the Polish mark and the new currency unit
- 4) determine the conditions for the liquidation of the PKKP
- 5) establish of a new issuing bank
- 6) establish rules for the conversion of public and private-law liabilities into the new currency.

Having those mandates, the government issued a number of the following regulations in a relatively short period of time:

1) Ordinance of 20 January 1924 on the monetary system,<sup>56</sup> which ordered that “the monetary unit of the Republic of Poland shall be the złoty containing 9/31 parts of a gram of pure gold;” this was a gold standard corresponding to the Swiss franc, in accordance with the normative acts already adopted;

2) Ordinance of the President of the Republic of Poland of 20 January 1924 establishing the statute of the bank of issue (Bank Polski)<sup>57</sup> and conferring on that bank the exclusive right to issue bank notes which would be legal tender until December 31, 1944

3) Ordinance of 14 April 1924 on the change of the monetary system,<sup>58</sup> setting the ratio of the Polish mark to the Polish zloty (as the monetary unit of the Republic of Poland)<sup>59</sup> at 1,800,000 Polish marks to one złoty

4) Ordinance of 14 May 1924 on conversion of private-law liabilities;<sup>60</sup> the conversion of public debts had already been regulated by the Act of 6

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<sup>55</sup> Ibid.

<sup>56</sup> Ordinance of the President of the Republic of Poland of 20 January 1924 on the monetary system, Journal of Laws No. 7, item 65, as amended.

<sup>57</sup> Ordinance of the President of the Republic of Poland of 20 January 1924 establishing the statute of the bank of issue, Journal of Laws No. 8, item 75, as amended.

<sup>58</sup> Ordinance of the President of the Republic of Poland of 14 April 1924 on the change of the monetary system, Journal of Laws No. 34, item 351, as amended.

<sup>59</sup> See Ordinance of the President of the Republic of Poland of 20 January 1924 on the monetary system.



December 1923,<sup>61</sup> and the conversion of liabilities of the State Treasury was effected by the ordinances of 17 March and 26 June 1924.

The rules of foreign exchange rationing were also amended by the ordinance of the Minister of Treasury issued in consultation with the Minister of Justice on March 28, 1924 to regulate the trade in foreign currencies and foreign exchange and monetary transactions with other countries.<sup>62</sup> That Regulation stated that the purchase and sale of foreign currencies and foreign exchange within the borders of the Republic of Poland was permitted and that the transfer of foreign currencies abroad should be made only through foreign exchange banks. These banks were authorised extensively to sell and transfer foreign exchange abroad for economically justifiable purposes set out in the ordinance. In the circumstances of the time, that was a far-reaching liberalization of monetary transactions with foreign countries. However, the impact of the influx of foreign currency on the Bank of Poland or instruments of foreign exchange was still monitored.<sup>63</sup>

Turning back to the question of the PKKP and the legal basis for its liquidation, that is the Act of 11 January 1924 on the repair of the State Treasury and currency reform, this act provided that the functions of the PKKP were to be taken over by a new issuing bank, which the President of the Republic of Poland was authorised to establish. Under this law, it was decided to transfer “the state assets held by the Polish National Loan Fund and the assets of the National Treasury to the newly created bank of issue by way of alienation.” The PKKP was to continue in this capacity until the new issuing bank was established. On January 20, 1924, the President of the Republic of Poland decreed the promulgation of the statute of the Bank of Poland, which however did not determine the PKKP’s relationship to the future issuing institution. However, as early as on February 1, 1924, the President issued another decree on the closure of credit for the State Treasury in the Polish National Loan Fund and on supervision of its issue and credit activity,<sup>64</sup>

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<sup>60</sup> Ordinance of the President of the Republic of Poland of 14 May 1924 on conversion of liabilities arising under private law, Journal of Laws No. 42, item 441, as amended.

<sup>61</sup> Act of 6 December 1923 on the use of a fixed unit to calculate taxes, certain other public revenues and credits granted by State and local-government institutions, Journal of Laws No. 127, item 1044, as amended.

<sup>62</sup> Ordinance of the Minister of Treasury in consultation with the Minister of Justice of 28 March 1924 on regulation of the trade in foreign currencies and foreign exchange and monetary transactions with other countries, Journal of Laws No. 29, item 290, as amended.

<sup>63</sup> Ibid. and KARPIŃSKI, *Ustroje pieniężne w Polsce*, 57–58.

<sup>64</sup> Decree of the President of the Republic of 1 February 1924 on the closure of credit for the State Treasury in the Polish National Loan Fund and on supervision of its issue and credit activity, Journal of Laws No. 12, item 104, as amended.

appointing a supervisory board for the PKKP “to arrange for the liquidation of the Polish National Loan Fund and supervision of its issue and credit activity.” According to the ordinance, the supervisory board was composed of members of the organisational committee of the Bank of Poland: Stanisław Karpiński, Ksawery Stanisław Adamski, Zygmunt Chrzanowski, Jan Kanty Steczkowski and Franciszek Stefczyk,<sup>65</sup> and three members of the Treasury—later, by virtue of a decree of the President of the Republic of Poland of 20 February 1924, their number increased to five.<sup>66</sup> Stanisław Karpiński was appointed president of the supervisory board<sup>67</sup> (he was also president of the organisational committee of the Bank of Poland). The Minister of Treasury was appointed to determine the scope of activities of the supervisory board (he was to issue a relevant ordinance). The decree of February 1, 1924 also stipulated that the credit for the Treasury in the Polish National Loan Fund would be closed with the amount of debt as of February 1, 1924. Further loans on this account shall be impossible.” Elżbieta Czapska writes that “this decision served to attribute a constant value to the Polish mark before it was exchanged for the new money—the złoty.”<sup>68</sup>

On February 7, 1924, the Minister of the Treasury issued an ordinance on the implementation of the decree of the President of the Republic of Poland of February 1, 1924, where he determined the scope of responsibilities of the Supervisory Board of the Polish National Loan Fund. In accordance with this ordinance, the scope of activity of the PKKP’s Supervisory Board was:<sup>69</sup>

- a) determination of the rules of issue and credit activity of the PKKP
- b) determination of the discount rate and interest and commission rates
- c) supervision of the activities of the PKKP’s executive bodies and inspection of its activities, balances and reports
- d) approval of the estimate of expenditure

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<sup>65</sup> Z. KARPIŃSKI, *Bank Polski 1924–1939. Przyczynek do historii gospodarczej okresu międzywojennego* (Warszawa: Polskie Wydawnictwa Gospodarcze, 1958), 15.

<sup>66</sup> Ordinance of the President of the Republic of Poland of 20 February 1924 amending the ordinance of the President of the Republic of 1 February 1924 (Dz. U. R.P. No. 12, item 104) on the closure of credit for the State Treasury in the Polish National Loan Fund and on supervision of its issue and credit activity, Journal of Laws No. 16, item 152.

<sup>67</sup> S. KARPIŃSKI, *Pamiętnik dziesięciolecia 1915–1924* (Warszawa: Nakładem Księgarni F. Hoesicka, 1931), 324.

<sup>68</sup> CZAPSKA, “Polska Krajowa,” 29.

<sup>69</sup> § 1 of the Ordinance of the Minister of the Treasury of 7 February 1924 on the implementation of the decree of the President of the Republic of 1 February on the closure of credit for the State Treasury in the Polish National Loan Fund and on supervision of its issue and credit activity, Journal of Laws No. 14, item 138.

e) submission of motions to the Minister of Treasury concerning organizational matters, personal changes in the composition of the board of directors and PKKP employees, changes in its official, remuneration, pension and disciplinary regulations and any other matters exceeding the scope of the current banking interest.

The supervisory board was to perform the duties entrusted to it collectively; based on the resolution it could also delegate the performance of certain activities falling within its competence to its individual members, and it could also appoint experts to perform particular tasks. The Chairman of the Supervisory Board had the right to suspend resolutions which, in his opinion, contravened the laws or the interest of the State. The suspended resolutions were to be immediately referred to the Minister of Treasury for final decision.<sup>70</sup>

We should agree that “all the activities mentioned above served to adapt the operation of the PKKP to the requirements of the charter of the Bank of Poland, as the latter was to take over the Polish National Loan Fund, which had operated since 1917. On the other hand, those operations which the new bank as a joint-stock company could not take over were to be gradually phased out.”<sup>71</sup>

On April 14, 1924, the President of the Republic of Poland issued a decree on the change of the monetary system. The decree established the ratio of the Polish mark to the Polish zloty at 1,800,000. As of July 1, 1924 the Polish mark ceased to be legal tender. From the day when the Bank of Poland started its operations, the PKKP was to cease any issuing activity and Polish marks received as repayment of loans granted earlier by the PKKP could not be released back into circulation. The Credit Bank itself was to be in liquidation from the day when the Bank of Poland was launched, and the procedure, conditions and details of the liquidation were to be determined by the Treasury Minister. He was also authorised to “conclude an agreement with the Bank of Poland on alienation of assets of the National Treasury and assets held by the Polish National Loan Fund.”<sup>72</sup>

The signing of the agreement, provided for in the decree of April 14, 1924, took place before the Bank of Poland started. The agreement defined the terms of takeover of part of the PKKP's assets and liabilities by the Bank

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<sup>70</sup> Ibid., §§ 2–3.

<sup>71</sup> CZAPSKA, “Polska Krajowa,” 30.

<sup>72</sup> §§ 1–2, §§ 4–5, §§ 11–12 of the Decree of the President of the Republic of Poland of 14 April 1924 on the change of the monetary system.

of Poland on its own account and the liquidation of the remaining ones. The most important items transferred to the Bank of Poland included foreign currencies and foreign exchange (in the amount of 140 million złoty at 5.18 złoty to the dollar) and the bill-of-exchange portfolio (110 million złoty). Among the assets taken over by the Bank of Poland after the PKKP in liquidation were also movable items and real estate, items remaining with foreign correspondents, a contango account, a portfolio of term loans, złoty loans and a deposit in a provident fund. The most substantial item among the acquired liabilities was the giro account (140 million złoty). Other liabilities taken over by the Bank of Poland were: the provident fund, the remaining amount on the loro foreign-currency account (2 million złoty in total). The liquidation balance of the PKKP was negative at 157 million złoty. This sum was covered by the State Treasury with gold, coins and foreign currencies. In addition to the specification of assets and liabilities, the agreement referred to above also listed the functions that Bank of Poland was to perform after the liquidation of the PKKP. These included: further sale of the 5%-premium dollar loan on commission, acceptance of bullion and valuables previously held by the PKKP outside the balance sheet for deposit free of charge, and maintenance of an account of the Central State Fund. Bank Polski took over all PKKP buildings and staff.<sup>73</sup>

Czapska rightly points out that “the liquidation of the Credit Bank did not happen as a result of one act of takeover, but in stages. Apart from this agreement, which was the basis for the takeover of the PKKP by the Bank of Poland, the government concluded a number of additional agreements with this institution. The liquidation of the Polish National Loan Fund was carried out very quickly. Nearly five months after the decision to put the Polska Krajowa Kasa Pożyczkowa into liquidation the new issuing bank, Bank Polski, commenced its operations on April 28, 1924.”<sup>74</sup>

## CONCLUSION

The Polish National Loan Fund was an issuing institution which satisfied the demands of the time. It was created by the occupying state to replace the Reichsbank’s issue in order to relieve it of its excessive issue. During the period of occupation (1917–1918), the Bank satisfied the financial needs of

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<sup>73</sup> CZAPSKA, “Polska Krajowa,” 30.

<sup>74</sup> Ibid.

the German Reich and occupation authorities, which in this way—through a third party—financed their war activities, relieving the Reichsbank of its burden. This led to an excessive issue of Polish marks, disturbing the balance on the market and causing an increase in inflation.

The PKKP survived longer than expected, and after Poland regained its independence it became the first issuing institution of the Second Polish Republic. One of its undeniable merits was its contribution to the unification of monetary circulation in the newly created Polish state, but after 7 years a decision to liquidate it was made and to replace it with the central bank of the Second Polish Republic called Bank Polski S.A. Pursuant to normative acts issued as part of Władysław Grabski's reforms, the traditional Polish currency was also restored, replacing the Polish mark issued by the PKKP with the złoty consisting of groszes (a relevant decision was made by the Sejm on February 28, 1919, despite the various ideas for a completely different name: *lech*,<sup>75</sup> *kościuszko* or *polon*<sup>76</sup>).

Cecylia Leszczyńska concludes: “The PKKP operated during a particularly difficult period of Polish independence, dominated until 1920 by wars in defence of the country's borders, then by reconstruction, unification and integration of nearly all aspects of life. The political problems of this period manifested themselves in the unstable political situation and frequent changes of government. Economic difficulties were reflected in the crisis public finance: it proved impossible to finance current budget expenditure from regular tax income.”<sup>77</sup> Meanwhile, fiscal needs were growing and tax revenues were low. At the same time, with a view to securing the future currency of the Second Polish Republic, the Bank was buying foreign currencies, foreign exchange and gold. All this caused that the core business of the PKKP, namely the issue of banknotes, was abused. Its excessive issue led to hyperinflation in 1923, which caused difficulties in the credit market of private banking, among others. The PKKP came to rescue in 1923, granting the majority of loans on the market and thus contributing to the nationalisation and state control of the Polish banking sector, which was not the intended effect of the Bank's lending activity. The PKKP became a competitor of private banks and thus did not perform its typical function: the bank of banks. It cannot therefore be regarded as a central bank. It was an issuing institution

<sup>75</sup> For more on this, see KOMIERZYŃSKA-ORLIŃSKA, *The Foundation and Organization*, 54.

<sup>76</sup> C. LESZCZYŃSKA, *Zarys historii polskiej bankowości centralnej* (Warszawa: Narodowy Bank Polski, Departament Edukacji i Wydawnictw, 2010), 14; accessed September 15, 2018, [https://www.nbp.pl/en/publikacje/inne/history\\_of\\_polish\\_central\\_banking.pdf](https://www.nbp.pl/en/publikacje/inne/history_of_polish_central_banking.pdf).

<sup>77</sup> *Idem*, 14.

which, in the wake of Grabski's reforms, was liquidated and—as mentioned above—replaced by Bank Polski S.A., the central bank of the Second Polish Republic, commencing its operations on April 28, 1924.

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#### THE ORIGIN OF THE POLISH NATIONAL LOAN FUND AND ITS OPERATION ON THE POLISH LANDS

##### Summary

The idea of establishing the Bank of Poland as the central bank of the Second Polish Republic and introducing a new currency appeared shortly after Poland regained its independence. At the beginning of 1919, in the economic circles it was believed that one of the initial steps taken by the government would be to establish a new issuing bank in place of the Polish National Loan Fund, which had appeared on the Polish territory in an emergency situation—during the First World War, and which, contrary to the original (both German and Polish) plans survived for 7 years and was transformed after the war into the first bank of issue in the now independent Polish State.

The Polish National Loan Fund established by the Germans as an issuing institution by way of the ordinance of December 9, 1916 establishing the *Polnische Landes Darlehnskasse* was granted the privilege of issuing a new currency, that is a new monetary unit under the name *marka polska*. The German authorities were guided by various objectives when creating the new issuing institution—first of all, the aim was to limit the area of circulation of the German mark and to create an instrument that would draw in the occupied area of the Polish territory to finance the war, contrary to the assurances of the occupying authorities that the PKKP would be an institution supporting the economy and banking system of the country—the Kingdom of Poland, whose creation was envisaged after the end of World War I.

**Key words:** issuing bank; central bank; currency reform; monetary system.

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