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## WERE BANKS NATIONALIZED IN PEOPLE'S POLAND ?

A problem still rousing many doubts is the question of transformations in banking in Poland after World War II. Some people, not only the "consumers" of historical publications, but even their outstanding authors, believe that in Poland the nationalization of banking was carried out in addition to the nationalization of industry. This opinion was shared by, for example, Oskar Lange, who put forward the thesis in one of his articles that.

"On 3 January, 1946, the National People's Council passed the law on the nationalization of the basic branches of the national economy. By virtue of this law, the basic banking establishments became the property of the state. [...] The nationalization of big and medium industries, transport and banks was tantamount to the elimination of the rule of big capital. [...] By the nationalization of big and medium industries, transport and banks the socialist sector of production came into being in Poland's national economy".<sup>1</sup>

Of a similar opinion were many other researchers, too. For instance, Bronisław Minc wrote about "the nationalization of big and medium industries, banks and transport".<sup>2</sup> Jadwiga and Zbigniew Jaśkiewicz stated that "immediately after World War II... started the large-scale process of the nationalization of banks".<sup>3</sup> Also Władysław Jaworski was of a similar opinion in his early

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<sup>1</sup> O. Lange, *Rozwój gospodarczy Polski Ludowej w latach 1945 - 1954* [The Economic Development of People's Poland During the Years 1945 - 1954], "Ekonomista," 1954, No. 3, p. 9.

<sup>2</sup> B. Minc, *Wstęp do nauki planowania gospodarki narodowej* [Introduction to the Science of Planning the National Economy], vol. I, Warszawa 1950, p. 194.

<sup>3</sup> J. and I. Jaśkiewicz, *Polski system finansów publicznych* [The Polish System of Public Finances], Warszawa 1966, p. 126.

works.<sup>4</sup> It was only later, when he withdrew from the propagation of this standpoint, although he continued to use the term "nationalization of banks", but with other than the generally accepted meaning.<sup>5</sup> Such a standpoint also penetrated into some school-books, thus became generally accepted.

Therefore, it should be clearly stated that the nationalization of banking in Poland did not take place whatsoever. I think that the source of misunderstandings was the identification of the slogans put forward before the people's rule was established with their implementation after attaining power. Everybody knows, however, that slogans not always are implemented entirely. It always depends on the current circumstances. Sometimes it turns out that the implementation of a programme may not correspond to the current needs and then the programme is modified. I was so with the slogan concerning the nationalization of banks.

This slogan was put forward in Poland by the Left during the inter-war period already. It was included in the programme documents of the wartime. The Declaration "What Do We Fight For?" of the Central Committee of the Polish Workers' Party of March 1943 proclaimed under item 6 that "every banking, industrial, trade and agricultural establishment seized by the Germans should be confiscated [...] banking and big industrial establishments should be socialized".<sup>6</sup> Here the matter was

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<sup>4</sup> W. Jaworski, *Nacjonalizacja banków w Polsce* [The Nationalization of Banks in Poland], "Finanse", 1957, No. 9.

<sup>5</sup> Cf. e.g. W. Jaworski, *Zarys rozwoju systemu kredytowego w Polsce Ludowej* [An Outline of the Development of the Credit System in People's Poland], Warszawa 1958, pp. 52 - 71. In the work: *Załadnienia obiegu pieniężnego i systemu kredytowego w państwach socjalistycznych* [Problems of Currency Circulation and the Credit System in Socialist Countries], Warszawa 1964, p. 7 the same author wrote: "During the first years of the people's rule in Poland it was not necessary to issue legal instruments nationalizing private banking, since the liquidation of those banks had taken place before any legal instrument was issued whatsoever", and in the book: *Obieg pieniądza i kredyt w gospodarce socjalistycznej* [Currency Circulation and Credit in Socialist Economy], Warszawa 1963, p. 23, he wrote: "the control of the banking system in Poland was not achieved by the nationalization of private banks, but first of all by means of starting state, communal and cooperative credit institutions".

<sup>6</sup> *W dziesiątą rocznicę powstania Polskiej Partii Robotniczej. Materiały i dokumenty* [The 10th Anniversary of the Formation of the Polish Workers' Party. Materials and Documents], vol. I: 1942 - XII.1948, Warszawa

brought up without insinuations. Banks were treated like big industry and their nationalization was called for. Aiming at the nationalization of credit institutions resulted from the fact that if medium- and small-scale industrial establishments as well as trade and agriculture in general remained privately owned, the control of these forms of economic operation could be exercised first of all by banks on the occasion of giving credits. That is why the necessity to nationalize credit institutions was considered to be a primary economic task like the nationalization of big industry. Nationalization was to enable the Government to exercise control over and to exert influence upon the private sector of the national economy.

All the further programme enunciations of the Polish Left in wartime put forward the slogan of the nationalization of banks. When specifying the tasks of a Provisional Government to be formed upon regaining independence, the ideological declaration "What Do We Fight For?" of the Polish Workers' Party read under item 7 that the Government "should nationalize big industry, which is the key to the national economy (steelworks, collieries, oil-fields, the war industry, the engineering industry and the big processing industry), banks and transport"<sup>7</sup> and further on "the attitude towards the nationalization of big industry, banks and transport is [...] a criterion of the truthfulness and sincerity of democratic and liberation slogans"<sup>8</sup>. Although the ideological declaration of the Association of Polish Patriots in the USSR did not clearly stipulate the nationalization of banks, but from certain general formulations it can be deduced it was seriously taken into consideration. When mentioning the objectives of the Association of Polish Patriots, the declaration stressed that among other things their fight aimed at "Poland liberated from

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1952, p. 139. For a more extensive coverage of the question of shaping the economic programme of the Polish People's Party during the war cf. J. Gołębiowski, *Walka PPR o nacjonalizację przemysłu* [The Fight of the Polish Workers' Party for the Nationalization of Industry], Warszawa 1961, pp. 13 - 75, and J. Tomaszewski, *Założenia programu ekonomicznego Polskiej Partii Robotniczej (1942 - 1945)* [The Assumptions of the Economic Programme of the Polish Workers' Party (1942 - 1945)], "Zeszyty Naukowe SGPS", 1962, No. 37, pp. 3 - 15.

<sup>7</sup> W dziesiątą rocznicę..., p. 191.

<sup>8</sup> *Ibidem*, p. 204.

the rule of big landowners, cartel barons, bank usurers and stock-jobbers".<sup>9</sup> Although the term "nationalization" was not present in the declaration, but I think it was involved, since otherwise it would be difficult to imagine the implementation of the stipulation of liberation from the "bank usurers".

Unlike the Association of Polish Patriots in the USSR, the clandestine movement in the Polish territories—as it was already demonstrated by the cited declarations of the Polish Workers' Party—wrote about the indispensability of the nationalization of banks in a far more open way. For instance, the Manifesto of Social and Political Democratic Organizations issued in December 1943 in the following way presented the tasks of the Home Council in the field of economy :

"The National People's Council will face the following tasks : [ . . ] to aim at the reconstruction of Poland's form of government in the spirit of sincere democracy, not only political, but also economic, through the confiscation of big landowners' land and handing it over to peasants and farm workers, through the nationalization of big industry, banks and transport [ . . ]".<sup>10</sup>

Similar formulations can be also found in the Programme Declaration of the Home Council passed during the first Plenary Session on 1 January, 1944. The "nationalization of big industry, mines, banks and transport, making up the basis of the national economy" was mentioned among the primary tasks for the post-war period.<sup>11</sup>

The above-mentioned statements clearly reflected the attitude of the social Left to the question of the nationalization of banks. Hence, some authors—*per analogiam*—without getting an insight into the Manifesto of the Polish Committee for National Liberation, were often of the opinion that the Manifesto augured the nationalization of banks and industry, too. Yet it was not so. From among the discussed variants of the Manifesto (Stefan Wierbło-

<sup>9</sup> *Kształtowanie się podstaw programowych PPR w latach 1942 - 1945* [The Formation of the Programme Foundations of the Polish Workers' Party During the Years 1942 - 1945], Warszawa 1958, p. 453.

<sup>10</sup> *Protokół pierwszego plenarnego posiedzenia KRN. Warszawa 31.XII. 1943 - 1.I.1944* [The Minutes of the First Plenary Meeting of the Home Council. Warsaw, December 31, 1943 - January 1, 1944], Warszawa 1947, p. V.

<sup>11</sup> *Ibidem*, p. 39.

wski's version, based on the earlier outline by Alfred Lampe, and a separate draft by Boleslaw Drobner), the first version was chosen that did not stipulate nationalization.<sup>12</sup>

The publishers of the Manifesto were anxious not to hamper the formation of a broad national front by premature putting forward slogans of socialist character. The slogan on nationalization cast on an unprepared ground could rouse misgivings in some community circles and thus add to the potential of the London Camp's social basis in Poland. That is why, the passed text of the Manifesto confined itself solely to slogans of concerning liberation and democracy. Naturally, it did not mention the nationalization of either industry or banks. It only proclaimed that "the national property today concentrated in the hands of the German state and individual German capitalists, i.e big industrial, trade, banking and transport enterprises as well as forests, will be under the control of a Provisional State Administration".<sup>13</sup> Of course, this formulation could be taken as a promise of nationalization, but for the other often apparently overlooked sentence of the Manifesto that "within the regulation of economic conditions the property will be restored to the owners [...] Individual citizens, peasants, merchants, craftsmen, little- and medium-scale industrialists and manufacturers as well as institutions and the Church robbed by the Germans will have their property back. The Germans' property will be confiscated".<sup>14</sup>

Under these circumstances it should be stated that the Manifesto of the Polish Committee for National Liberation prom-

<sup>12</sup> Cf. K. Kersten, *Polski Komitet Wyzwolenia Narodowego 22.VII-31.XII.1944* [*The Polish Committee for National Liberation, June 22-December 31, 1944*], Lublin 1965, p. 40, and J. Gołebowski, *Nacjonalizacja przemysłu w Polsce* [*The Nationalization of Industry in Poland*], Warszawa 1965, p. 64 sq. On the subject of interest to us, the draft programme declaration of the Polish Committee for National Liberation prepared by A. Lampe reads: "with the regulation of economic conditions property will be restored to legitimate owners. If it is necessary that some establishments of special importance to defence and reconstruction should be taken over by the State, the question of changing the title deed will be regulated by means of agreements between the State and the interested parties on the basis of the existing legislation." Cf. *Kształtowanie podstaw...*, pp. 474-487.

<sup>13</sup> Annex to "Dziennik Urzędowy Rzeczypospolitej Polskiej" [Official Journal of the Polish Republic], (later cited as "Dz. U. PR,"), 1944, No. 1

<sup>14</sup> *Ibidem*.

ised the confiscation of German enterprises solely. The only question that remained open was that of big industrial establishments which were omitted, when listing the property to be restored to private owners. This gap could be treated as a signal of nationalization, but this question was not solved explicitly. In the monograph of the Polish Committee for National Liberation, the only publication of its kind, Mrs K. Kersten made it clear as regards the question of the nationalization of big industry that "the Manifesto promised that, too, but rather indirectly than directly: it did not refer to nationalization, even of the key industry, but solely to taking over the former German enterprises belonging to traitors to the Polish people by the Provisional State Administration".<sup>15</sup>

In the following way J. W. Gołębiowski explained why the Manifesto departed from the slogans put forward earlier and concerning the question of some economic reforms:

"The formulation in the Manifesto of new stipulations regarding a solution to the question of industry in revived Poland reflected definite tactical moves aimed at developing a number of popular forms and methods of taking over factories by the People's State, i.e. forms and methods that would better correspond to the existing alignment of forces [...]. The very [...] relinquishment of the slogan of 'nationalization' prevented the Polish Committee for National Liberation and the Polish Workers' Party from the danger of lack of support on the part of the lower propertied classes, including the peasantry".<sup>16</sup>

Similarly W. Góra wrote:

"In the situation, when to the fore came the realization of democratic tasks, when the possibility existed of attracting big masses of the nation, it was premature to stress the elements of socialist character existing in the transformations and to put forward socialist slogans, for this could rouse hesitation and suspicion towards the people's rule in those classes which were afraid of socialism, although they were ready to realize democratic tasks".<sup>17</sup>

<sup>15</sup> K. Kersten, *op. cit.*, p. 131.

<sup>16</sup> J. W. Gołębiowski, *Nacjonalizacja przemysłu...*, p. 64 sq.

<sup>17</sup> W. Góra, *PPR w walce o podział ziemi obszarniczej (1944 - 1945) [The Polish Workers' Party in the Fight for the Division of Large Estates (1944 - 1945)]*, Warszawa 1962, p. 94.

In the face of the fact that programme documents of the new authorities did not mention the future of the private banks operating in the Polish territories, of fundamental importance was daily practice. In respect of big industry it was nationalization. The big establishments taken over by the Provisional State Administration were not returned to private ownership in practice. This was mentioned by Hilary Minc, Head, Economic Bureau, Polish Committee for National Liberation, during the meeting of active members of the Polish Workers' Party on 5 August, 1944. He stated that "socialism in Poland cannot be built at once, and therefore solely big industry will be taken over by the State immediately".<sup>18</sup>

As regards private banks no tendency to nationalization existed during the Lublin period (i.e. in 1944). It was just the opposite, the authorities even aimed at facilitating the operation of the credit machinery. After all, this problem concerned the territory of the former "General Gouvernement" only, since in the territories annexed to the Reich no Polish credit institutions operated upon incorporation in the German state. On the other hand, in the Lublin region branches of private banks operated without any restrictions or difficulties. They were not subject to the Provisional State Administration either. Successively started their operation the Lublin branch of the Bank Handlowy S.A. in Warsaw, the branch of the Bank of the Association of Cooperative Societies, the Bank of Lublin Industrialists and Agriculturists and the Citizens' Bank in Przemyśl.<sup>19</sup> Besides, the State commissioned them to definite things such as, for example, the exchange of currency. Apparently M. Orłowski is right, when writing:

"Under those circumstances [i.e. those of the organization of

<sup>18</sup> K. Kersten, *op. cit.*, p. 131.

<sup>19</sup> Annex to the enactment of the Minister of Finance of 6 January, 1945, on the execution of the decree of 6 January, 1945, on the deposits and exchange of the banknotes of the Bank of Issue in Poland, "Dz. U.RP," 1945, No. 1, item 3. About the situation of banking in the period of "Lublin" Poland cf. Z. Landau, *Polityka finansowa PKWN (lipiec - grudzień 1944)* [*The Financial Policy of the Polish Committee for National Liberation* (June - December 1944)], Warszawa 1965, pp. 76 - 106; *idem*, *Banki i kredyt Polski Ludowej w 1944 r.* [*The Banks and Credit of People's Poland in 1944*], „Wiadomości Narodowego Banku Polskiego”, 1964, No. 10.

the economic machinery—Z. L.] a stipulation was to mobilize the country's production forces as soon as possible. Therefore, from this viewpoint, sometimes hectically or often in a hurry the banking machinery was re-erected on the basis of the former personnel, and even on that of the former traditions which not always were in line with the new socio-economic changes".<sup>20</sup>

Also the principles of the currency reform enacted by virtue of the decree of 6 January, 1945, were formulated so as not to deprive private banks of their financial resources, thus not to render their operation difficult. In so far as the decree radically limited the amounts that could be exchanged by individuals, as regards banks it ordered that they had the right of exchanging all their assets in cash into zlotys of the emission of the National Bank of Poland.<sup>21</sup> And so their range of operation was not limited. If the authorities were keen on the elimination of private banking in "Lublin" Poland, it would suffice to deprive the credit institutions of the right of exchanging money, and therefore they would not be able to operate at all.

In 1944, we did not come across any such attempts. It should be added, however, that the four private credit institutions in the territories under the control of the Polish Committee for National Liberation were a minority at that time. In addition to them operated 84 credit-giving cooperatives and Communal Credit Banks, 2 branches of the state-owned National Economy Bank, 2 branches of the State Land Bank, 12 branches of the "Społem" Bank, 2 branches of the Central Bank of Agricultural Cooperatives, 6 branches of the Cooperative Bank, 2 branches of the Stefczyk Cooperative Bank, the Cooperative-Economic Bank in Biała Podlaska and the Cooperative Bank of the Sandomierz Re-

<sup>20</sup> M. Orłowski, *Reforma bankowości polskiej* [*The Reform of Polish Banking*], "Wiadomości Narodowego Banku Polskiego", 1948, No. 11, p. 31. Of similar opinion was also M. L. Kostowski who wrote to the author: "[...] this was largely motivated by the necessity to use the whole banking machinery that could be put into operation, especially in small localities, with view to starting the organization of deposits and giving credits to economic units" (from M. L. Kostowski's letter to the author of 23 June, 1964).

<sup>21</sup> "Dz. U.R.P." 1945, No. 1, item 2. Cf. Z. Landa u, *Reformy walutowe na ziemiach polskich w 1945 r.* [*Monetary Reforms in the Polish Territories in 1945*], "Kwartalnik Historyczny," vol. LXXIII, 1968, No. 1,



gion.<sup>22</sup> In other words, the preservation of private banks was not necessary for the Government. The existing state and cooperative credit machinery was able to take over the functions of private banks, too. Especially in the face of the fact that the latter were not too operative. For example, the Lublin branch of the Bank Handlowy in Warsaw had a stock of 6 million zlotys upon the liberation of Lublin and almost to the end of the period of the Polish Committee for National Liberation this amount was in stock, since there were no credit takers.<sup>23</sup> All in all the Bank gave credits merely totalling 236 thousand zlotys<sup>24</sup> that practically was of no importance. The situation in the other private credit institutions was similar.

Despite this fact no attempt was made to restrict their operation. Even a single case was not known of a bank taken over by the State Administration. In that period, the Government took into consideration the purposefulness of retaining the private bank machinery and did not mean to nationalize it.

This resulted perhaps first of all from the fact that already before the war in Poland—starting from the Great Depression—the state banking earned a decisive position on the credit market.<sup>25</sup> Hence, having its own banking machinery the Government was able to exert an influence upon the economy of Poland without being afraid that the private banking could have its own financial policies that would be incompatible with the basic assumptions of the Government's policy.<sup>26</sup> It was also important that private banking institutions lost most their property during the war, hence their economic significance decreased substantially.

<sup>22</sup> See Annex to the enactment in item 19.

<sup>23</sup> The report from the inspection of Lublin banks carried out on 21 - 22 November, 1944, Archiwum Akt Nowych [Archives of the New Acts], further as ANN, Polish Committee for National Liberation, vol. I/13, 28 - 29.

<sup>24</sup> The report of the Director of the Branch of Bank Handlowy in Lublin, Cz. Myszkowski, of 4 September, 1944, Archiwum Banku Handlowego (Archives of Bank Handlowy), vol. 377, k. 102.

<sup>25</sup> Cf. for instance "Mały Rocznik Statystyczny", 1936, p. 135; "Mały Rocznik Statystyczny", 1938, pp. 200 - 201; The report of the Commission for Investigating the Management of State Enterprises, Warszawa 1939, p. 56.

<sup>26</sup> W. Jaworski wrote, for instance; "In Poland, in connection with the expansion of banking of other than private character before the war, under new circumstances the former machinery could be used largely unchanged" (*Zarys rozwoju systemu kredytowego...*, p. 70).

This is why the question of the nationalization of private banks was of no primary importance under the concrete Polish circumstances. From the very beginning, the Government had the National Economy Bank, the State Land Bank, and from January 1945 also the newly created National Bank of Poland.<sup>27</sup> Therefore, it had enough power to realize both its monetary and credit policies.

On 17 January, 1945, started the January Offensive. As a result, the Polish territories of 1939 were liberated. The Polish Committee for National Liberation which was turned into the Provisional Government on 31 December, 1944 faced, among other things the problem of assuming an attitude towards the private banks existing in that area. The point was that the solutions in "Lublin" Poland were not necessarily to be copied all over the country. All the more so as only several privately owned credit institutions existed in Lublin, whereas their number in Poland as a whole amounted to several dozen.

It should also be mentioned that the Provisional Government's policy towards private banks was not a direct continuation of the operation of the Polish Committee for National Liberation, for it was subject to substantial modifications. In so far as the Department of the National Economy and Finance of the Polish Committee for National Liberation made efforts to create relatively favourable conditions for the functioning of private credit institutions, the Provisional Government did not follow that line. On the contrary, its first economic decisions had to bear an adverse effect on private banks. An effect of this kind was that of the Decree of 6 February, 1945, regulating the exchange of currency in the territories liberated as a result of the January Offensive.<sup>28</sup> All the cash of the banks in "Lublin" Poland was exchanged, whereas a similar exchange did not take place at all in the areas referred to in the Decree of February.<sup>29</sup> As a result, they were deprived of all the liquid assets. Thereby, they were unable to start operation on a wider basis. For example, Bank Handlowy in Warsaw had an amount of almost 16 million Cracow zlotys and even

<sup>27</sup> "Dz. U. RP," 1945, No. 4, item 14.

<sup>28</sup> "Dz. U. RP," 1945, No. 5, item 18.

<sup>29</sup> Cf. Z. Landau, *Reformy walutowe...*,

so it had no funds to pay wages to its personnel. The situation in the other institutions was similar.

This was an extremely drastic measure, since practically it locked up the capital of private banks. The liquidation of assets (the sale of immovables and the collection of debts, etc.) took a longer period of time. Hence, as a result of the accepted way of exchanging money, the Government practically sealed the fate of many credit institutions by depriving them of the ability to function normally. It was achieved by economic methods, initially without any legal restrictions, so without sealing their fate in future. That is why, those few private banks which had some cash made efforts to resume their operation. For example, the International Commercial Bank in Katowice, the Cracow Branch of the Joint-Stock Mortgage Bank in Lvov, the Joint-Stock Bank in Dąbrowa Górnicza and the Silesian Branch of the Credit Bank in Bielsko.<sup>80</sup> Yet, generally speaking, their activity was very modest and in many a case it confined itself to attempts to collect debts, to illegal operations with foreign currencies and to speculation. But fairly soon these attempts were given up.<sup>81</sup> At the same time, the situation of state banks was entirely different, since the Treasury invested its own funds in them which ensured them fluent and free functioning.

At that time, it could be expected that the Government, making use of the financial difficulties of private banks as well as taking into consideration the rapid reconstruction of the state credit machinery, would settle upon the nationalization of private banks. Since for the State it was most favourable time without any doubt. Yet even so nationalization did not take place either.

In early 1945, the Government faced the problem of organizing a banking machinery. The National Bank of Poland was

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<sup>80</sup> W. Jaworski, *Zarys rozwoju systemu kredytowego...*, p. 60; The report of the plenipotentiary of the Operational Group in Dąbrowa Górnicza of 17 March, 1945, AAN, Grupy Operacyjne vol. 662; The record of the inspection in the Katowice Branch of the Silesian Credit Enterprise SA in Bielsko on 27 August, 1945, Archiwum Ministerstwa Finansów (Archives of the Ministry of Finance), (later as SAMF), file No. 105, Department, 2, Wydział Inspekcji Handlowej.

<sup>81</sup> K. Niemiński, *Banki [Banks]*, in: *Finanse Polski Ludowej w latach 1944 - 1960*, Warszawa 1964, p. 413.

established on 15 January, 1945. At the same time, the principles were developed of the policy towards the other credit institutions. The starting-point was the assumption that

“already before the war, Polish banking was characteristic of a great number of banks with a relatively small number of bank branches, and the range of operation, especially in private banks, was almost the same. When proceeding to the introduction of planning in the credit machinery, it was considered indispensable to reduce the number of banks and at the same time to increase that of branches, and also to specify in detail the range of banks’ operation”.<sup>32</sup>

This meant that the Government did not plan to allow of free operation on the part of all the banking institutions and that it planned to carry out their strict selection.<sup>33</sup> And that was a fact. But in addition to state and cooperative banks, the right to operate was given to the two joint-stock companies: Bank Handlowy in Warsaw and the Bank of the Association of Cooperatives in Poznań.

The choice of the two institutions was not accidental. When taking this decision, the Government chose the most popular institutions enjoying the greatest authority and confidence. A document of that time reads:

“the preservation of Bank Handlowy in Warsaw as the first Polish financial institution was advisable due to its current role in Poland’s financial economy and to the high standing of this institution both in Poland and abroad”.<sup>34</sup>

The preservation of private banks, first of all of Bank Han-

<sup>32</sup> The report of the Minister of Finance for the period from 21 July, 1944 to 31 March, 1945 AAN, Ministry of Finance.

<sup>33</sup> Minister of Finance K. Dąbrowski said, for instance: “As early as before the war Poland suffered from the quantitative overgrowth of these institutions in relation to the existing capital they had. Already at that time, parcelled capital was a nuisance. After the war, the continuation of the previous state of affairs was both purposeless and useless, the more so because the Banks suffered huge losses during the occupation” (K. Dąbrowski, Speech of the Minister of Finance [...] made at the 10th Session of the National People’s Council on 27 April, 1946, on the occasion of the presentation of the State budget and investment plan for the period from 1 April, 1946, to 31 December, 1946), Warszawa 1946, p. 12.

<sup>34</sup> Note about the operation of credit institutions, the SAMF, file No. 107, vol. 50.

dlowy in Warsaw, aimed at facilitating financial contacts with capitalist countries, where this institution enjoyed a good reputation.<sup>85</sup> Therefore, the Government did not take the opportunity of eliminating the private banking system completely, taking into consideration its financial problem, but on the contrary, it offered assistance to the two largest private banks. For instance, Bank Handlowy in Warsaw temporarily made itself available of the financial assistance of the public purse and had the right to make use of rediscount credits in the National Bank of Poland. The lack of consent to the operation of the remaining private banks did not result from doctrinal reasons, but solely from the fact that they had no rationally justified field of activity.

When making the decision on the continuation of the two joint-stock companies' operation, it was specified in detail what the sphere of their rights and tasks would be. The two banks were to finance the private sector exclusively. The Bank of the Association of Cooperatives was to finance small-scale industry and craft, while Bank Handlowy in Warsaw—big and middle-scale private industries and private whole-salers. The choice of this sphere of activity resulted from the division of competence in respect of all the banks. The opinion was that private institutions should finance the private sector and that socialized institutions should finance the state-owned and cooperative sectors.

The division of competence also specified in detail the sphere of the activity of state banks. Therefore, the National Economy Bank was to finance the state-owned industry, the State Land Bank—agriculture and the agricultural industry, the Polish Communal Bank—self-governments, their enterprises and Communal Savings Banks, the Central Bank of Agricultural Cooperatives—agricultural-commercial cooperatives, and the "Społem" Bank—the remaining cooperatives.<sup>86</sup> During the following months this division of competence was partly modified, and the sphere of the activity of private banks was even broadened. For instance, Bank Handlowy in Warsaw could finance not only privately-own-

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<sup>85</sup> The information given to the author by the former Director of the Department of Payments, Ministry of Finance, L. Makowski in January 1969.

<sup>86</sup> See item 32, p. 28.

ed industry, but also the establishments that were under the state control only temporarily and the establishments that were to be nationalized, if in the places where they were localized did not exist a branch of the National Economy Bank.<sup>37</sup>

However, the State faced the problem of determining the fate of the private credit institutions that did not find their place within the new division of competence, and also the character of Bank Handlowy in Warsaw and the Bank of the Association of Cooperative Societies. Although they were allowed to operate, the future form of their ownership was not settled yet. They could operate as private banks, but could be nationalized as well.

An advocate of the nationalization of private banking institutions was Premier of the Provisional Government Edward Osóbka-Morawski. During the meeting of the Council of Ministers on 12 March, 1945, he stated that it was advisable to stick to the concept of the nationalization of banks. At the same time he attacked one of the interviews given by the President of the National Bank of Poland by stressing that the latter presented the future of banking in Poland in a wrong way.<sup>38</sup> Marshal Michał Rola-Żymierski suggested that this question should not be decided at the meeting of the Government, but handed over to the Economic Committee instead.<sup>39</sup>

The purposefulness of the nationalization of banks was supported by Stanisław Szwalbe in his paper devoted to economic problems and read during the 24th Congress of the Polish Socialist Party on 30 June, 1945. He spoke in favour of keeping by the State the direct control over the machinery of issue and over the central credit machinery.<sup>40</sup> A resolution in this spirit was

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<sup>37</sup> Excerpt from the paper read by the Director of the Payments, Ministry of Finance, during the conference of the managers of credit institutions on 9 August, 1945, SAMF, file No. 101, vol. 9.

<sup>38</sup> The minutes of the session of the Council of Ministers No. 18 of 12 March, 1945, AAN, Prot. RM, vol. 2, k. 143.

<sup>39</sup> *Ibidem*.

<sup>40</sup> A. Reiss, *XXVI Kongress PPS (29.VI - 1.VII.1945)* [*The 26th Congress of the Polish Socialist Party (June 29 - July 1, 1945)*], "Zeszyty Naukowe Wojskowej Akademii Politycznej. Seria Historyczna," No. 10/35/, p. 154; B. Syzdek, *Wpływ XXVI Kongresu na kształtowanie ideowego i organizacyjnego oblicza PPS* [*The Effect of the 26th Congress on the Ideology and Organization of the Polish Socialist Party*], "Polska Ludowa", vol. IV, 1965, p. 56.

passed by the Chief Council of the Polish Socialist Party. The resolution of 4 November, 1945, reads: "The Chief Council is of the opinion that the legal socialization of basic production branches, exchange, insurance and banking should be effected without any further delay".<sup>41</sup> Of similar opinion was also the Polish Workers' Party towards the end of 1945. In his programme paper delivered at the 1st Congress, Hilary Minc spoke in favour of nationalization not only in respect of big and medium industries, but also banks.<sup>42</sup> This was reflected in the Congress Resolution on economic questions passed on 13 December, 1945, : "The Congress calls on the Central Committee to effect with the other democratic parties the decree on the nationalization of big and medium industries, railways and banks".<sup>43</sup> In this state of affairs it seemed that the question of the nationalization of banks was settled finally. In Bank Handlowy in Warsaw they took into consideration this possibility with a sense of reality and even considered the eventuality of defending the to-date status of the Bank.

Following the stipulations of the Polish Workers' Party and the Polish Socialist Party, on 3 January, 1946, the National People's Council passed a resolution on the nationalization of the basic branches of the national economy.<sup>44</sup> In respect of banks, the resolution provided that all the institutions belonging to the German state, subjects and institutions as well as to the individuals who had run away to the enemy would become the State's property without compensation. As regards the remaining banking institutions, the resolution merely gave the Council of Ministers the optional right to nationalize them, since it read that "the individual enterprises existing when this resolution comes into force and not referred to in paragraph 1 can become a national property by virtue of a resolution passed by the Council of Ministers following a motion of the interested Minister, if

<sup>41</sup> "Przegląd Socjalistyczny", 1945, No. 2, p. 46.

<sup>42</sup> H. Minc, *Aktualne zagadnienia i perspektywy gospodarcze demokratycznej Polski. Referat wygłoszony na I Zjeździe PPR [The Current Economic Problems and Prospects of Democratic Poland. Paper delivered at the 1st Congress of the Polish Workers' Party]*, Łódź 1945, p. 18 sq.

<sup>43</sup> *Ibidem*, p. 89.

<sup>44</sup> "Dz. U. RP," 1946, item 17.

such an enterprise is a sole producer in important branches of the national economy; banking institutions can be nationalized following the same procedure [..]”<sup>45</sup>

At the same time it was made clear that the deadline of the possible nationalization of credit institutions was 31 December, 1946.

Therefore, the January resolution gave the Government the right to nationalize banking enterprises. It was solely an optional right. However, the Council of Ministers did not exercise this right even in a single case. As regards the institutions that were not allowed to operate, and this concerned in the first place all the private banks except for Bank Handlowy in Warsaw and the Bank of the Association of Cooperatives, it was decided to liquidate them instead of nationalization. According to the Polish bank law, the liquidation of a bank was effected by taking back the licence issued by the Minister of Finance. But by virtue of paragraph 99, the regulations in force in 1928<sup>46</sup> provided that taking back the licence and the liquidation of a bank was possible solely in case of the institution's activity contravening the law or causing harm to the public interest.<sup>47</sup> Therefore, in order to liquidate the enterprises that either did not resume their operation after 1945 or acted in conformity with the law, it was necessary to change the rules concerning the procedure of taking back licences.<sup>48</sup>

The Decree of 18 December, 1945, on the change of some regulations from the President's ordinance of 17 March, 1928, on the bank law, settled this question and granted to the Council of Ministers the right to take back licences also from the institutions that did not infringe the law, but were considered needless for the national economy.

On this basis, on 4 April, 1946, the Council of Ministers decided to take back licences from and to liquidate the first 16 bank-

<sup>45</sup> Article 3, para. 4.

<sup>46</sup> "Dz. U. RP," 1928, No. 34, item 321.

<sup>47</sup> On this basis, on 6 December, 1945, the Council of Ministers took back the licence from the Silesian Credit Enterprise which dealt with speculation. "Monitor Polski," 1946, No. 2, item 10.

<sup>48</sup> Dz. U. RP 1946, no. 2, item 10.



ing enterprises.<sup>49</sup> This number included the largest privately owned Polish credit institutions: the Bank of the Sugar Industry, the Warsaw Discount Bank, the General Credit Bank, the Trade Union General Bank in Poland, the Western Bank, the Bank of Cooperative Societies, the Bank of the Poznań Credit District in Poznań, the American Bank in Poland, the International Commercial Bank, the Wilno Private Commercial Bank, the Bank of Kwilecki, Potocki and Co., the Łódź Discount Bank, the Polish Commercial Bank, the Poznań Bank for Trade and Industry, the Bank of German Companies in Poland and the Commercial Bank. This action was followed by further ones. The resolution of the Council of Ministers of 26 September, 1946, took back the licence of and liquidated the Warsaw Loan-Society on Security of Immovables<sup>50</sup>. This was also true of the resolutions of 13 March 13, 1947, and the Banking-House of Dr Józef Kugel and Co.,<sup>51</sup> of 23 May, 1947, the Poznań Bank of Landed Proprietors in Poznań,<sup>52</sup> and of 14 July, 1947, and 23 banking-houses and 24 foreign exchange offices.<sup>53</sup> On the basis of the resolutions of the Council of Ministers Regional Courts appointed liquidators for individual banks, and their liquidation procedure was based on the provisions set forth in the bank and commercial law. Certain changes in the system of liquidation were introduced as late as 25 October, 1948, by the decree on the rules and procedure of the liquidation of some banking enterprises that regulated among other things the questions of liquidation procedures and of the order of paying debts to creditors.<sup>54</sup> The pre-war institution of issue—the Bank of Poland—was not nationalized either, but put into liquidation that finally ended in 1952.<sup>55</sup>

Let us try to explain now why the Government having enough powers to nationalize banks did not exercise this right. Apparently, there were several reasons.

<sup>49</sup> "Monitor Polski" 1946, No. 52, item 152; AAN, Prot. RM Vol. 6, k. 383.

<sup>50</sup> "Monitor Polski," 1946, No. 145, item 274.

<sup>51</sup> "Monitor Polski," 1947, No. 58, item 404.

<sup>52</sup> "Monitor Polski," 1947, No. 91, item 609.

<sup>53</sup> "Monitor Polski," 1947, No. 109, item 714.

<sup>54</sup> "Dz. U. RP," 1948, No. 52, item 410.

<sup>55</sup> The decision of the Minister of Finance of 7 January, 1952, „Monitor Polski," 1952, No. A-10, item 103.

The first basic reason was the fact that immediately after the war the banks were devastated. Moreover, the decree of 6 February, 1945, deprived them of all their cash. In this state of affairs, from the viewpoint of direct economic advantages, nationalization was useless for the State. At best, the Treasury would take over several dozen more or less destroyed immovables, some office equipment and a number of difficult-to-be-collected debts from the pre-war period and from the Nazi occupation. At the same time, as a result of the losses suffered during the war, the value of the available assets was usually lower than liabilities. Under these circumstances, when taking over private credit institutions, the Treasury would not add to the State assets. Therefore, nationalization was groundless from the economic viewpoint.

Secondly, the Government did not need to use the machinery of private banks to provide for credit activity, since their branches were usually placed in the same localities, where the branches of state banks operated already. So, there was no ground for taking into consideration the organizational factor that would justify taking over the network of private banks by the State.

Thirdly, the nationalization of foreign property was to be effected on the basis of compensation as it was set forth in the law on nationalization. Seeing that the share of foreign countries in Polish private banking<sup>56</sup> was relatively large, the Government would be forced to pay compensation. At best, even if it was possible to prove that compensation for nationalization was not due, since the estate in liquidation did not cover the existing primary debts, the very fact of nationalization and the necessity to conduct complicated and usually extremely time-consuming negotiations could worsen Poland's relations with some capitalist countries. But at that time Poland saw the necessity of maintaining as good relations with foreign financial centres as possible, since the possibility was taken into consideration of trying to obtain foreign loans for the reconstruction of the country.

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<sup>56</sup> In 1936, the foreign capital in private banks amounted to 39% of joint stock. Cf. "Mały Rocznik Statystyczny", 1938, p. 98. See also M. Smeerek, *Kapitały zagraniczne w bankowości polskiej* [*Foreign Capital in Polish Banking*], "Bank" 1933, No. 1, pp. 10 - 18, No. 2, pp. 39 - 49.

In this state of affairs the nationalization of banks would only complicate the situation doing no good in return. That is why the Government considered it far more advisable to liquidate credit institutions in line with the regulations of the bank and commercial law rather than nationalize them. The results of liquidation were the same as those nationalization would bring—private banks ceased to exist. Besides, there was no ground for adverse after-effects of nationalization in the form of deteriorated foreign relations and the necessity to conduct at the State's expense the very complicate and time-consuming liquidation of the taken over institutions. All in all, although the chosen way departed from the programme slogans put forward earlier, it was more advantageous to the country.

But the problem was still unsolved of the banks that were allowed to operate, i.e. Bank Handlowy in Warsaw and the Bank of the Association of Cooperative Societies. With the development of planned economy in Poland, the Government was ever more anxious to subordinate the two institutions to its plans. Initially, attempts were made to achieve it by expanding administrative supervision and by appointing commissioners for the two banks, etc. At the same time efforts were made to increase the role of the State as an owner. In case of Bank Handlowy in Warsaw the Government used the fact that among the bigger shareholders were sugar-making enterprises that were nationalized. In a view of finding out the amount of the capital owned by various groups of shareholders, including the State, orders were given for stock to be registered.<sup>57</sup> The registration showed that the State owned about 42 per cent of the capital.<sup>58</sup> The Director of the Department of Payments, Ministry of Finance, and at the same time the Commissioner for Bank Handlowy, Leonard Makowski was right in saying that: "the possibility should be taken into consideration that under the conditions resulting from the war, the State bloc will be able to pull the strings during the General Assemblies

<sup>57</sup> The legal basis was the decree of 3 February, 1947, on the registration and extinction of some bearer documents issued before 1 September, 1939, ("Dz. U. RP," 1947, No. 22, item 88).

<sup>58</sup> L. M a k o w s k i, *Bank Handlowy w Warszawie* [Bank Handlowy in Warsaw], SAMF, file No. 107, vol. 9, vol. 3.

of the Bank and therefore to have an effect on the composition of its authorities and on the course of this institution's interests".<sup>59</sup>

For this purpose, on 20 April, 1947, the Ministry of Finance applied to the Economic Committee of the Council of Ministers for taking over as State property the share of sugar-factories and the other socialized institutions in the stock of Bank Handlowy.<sup>60</sup> This motion was motivated by the fact that "in this way the Ministry of Finance, apart from its influence on the operation and policy of this Bank by way of supervision, will also have a formal influence and will come into prominence in that banking institution [. . .]. As a result, Bank Handlowy in Warsaw, well known in the economic circles of the world, will continue to be a joint-stock company, but controlled by the State [. . .]. In addition to the State having the control package of shares and the decisive voice the further joint owners would be Polish (12<sup>0</sup>/o) and foreign (33<sup>0</sup>/o) private shareholders".<sup>61</sup> The Economic Committee adopted the motion on June 6, 1947<sup>62</sup> and the Bank Handlowy shares belonging to nationalized enterprises were taken over by the National Economy Bank.

In practice it turned out, however, that in the face of the fact that the text of the resolution on the nationalization of basic branches of the national economy was not edited well, the question appeared to be controversial of the State right to use a part of the shares belonging to some nationalized enterprises. It was not before the regulations were issued concerning taking over by the State the deposited securities that were not collected by depositors that the Government became their owner after 8 March 1952.<sup>63</sup> But even before that it had enough shares to play a decisive role during the General Assembly. Hence, also in case of Bank Handlowy in Warsaw nationalization was purposeless, for it would entail compensation for the losses of foreign sharehold-

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<sup>59</sup> *Ibidem.*

<sup>60</sup> *Ibidem.* The text of the motion file No. 109, vol. 9, vol. 2.

<sup>61</sup> *Ibidem.*

<sup>62</sup> Minutes of the Economic Committee of the Council of Ministers No. 22/47, AAN, KERM vol. 6, k. 313. The resolution of the Economic Committee of the Council of Ministers on taking over by the State a part of the capital fund of Bank Handlowy in Warsaw (*ibidem*, k. 310).

<sup>63</sup> *Ibidem.*

ers. Meanwhile, without nationalization they practically lost any influence whatever on the operation of the institution, and the Bank was included in the sphere of planned economy. The part of the capital stock left in the hands of foreign shareholders had even a beneficial effect to bear on the Bank's contacts with partners in capitalist countries.

As regards the Bank of the Association of Cooperative Societies the situation was easier due to the specific joint-stock system existing in this Bank. A total of 200 thousand shares included 25 shares of Series A giving the right to their holders to exercise the veto during General Assemblies, 2,500 shares of Series B giving their holders the right to 10 votes, 5,000 shares of Series D giving the holders the right to 5 votes and 192,475 bearer shares. Already since the time of the Great Depression, the Ministry of Finances owned all the shares of Series A, B and D as well as 79% of shares of Series C.<sup>64</sup> Although the Treasury had a majority of votes, the Bank of the Association of Cooperative Societies was liquidated following the banking reform carried out by virtue of the decrees of 25 October, 1949,<sup>65</sup> and its functions were taken over by other banks. But in this case, too, nationalization was out of question.

Finally, it should be stated once again that in Poland the nationalization of private banks did not take place, although it was mentioned in many programme declarations and the Government was given the right to nationalize credit institutions. The nationalization of banks was simply unnecessary, since the State was able to control the credit machinery in another more convenient way. Some statements made now and then and concerning the nationalization of banks effected in Poland are based on misunderstanding. This was pointed out by some authors already. The thesis of the nationalization of banks in Poland was perhaps most clearly refuted by Zbigniew Rzepka who proved that liquidation was mixed up with nationalization. Among other things he wrote :

"This situation was understood even by the interested foreign

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<sup>64</sup> *Stan organizacyjny aparatu bankowego [The Organizational State of the Banking Machinery]*, Note of September, 1947, SAMF, file No. 107, ol. 50 ; *Sprawozdanie Komisji . . .*, p. 57.

<sup>65</sup> "Dz. U. RP," 1948, No. 52, item 412.

shareholders who relatively easily reconciled themselves to the fact that the banks were liquidated [...] whereas all the claims based on the imaginary nationalization of banks in Poland analogous to the nationalization of industrial establishments were rejected by the Polish authorities without difficulty as groundless".<sup>66</sup>

It seems that Rzepka's opinion is fully correct and deserves taking into consideration in the further publications on economic changes in post-war Poland.

*(Translated by Marek Cegieta)*

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<sup>66</sup> Z. Rzepka, *Czy likwidacja jest nacjonalizacją?* [Does Liquidation Mean Nationalization?], "Przegląd Ustawodawstwa Gospodarczego," 1957, No. 11.