

# The Banking Sector in the Service of the Communist Authorities (1944–1949)

**Janusz Kaliński**

ORCID ID: 0000-0001-9046-3882  
SGH Warsaw School of Economics in Warsaw

## Abstract

In banking, unlike in industry, the Communist authorities withdrew from programmatic nationalization, and instead decided to liquidate private credit institutions. They considered that this would allow them to achieve control over the banking system without having to pay compensation to foreign capital, which was strongly present in Poland. Their belief was reinforced by the existence, already in the inter-war period, of a large group of state-owned banks (e.g., Bank Gospodarstwa Krajowego (BGK), Państwowy Bank Rolny (PBR), Poczтовая Kasa Oszczędności (PKO)), which was strengthened by the establishment of Narodowy Bank Polski (NBP) as the country's central bank in 1945. Another significant element was the subordination of numerous co-operative banks and credit unions to the state. In consequence, by 1949, the Communist authorities had taken complete possession of the banking sector and rebuilt it along the Soviet pattern, in line with the requirements of the centrally planned economy.

The present article focuses on changes made in the banking system as an element in the shaping of the centrally planned economy in post-war Poland, and accents the specific conditions of the process, i.e., the liquidation of private banking and its replacement with state-controlled institutions. For this purpose, the authorities made use of the legacy of the Second Polish Republic, in whose economy state banking had played an important role. However, just as in other sectors of the economy, of primary importance were the political decisions taken in Moscow and then implemented in Poland by the local Communists. These determined both the directions of change, and the nature of the newly established institutions and their staffing. The banking system created in Poland in the second half of the 1940s reflected the patterns functioning in the Soviet Union and its other satellite states.

### Transformations of the Banking System

In so-called Lublin Poland, the rebirth of economic life was accompanied by the launching of private credit institutions. The following were established in short order: the Lublin branch of Bank Handlowy w Warszawie S.A. (BHW S.A.), a branch of Bank Związku Spółek Zarobkowych S.A. (BZSZ S.A.), Kasa Przemysłowców i Rolników Lubelskich, and Spółdzielczy Bank Mieszczański w Przemyślu. Initially, they enjoyed the trust of the new authorities, which was reflected in various facilitations of the exchange of “Kraków” zlotys, printed by the occupation Bank of Issue in Poland (German *Emissionbank in Polen*) with its seat in Kraków, for money signed by the NBP, then in the course of establishment. Neither were there any official calls for the nationalization of the banking sector – as had been the case with industry. Gradually, however, various pre-war state-owned banks – among them Bank Gospodarstwa Krajowego (BGK) and Państwowy Bank Rolny (PBR) – started opening their own branches, thus creating competition for the private and co-operative banking institutions (Bank Spółdzielczy “Społem,” Centralna Kasa Spółek Rolniczych, and diverse other banks and credit unions). Whereas the opening of branches of the state-owned Pocztaowa Kasa Oszczędności (PKO) was delayed, which resulted from the conviction that the pauperized society had a low savings potential. No place was envisaged in the new reality for Bank Polska Kasa Opieki S.A. (Bank PKO S.A.), which was also state-owned and before the war had handled incoming currency transfers. The prevailing belief was that the existing state-owned banks would be able to provide the requisite financial support for the authorities. Zbigniew Landau has explained that no nationalizing initiatives were undertaken because of the significant role of state-owned banks – even though the Manifesto of the Polish Committee of National Liberation had provided for the subordination of private banks to Provisional State Management

(Landau, 1969, pp. 701 ff.; Landau, 1994, pp. 133 ff.; Landau & Tomaszewski, 2002, p. 112).

However, when the Communists took over the areas west of the River Wisła, their approach to the region's reviving private banking sector became noticeably different, with leading activists of the Polish Workers' Party and the Polish Socialist Party making numerous statements calling for its nationalization. Meanwhile, private banks were not granted permission to exchange "Kraków" zlotys, and this put them in a precarious financial situation. Only a few of those which commenced business operations survived this difficult time. They included, among others, Międzynarodowy Bank Handlowy w Katowicach, the Kraków branch of Akcyjny Bank Hipoteczny we Lwowie, and the branch of Śląski Zakład Kredytowy S.A. in Bielsko (Landau, 1969, p. 706). It is probable that at the time, the authorities came to the conclusion that the nationalization of banks was not indispensable, and that they could achieve a similar systemic effect, i.e., the subordination of the banking sector to the state, by supporting state and co-operative banking, while simultaneously applying economic pressure or administrative measures (for example, refusing to grant licenses) that would lead to the liquidation of private banking.

In accordance with the principles of the planned economy, which was being gradually implemented, steps were taken to bring about the specialization of credit institutions. As regards state banks, the BGK was made to focus on financing state-owned industry, the PBR on agricultural production and the agri-food industry, the PKO, which was launched in April 1945, on handling the savings of the population, and Bank PKO S.A. on providing agency services in the transfer of money orders from the Polish expatriate community. Municipal banks, and among them Polski Bank Komunalny S.A. w Warszawie (PBK S.A.) and Komunalny Bank Kredytowy w Poznaniu (KBK), were instructed to provide financial services for local governments and their enterprises. Municipal savings funds (Komunalne Kasy Oszczędności), which operated in individual cities and communes and were associated territorially in PBK S.A. or the KBK, performed functions analogous to the PKO. Whereas co-operative banks and credit unions, subordinated organizationally to Bank Spółdzielczy "Społem," BZSZ S.A. and Centralna Kasa Spółek Rolniczych, received savings and financed rural and municipal co-operatives. Bank Spółdzielczy dla Produktywizacji Żydów fulfilled a special role, providing financial services to the few existing Jewish communities. The private banking sector financed private industry (BHW S.A.), as well as small-scale industry, co-operatives and handicrafts (BZSZ S.A.). At the same time, a rule was introduced whereby each business entity could be credited by only one bank, with needs related to the reconstruction of the country being given absolute priority. Banks that had previously used "old" (pre-war) and "new" (wartime) occupation accounts were now obligated to open an additional – "Polish" – account. Credit campaigns aimed at financing revolving

assets were carried out by discounting bills of exchange. In September 1945, the BGK started granting investment and repair credits, while the PBR began to focus on loans for fertilizer and seeds (Bieńkowski, 2003, p. 95; Landau, 1994, p. 134; Landau, 1974, pp. 99–100; Landau & Tomaszewski, 2002, pp. 112–113; Pruss, 1964, p. 72; Regulation of the Head of the Government Department of the National Economy and Finances of 5 October 1944 on banking activities in areas liberated from occupation, 1944).

At the beginning of 1946, following the adoption of the Act on the transferral to State ownership of the key branches of the national economy, it became legally possible to nationalize the banking sector. The opportunity was passed over, however, and instead it was decided to commence liquidation proceedings on the basis of the modified pre-war banking law (Regulation of the President of the Republic of Poland of 17 March 1928 on the banking law, 1928; Decree of 18 December 1945 on the amendment of certain provisions of the Regulation of the President of the Republic of Poland of 17 March 1928 on the banking law, 1946). Soon, the licenses of sixteen banks were revoked, among them of Bank Amerykański w Polsce S.A., Bank Cukrownictwa S.A., Bank Dyskontowy Warszawski S.A., Powszechny Bank Kredytowy S.A., Powszechny Bank Związkowy w Polsce S.A., and Śląski Zakład Kredytowy S.A. Subsequently, liquidation affected twenty-three banking houses and twenty-four exchange offices. Liquidators were appointed for the selected credit institutions, and they acted pursuant to the applicable provisions of banking and commercial law (Landau, 1972, p. 40; Landau, 1974, p. 103).

The course of changes made in the banking sector immediately after the war clearly indicated that the authorities had abandoned the nationalization of banks. This was due mainly to economic reasons. After the war, private banks were very weak financially, and so their communization would not have brought much benefit to the state. What is more, nationalization would have necessitated paying compensation to foreign capital, who had owned as much as 39% of the pre-war share capital of banks. Thus, it was decided that a thorough reorganization would be a more convenient way of subordinating credit institutions to the state, as it allowed for the liquidation of many private banks, the subordination of co-operative banks, and, first and foremost, the consolidation of state banking (Landau, 1969, p. 710).

Of key importance for the creation of a large state-controlled banking sector was the establishment of a new issuing institution. The requisite preparations had been made already in August 1944, and its name – Narodowy Bank Polski (NBP) – duly appeared on banknotes printed in the Soviet Union for the Polish Committee of National Liberation and the Red Army units stationed on Polish soil. The NBP's statutes were modeled after those of the pre-war Bank Polski S.A., however with one fundamental modification – the introduction of state ownership. The new issuing institution commenced operations following promulgation of the Decree

of 15 January 1945 on the National Bank of Poland. It was granted the exclusive right to print banknotes, the quantity and denominations of which were to be determined by the Council of Ministers. Emissions were secured against the entirety of the state's assets and all revenues of the State Treasury. Banknotes in circulation were to be backed by gold and foreign currencies (Kucharski, 1964, p. 27).

Initially, the NBP financed commercial banks by discounting bills of exchange, thus acting like a central bank. From the beginning of 1946, when it took over the provision of short-term loans for selected branches of state industry from the BGK, it also began to play the role of a lending bank for the national economy. By the end of 1947, the NBP granted revolving credits to all state-owned enterprises that did not receive direct budgetary financing. The exception here were construction and installation companies, which were credited by the BGK, and agri-food enterprises, which were handled by the PBR. Through its lending operations, NBP gained access to the business operations of most state-owned production entities, which allowed it to take over and centralize their free financial resources (Landau, 1974, pp. 109 ff.).

Within the framework of the tri-sector system that was respected (also in other areas) for the first few post-war years, co-operative banking was recognized as a constituent element of the state-controlled sector. However, centralist tendencies began to appear already in 1946, with co-operatives being gradually deprived of autonomy following the establishment of Bank Gospodarstwa Spółdzielczego (BGS) in place of Centralna Kasa Spółek Rolniczych and Bank Spółdzielczy "Społem." The BGS assumed the role of a central office for numerous banks and credit unions, offering investment and revolving credits to co-operatives, farmers and craftsmen, and concentrating the financial turnover of all co-operatives and their head offices (Bieńkowski, 2003, p. 95; Landau, 1974, p. 109).

In 1948, the political changes aimed at creating a centrally managed economy resulted in the initiation of a fundamental reform of the banking sector. Its directions were determined by the Resolution of the Council of Ministers of 21 August 1947 on the principles of the financial system in the planned economy. This introduced a State Financial Plan, the banking section of which was based on the following premises: the maximum concentration of financial resources in order to enable their centralized allocation, the subordination of the credit apparatus to the Minister of the Treasury, the unification of banking regulations and the separation of competences, and the liquidation of pre-1945 accounts in banks ("old" and "new"). Furthermore, the resolution established three new general principles: the concentration of a company's financial resources in one bank, a ban on keeping cash in excess of set limits, a ban on mutual crediting by state-owned enterprises, and the division of financial resources into those that are required by law and those that are supplementary

(Kostowski & Szczepaniec, 1972, p. 189; Resolution of the Council of Ministers of 21 August 1947 on the principles of the financial system, 1947).

It also defined competences as regards elaborating and inspecting the implementation of credit plans, sanctioned the direct supply of working capital to state-owned enterprises by the NBP (with the exception of construction and installation companies), and, finally, determined that, in addition to the bank of issue, the following banks would act as central credit institutions: the BGK, PBR, PKO and BGS, BHW S.A., BZSZ S.A., and Bank Komunalny (BK), which was to be launched in the near future. As part of the deepening of the specialization of credit institutions, it was intended to concentrate the entirety of financing of non-agricultural investments under the State Investment Plan – including the provision of working capital to construction and installation enterprises – within the BGK. The financing of the production and sale of crops and produce, as well as investments in rural areas, was entrusted to the PBR, while the BGS was to become the financial head office for all small-scale credit unions. Local government associations received guarantees for loans taken out from PBK S.A. and the KBK until the establishment of the BK. Whereas private enterprises were allowed to draw credit from BHW S.A. and BZSZ S.A. (Dietrich, 1948, pp. 59 ff.; Resolution of the Council of Ministers of 21 August 1947 on the principles of the financial system, 1947).

The reform of the banking system was carried out from the autumn of 1948 to the beginning of 1950, while some corrections were made in 1951. Its legal basis were three decrees issued on 25 October 1948 (on the principles of and procedure for effecting the liquidation of certain banking enterprises; on the principles of and procedure for effecting the liquidation of certain long-term credit institutions; and on the reform of the banking system). Two of them regulated the ongoing liquidation of selected private credit institutions, and the third introduced significant structural changes to the banking sector. Its core was now to comprise six specialized state credit institutions: Narodowy Bank Polski, Bank Inwestycyjny, Bank Rolny, Bank Komunalny, Bank Rzemiosła i Handlu, and Powszechna Kasa Oszczędności. It was also allowed for banks to function as joint-stock companies and credit unions. The decree on the reform of the banking sector failed to mention the credit institutions listed in the August resolution, namely, the BGK, PBR and BGS, BHW S.A., and BZSZ S.A.

In addition to issuing banknotes and granting revolving credits to all state-owned enterprises, the NBP was to handle the entire cash turnover of the State Treasury, plan credit facilities, and control all aspects of the state financial system. Its tasks included making trade and currency transaction settlements with abroad. The reform of 1948 strongly emphasized the superior role of the NBP in relation to other banks and co-operative credit unions (Jeziński & Leszczyńska, 2001, pp. 27 ff.). Its systemic importance consisted in the elimination of the two-tier banking system, which is typical of the market economy and serves to separate

the centralized and commercial banking sectors. The NBP was given the status of a monobank that combined the functions of a central and a commercial bank.

On 1 November 1949, Bank Inwestycyjny (BI) commenced operations on the basis of the agencies and assets of the liquidated BGK. It concentrated financial resources intended for investments, and managed their allocation. Specifically, it financed construction and installation companies, and was entitled to issue bonds. The BI also performed inspectional functions with respect to state investment activities (Kaliński, 1991, pp. 1–2). Bank Komunalny (BK), which took over the branches and financial assets of PBK S.A. and the KBK, was launched on the same day. It was tasked with financing local government investments and economic institutions, and handling the Local Government Equalization Fund (Regulation of the Minister of the Treasury of 20 October 1949 on the commencement of business operations by Bank Komunalny, 1949; Regulation of the Minister of the Treasury of 29 October 1949 on the transferral to Bank Komunalny by Polski Bank Komunalny S.A. w Warszawie and by Komunalny Związek Kredytowy w Poznaniu together with Komunalny Bank Kredytowy w Poznaniu of assets and liabilities covered by the so-called Polish Account, and on the placement of these institutions in liquidation, 1949).

Three other banks – Powszechna Kasa Oszczędności (PKO), formed using the resources of the liquidated Poczтовая Kasa Oszczędności, Bank Rolny (BR), established on the basis of the PBR, and Bank Rzemiosła i Handlu (BRiH), which took over the assets and staff of BZSZ S.A. – commenced business operations a few months later, on 1 January 1950. Similarly to its predecessor, the new PKO organized a nationwide savings system for the population and handled money transfers and check transactions, and additionally exercised supervision over employee credit unions. The BR financed current and investment operations in agriculture and forestry, while at the same time controlling their financial management, and also supervised communal credit unions.

The decree on the reform of the banking system provided that certain banks – including Bank Polski S.A. (BP S.A.), a pre-war central bank now deprived of its issuing function, and Bank PKO S.A. – were to continue functioning as joint-stock companies. Furthermore, plans were made to establish another joint-stock company, Bank Handlu Zagranicznego, modeled on the Soviet pattern. In practice, however, duties of this type were gradually taken over by BHW S.A., which had initially been scheduled for liquidation. It was tasked with financing of foreign trade and maritime and port services, and with exercising control over participating enterprises (Jaworski, 1958, p. 143; Kostowski & Szczepaniec, 1972, p. 187; Landau & Tomaszewski, 1970, p. 175).

The co-operative credit institutions established by the decree on the reform of the banking system were deprived of any serious economic importance. Credit unions – Gminne Kasy Spółdzielcze, Pracownicze Kasy

Spółdzielcze and Miejskie Spółdzielnie Kredytowe – were all subordinated to state banks (the BR, BRiH and PKO). They serviced the immediate financial needs of the peasant population and of corporate workers and handicraftsmen in the cities. The previously mentioned Bank Spółdzielczy dla Produktywizacji Żydów continued in business until 1950.

As part of the banking system reform of 1948, the BGK and BGS, BZSZ S.A., Poczтовая Kasa Oszczędności, PBK S.A., KBK, and the Komunalne Kasy Oszczędności, Gminne Kasy Oszczędnościowo-Pożyczkowe and Kasy Przejrzystości credit unions – to name but a few – were all liquidated. Interestingly, the same fate soon befell some of the new credit institutions, for example, the BRiH (in 1950), due to the elimination of the private sector in cities, and the Miejskie Spółdzielnie Kredytowe and Pracownicze Kasy Spółdzielcze. In 1951, following the liquidation of local government in Poland, Bank Komunalny ended its short-lived existence (Bieńkowski, 2003, p. 96; Landau, 1974, pp. 112–113).

The banking reform of 1948, together with the corrections made in the following year, retained certain of the credit institutions, however it liquidated many, which were replaced with new institutions that were often similar in nature. In general, the number of banks and their local offices decreased, while the state sector was significantly strengthened. A network of specialized entities was established, strongly linked to the centrally planned economic system. Banking was centralized and its two-tier structure eliminated, which corresponded to the solutions functioning in the banking system of the Soviet Union. The competences of the NBP with regard to cash flow and cash transaction planning, payment transactions with abroad, and the concentration of free financial resources of the national economy, were expanded considerably (Jaworski, 1958, pp. 154 ff.).

**Table 1. Network of credit and savings institutions operating as on 31 December 1949**

<b>Banks</b>	<b>Number of branches</b>
Narodowy Bank Polski	110
Bank Inwestycyjny	31
Państwowy Bank Rolny	328
Poczтовая Kasa Oszczędności	24
Bank Komunalny	14
Bank Handlowy w Warszawie S.A.	5
Bank Związku Spółek Zarobkowych S.A.	41
Bank Polska Kasa Opieki S.A.	5*

\* branches and agencies located abroad

Source: *Rocznik Statystyczny*, 1950, p. 97.

From 1947, direct credits were the basic tool through which banks supplied the economy with funds. A ban was introduced on the use of bills of exchange and credit transactions between entities of the state-controlled economy. Only private businesses continued to receive loans through the discounting of bills of exchange (Pruss, 1964, pp. 67 ff.). This created a basis for strengthening the control of banks over the operations of enterprises and the organized regulation of the credit policies followed by banks. The first plan covering the entirety of lending activities was elaborated in 1948. But while it outlined tasks concerning the distribution of resources, it was not linked to other banking functions. The lack of appropriate analytical data from enterprises meant that the credit plan turned out to be unrealistic, however it allowed the NBP to implement the tenets of state policy relating to the provision of support for the state-controlled economy and small peasantry, and limiting entities that were considered as capitalist (Jaworski, 1958, pp. 130 ff.).

The banking reform of 1948 was a major step towards adapting the credit apparatus to the emerging centrally managed economy. Banking was strongly subordinated to state policy and economic planning. Numerous organizational and systemic solutions were based decidedly on Soviet models and experiences.

### The Functioning of the Banking System

On the eve of the new post-war era of banking, the function of the central bank was formally performed by the pre-war BP S.A., whose headquarters were located in London. The decree establishing Narodowy Bank Polski unlawfully withdrew BP S.A.'s emission rights, although other of its functions were retained, for example, those related to the disposal of gold deposited abroad. This allowed BP S.A. to continue in business until its liquidation in 1951 (Leszczyńska, 2010, pp. 41–42). However, it was the state-owned NBP, which in the years 1945–1949 was headed by Edward Droźniak, a member of the pro-Communist Polish Socialist Party, that played a decisive role in the banking system. The NBP, connected personally with the Ministry of the Treasury (the bank's president was at once a deputy minister), was completely dependent on the government and implemented its monetary policy. The organizational structure of the bank, initially analogous to that of the pre-war central bank, began to change as the reform of the banking system progressed. By 1949, three departments were formed (General, Credit, Foreign), accompanied by several independent sections and offices (among others the Issuing Treasury and the Economic Section). Whereas the number of the bank's branches, initially stable (seventy-four), started to grow from 1948, rising to 110 by the end of 1949 (Jeziński & Leszczyńska, 2001, pp. 72 ff.).

As regards cash transactions, the banknotes issued by NBP were supplied to the market in the form of wages, salaries, social benefits, financing for the purchase of agricultural produce, insurance payments, loans, withdrawals of savings, etc., and returned to the banking system through purchases of goods and services, payments of taxes and duties, saving deposits, etc. Minor settlements between enterprises and institutions were made in cash. Transactions between enterprises and institutions of the state-controlled sector and between these entities and banks were realized on a cashless basis, and, as such, enjoyed considerable popularity. Permits issued by the NBP introduced low cash withdrawal limits, while the majority of transactions were carried out using settlement checks or transfer orders. Natural persons were allowed to open accounts with BZSZ S.A., and with the BRiH following its liquidation.

Despite this, emissions of cash grew rapidly, particularly in the years 1945–1946, totaling in excess of 60 billion PLN, whereas between 1947 and 1949 they almost doubled, increasing from 91.5 billion PLN to 171.9 billion PLN respectively (Hagemejer & Przelaskowski, 1968, p. 97; *Rocznik Statystyczny*, 1947, p. 121).

The strengthening of the NBP's position as a monobank resulted in high lending dynamics, which also testified to the progress being achieved in the reconstruction of the country. The largest amounts (50.7% of all credits granted by the NBP in 1949) were directed to state industry and the head offices handling its supply and sales. The co-operative movement, which in 1948 lost its financial base, namely, the BGS, and was forced to use state loans, came in second (17.3%). Third place was taken by state domestic and foreign trade (16.6% of all loans), which at the time was being expanded. The sizable increase in the number of agricultural loans in 1949 directly reflected the financial support provided by the state for political change in the countryside. More than 85% of a total amount exceeding 65 billion PLN was transferred to state-controlled agriculture. This was accompanied by a concomitant decrease in the supply of credit facilities to municipal and private enterprises in cities; in 1949, they utilized 0.1% and 8% of all NBP loans respectively (calculation on the basis of Table 2).

**Table 2. Credit campaign of the NBP in the years 1947–1949**  
(as on 31 December, in millions of PLN)

	1947	1948	1949
<b>Total</b>	<b>133,753</b>	<b>241,384</b>	<b>551,320</b>
of which:			
state industry	78,376	92,089	279,785
state trade	6,948	36,970	35,971

foreign trade central offices	7,211	37,956	55,743
transport	-	1,000	7,697
co-operatives	25,995	45,094	95,380
municipal economic organizations	717	1,179	675
municipal private sector	6,565	6,758	4,431
agriculture	3,957	15,444	65,035
of which: private farmsteads	2,982	4,717	9,485
various	3,984	4,194	6,603

Source: Jezierski & Leszczyńska, 2001, p. 195.

In the years 1947–1949, indirect loans were initially predominant in the NBP's credit structure, accounting for 59.1% of all loans in 1947, and for 63.4% in 1948. This was due to the extensive use of refinancing credits (86.2 billion PLN in 1947), which was subsequently limited by the banking reform of 1948. In 1949, the share of indirect loans decreased to 39%, while direct lending by the NBP to the economy from budgetary funds increased significantly (Jezierski & Leszczyńska, 2001, p. 198), testifying to growing centralist tendencies in the economy.

As regards commercial state-owned banks, the BGK's Lublin branch was opened already in August 1944, followed by the Rzeszów branch in September. In line with post-war credit policy, the bank was granted the privilege of lending to state-owned industry (with the exception of the agri-food industry), which continued on a path of quantitative expansion. This made it the second largest credit institution after the bank of issue. In 1944, due to difficulties in obtaining adequate working capital, the activities of these two branches were limited. Total deposits related to the transferral of funds from the Government Department of the National Economy and Finance to specific enterprises amounted to 96.4 million PLN, but loans granted only to 2.9 million PLN. In 1945, further branches of the BGK were established in various Polish cities, while its head office was opened in Łódź. Its transfer to Warsaw, to renovated buildings, lasted until mid-1947. In early 1945, the bank received a loan from the Ministry of the Treasury to expand its operations. It provided revolving credits to state-owned enterprises through the discounting of bills of exchange and in the form of term loans against collateral, obtaining the necessary funds from NBP rediscounts. In the summer of 1945, as a result of efforts initiated by the BGK, its area of activity was expanded to include the reconstruction and redevelopment of cities. The bank was permitted to grant medium-term loans for investments and renovation and repair work on the basis of orders placed by the Ministry of the Treasury. At the

end of the year, deposits amounted to 1.8 billion PLN, and loans granted to 5.2 billion PLN. Credits were utilized mainly by the coal, metallurgical and textile industries (Landau, 1998, pp. 221 ff.).

The following years brought an increase in deposits, investments and loans. Deposits came from the resources of entities which used the services of the BGK, and from the savings of the broad population. In the years 1946–1948, they increased from 9.7 billion PLN to 43.9 billion PLN, however this was by no means enough to meet the demand for credit. Over time, the BGK's resources were supplemented with deposits from the Ministry of Reconstruction and the Ministry of the Treasury, the Industrial Investment and Business Fund of the Recovered Territories, the State Depreciation Fund, the State Investment Fund, and, temporarily, from the Social Savings Fund, as well with funds generated from the sale of a part of the supplies delivered by UNRRA. Until 1947 – that is, while it was still legally possible – credits were obtained through the discounting of bills of exchange with NBP; use was also made of refinancing credits provided by the central bank. The assets of the BGK increased from 3.6 billion Polish PLN in 1946 to 118 billion Polish PLN in 1948 (Landau, 1998, pp. 233–234).

**Table 3. Credit facilities provided by the BGK in the years 1944–1949 (in millions of PLN)**

Years	Credit facilities in total	Revolving credit facilities	Investment credit facilities
1944	3	n.d.	n.d.
1945	5,202	n.d.	n.d.
1946	33,860	11,007	22,853
1947	102,940	29,370	73,570
1948	214,710	39,350	175,360
1949	17,083	17,083	-

Source: Landau, 1998, p. 235.

Initially, the BGK granted both revolving and investments credits to enterprises from the public sector (with the exception of the agri-food industry). In 1948, investment loans accounted for 81.7% of the BGK's entire credit portfolio, and for 82.6% of all investment loans granted. This clearly placed the BGK in the role of an investment bank. In 1949, following the introduction of fresh banking regulations, it lost the right to credit investments financed directly from the state budget. Furthermore, the BGK's pool of revolving credits was decreased in favor of those provided by

the NBP. At the same time, work was underway on the BGK's takeover by the BI, which had been established by one of the decrees of October 1948; the buyout was completed by the end of October 1949 (Landau, 1998, pp. 235–248).

Initially, the PBR took over the financing of investment and revolving credits for the countryside and the agricultural industry, administered the State Land Fund, and carried out special credit campaigns commissioned by the Ministry of Agriculture and Agricultural Reforms and the Ministry of the Treasury (Kłusek, 2013, p. 187). Its tasks were precised by the aforementioned Resolution of the Council of Ministers of 21 August 1947 on the principles of the financial system: "Państwowy Bank Rolny finances the production and sale of agricultural produce and products of the agricultural industry, and also the investment campaign related to the system of agriculture. Państwowy Bank Rolny may, this on the basis of a resolution of the Council of Ministers, issue bonds for investment purposes. Państwowy Bank Rolny may use the network of the Komunalne Kasy Oszczędności credit unions" (Resolution of the Council of Ministers of 21 August 1947 on the principles of the financial system, 1947).

The PBR granted short-term and medium-term loans, mainly boosting agricultural production (among others for colonization, tillage, breeding, and purchases of fertilizer), however its clients also included commercial industrial enterprises (Polskie Zakłady Zbożowe, Centrala Mięсна, Centrala Rybna), and industrial enterprises active in the agricultural sector – especially those engaged in the production of food. Towards the end of its existence, it became involved in the large-scale distribution of medium-term loans for individual farmers (Kłusek, 2013, p. 258). In the years 1946–1949, the value of loans granted by the PBR increased from 10 billion PLN to 275 billion PLN, with revolving credits dominating throughout the period (54% in 1949) (*Rocznik Polityczny i Gospodarczy*, 1948, p. 672; *Rocznik Statystyczny*, 1950, p. 99).

In 1945, Poczтовая Kasa Oszczędności undertook the collection of funds necessary for its own functioning, among others taking out a loan with the BGK and leasing the "Metropol" hotel in Kraków, which belonged to the latter. Kraków then became the location of the bank's seat, which was moved to Warsaw only towards the end of 1946. The PKO's tasks were defined in the aforementioned resolution of 21 August 1947: "Poczтовая Kasa Oszczędności will handle postal non-cash transactions and act as a storage center of financial resources. Pursuant to the Resolution of the Council of Ministers, Poczтовая Kasa Oszczędności may purchase bonds issued by public long-term credit institutions for investment purposes" (Resolution of the Council of Ministers of 21 August 1947 on the principles of the financial system, 1947).

In practice, due to the pauperization brought on Polish society by the war, activities focused not on the accumulation of savings, but on

check transactions. In the years 1945–1949, turnover on check accounts grew dynamically, and in the final year of the period totaled no less than 3,102 billion PLN, while balances on check accounts rose from 1.4 billion PLN in December 1945 to 18 billion PLN in December 1949. This undoubted success was impacted by the rebirth of economic life and the authorities' decision to force wide-spread usage of non-cash transactions. The issue of passbooks commenced in August 1945, while the *Szkolne Kasy Oszczędności* savings schemes were reactivated in 1947. Campaigns encouraging society to save were intensified, with special offers targeting members of the "Służba Polsce" youth labor brigades and heroes of Socialist labor. The results, however, were modest, and in 1946 there were only 6,600 passbooks for a total of 49 million PLN of deposits, while at the end of 1948 there were 43,300 for a total of 317 million PLN of deposits. Savings deposited with the PKO increased markedly only in 1949. The number of passbooks issued exceeded 270,000, with the value of deposits totaling 1.5 billion PLN. This was directly connected to the banking reform and the administrative decision to transfer savings deposits from other banks to the PKO. During this forced relocation, deposits were withdrawn en masse (for example, no less than 81% from the BGK), and this had a negative impact on the entire savings system. Given the progress of inflation, the low interest rate on deposits, too, did not encourage people to save. Initially, the rate was 3% per year, while from January 1948 it was decreased to just 1% per year. Only deposits requiring three months' notice were given 3% (Landau, 1994, pp. 138–142).

The PKO's tasks included the registration and, when required, payment of pre-war savings deposits. Accounting data from the period shows that savings deposits attained a value of 468 million PLN, while balances on check accounts totaled 177 million PLN. By the end of 1946, claims for 24% of savings and 6% of check deposits had been made; they did not increase significantly in the following years. And since the authorities made it difficult to transfer pre-war funds to new accounts, the recovery of receivables: "Happened only occasionally and concerned relatively small amounts" (Landau, 1994, pp. 142–143).

The bank also attempted to engage in other fields of activity. In 1946, it was granted permission to offer life insurance. These operations, however, resulted in a loss, which forced their transfer to *Powszechny Zakład Ubezpieczeń Wzajemnych* in 1948. As part of the general financial policy of the state, the bank purchased treasury notes and securities, and made deposits with state-owned banks for investment purposes. In 1949, PKO was entrusted with the administration and supervision of the resources of *Spółeczny Fundusz Oszczędnościowy* and *Pracownicze Kasy Zapomogowo-Pożyczkowe*, taken over from the BGK (Landau, 1994, pp. 143 ff.).

Table 4. Financial results of the PKO in the years 1946–1949 [in millions of PLN]

Year	Balance sheet total	Gross income	Profit
1946	7,370.3	139.0	6.3
1947	12,430.4	437.3	59.7
1948	18,438.7	898.9	71.6
1949	26,841.6	n.d.	169.2

Source: Landau, 1994, p. 152.

Although in the early post-war years the PKO continued to improve its financial results, its role in the banking system decreased. In 1946, it held 24.2% of all savings, but only 13.8% in 1948. The increase that occurred in 1949 (to 20.8%) was related to the administrative takeover (previously mentioned) of people's savings from other banks. And yet the PKO's position on the market was clearly less significant than it had been in the inter-war period (Landau, 1994, pp. 152–153).

In the summer of 1944, the Lublin branch of Bank Handlowy w Warszawie S.A. resumed operations on a limited scale. At year's end, its balance sheet included 5.2 million PLN of deposits and 236,000 PLN of credits. After the winter offensive of the Red Army had passed, the bank obtained permission from the authorities to broaden its operations, and open a head office in Łódź and further branches. In keeping with its original specialization, it focused on the provision of credits to the shrinking private industry. Their amount increased from 791 million PLN in 1946 to 1,639 million PLN in 1948. BHW S.A. also became involved in co-operation with Western banks (in which it had engaged previously), and this made it easier for it to provide financial services to state-owned foreign trade, maritime and port companies starting in 1948. BHW S.A. was entrusted with this clearly important sphere of operations because, among others, the state had a controlling shareholding in it. At the time, credits granted by the bank increased by almost 90% (from 24.1 to 45.5 billion PLN). However, political decisions caused the handling of foreign trade to be transferred to the NBP, slowing down the activities of BHW S.A. for several years (Jeziński & Leszczyńska, 2001, p. 196; Landau & Tomaszewski, 1970, pp. 142–179; *Rocznik Polityczny i Gospodarczy*, 1948, p. 672).

After the war, the branches of the distinguished BZSZ S.A. – deprived of capital throughout the years of occupation – spontaneously re-established business operations using funds from the Ministry of the Treasury. The bank provided loans to small and medium-sized private industry, handicrafts, lesser wholesale enterprises, and municipal handicraft co-operatives that did not fall within the remit of Bank Spółdzielczy “Społem” w Warszawie. The reconstruction of capital was hindered by

the way in which the exchange of the Polish zloty was conducted, by the general impoverishment of the population, and by the reduction of rediscount credits, but above all by the shrinking of the private economy. Nevertheless, the bank gradually developed its lending activity, from a capital of 168.1 million PLN in 1945 to 2.1 billion PLN in 1947, and 14.8 billion PLN in 1949. At the end of 1949, the BZSZ S.A. was liquidated, while its assets and liabilities were taken over by Bank Rzemiosła i Handlu w Warszawie, which briefly (from 1 January to 31 December 1950) provided loans to the declining handicrafts, small industry and trade (Jeziernski & Leszczyńska, 2001, p. 196; Ochociński, 1986, pp. 237 ff.; Regulation of the Minister of the Treasury of 19 December 1949 on the transferral to Bank Rzemiosła i Handlu by Bank Związku Spółek Zarobkowych S.A. w Warszawie of branches and assets and liabilities covered by the so-called Polish Account, and on the placement in liquidation of Bank Związku Spółek Zarobkowych S.A., 1949).

Bank PKO S.A. sought to quickly take up its traditional function of handling foreign currency transfers commissioned by the Polish émigré community. Already in 1946, making use of its foreign contacts, it launched bilateral money transfers, first with France, through its own branch in Paris, and then with the United States and Canada, through the agency of foreign correspondents. However, in 1947 the number of remittances began to decrease – as it turned out, this was due mainly to the official exchange rates, which were disadvantageous for recipients in Poland. Beneficiaries preferred to receive foreign currencies directly, and then exchange them at the considerably more favorable black market rate. In the spring of 1948, in order to stem the outflow of currencies, Bank PKO S.A. started to organize a system of “internal export.” Acting in co-operation with Państwowa Centrala Handlowa, it undertook to deliver parcels financed by foreign donors to Polish recipients. These packages, paid for in foreign currencies, contained products that were rarely available in the general network of shops and, while considered as attractive by domestic consumers, were usually intended for export or imported (Landau & Tomaszewski, 2002, pp. 130–131; *Sytuacja ekonomiczna Polski w czerwcu 1948 r.*, p. 1).

In 1947, the bank commenced a lending campaign targeting entities involved in foreign trade. At the end of the year, its portfolio included credits of 74 million PLN, which had been granted to enterprises involved in the maritime economy. However, in the same year, Bank PKO S.A.’s lending rights were revoked, and the financing of enterprises engaged in foreign trade and the maritime economy – as has already been mentioned – was temporarily concentrated at BHW S.A. (Landau & Tomaszewski, 2002, pp. 117 ff.).

The operations of those foreign branches of Bank PKO S.A. which had survived the war developed with varying intensity. Its standout branch, located in Paris, began accepting deposits already in 1944; by

1946, they totaled nearly 72 million francs, but began to decline from the following year. It was similar in the case of currency transfers to Poland. The credit campaign that was intended to strengthen Polish-French trade fared slightly better, amounting to 20.6 million francs by 1948. Similar directions of activity were developed by the PKO's Buenos Aires branch, Banco Polaco Polska Kasa Opieki S.A. Whereas the situation of Bank PKO S.A.'s agency in Tel Aviv was considerably more complex, as it co-operated with institutions of the Polish Government-in-Exile, which were widely present in Palestine. The withdrawal of political recognition for the government by the British authorities initiated a wave of cash withdrawals. Their value was halved in 1946, and losses ensued. The financial situation improved in 1947–1948: payments to current accounts and deposits rose, lending intensified, and the bank's balance sheet recorded a slight surplus. The branch of Bank PKO S.A. in New York, where there was an agency which handled currency transfers and promoted internal exports, tried to resume operations, but without success. In 1948, the Pekao Trading Corporation was established there to organize the supply of goods to Poland (Landau & Tomaszewski, 2002, pp. 121–122).

The BGS continued to develop successfully until its liquidation in 1948, enjoying a monopoly in the provision of financial services for co-operatives. It opened 199 branches and agencies, while its lending operations exceeded those of the PBR, totaling 2.2 billion PLN in 1945, 11.8 billion PLN in 1946, 29.1 billion PLN in 1947, and 44.8 billion PLN in 1948. Among the municipal banks, a significant position was held by the PBK, whose lending increased in value from 205 million PLN in 1945 to 1.8 billion PLN in 1947, although falling to 1 billion PLN in 1948. At the time, the KBK had granted only 227 million PLN of credits. By 1947, 291 Komunalne Kasy Oszczędności credit unions, with 134 branches, had been established. They gathered local financial resources, which were intended to finance municipal ownership, handicrafts, trade and small industry. Their lending increased from 343 million PLN in 1945 to 5.5 billion PLN in 1947, and to 6.9 billion PLN in 1948. Short-term loans granted by credit unions and credit co-operatives amounted to 3.4 billion PLN in 1948, and to 8.5 billion PLN in 1949 (Jezierski & Leszczyńska, 2001, p. 196; *Rocznik Polityczny i Gospodarczy*, 1948, pp. 672 and 675).

## Summary

The Communist authorities fully subjugated the banking system without resorting to nationalization. They achieved their goal by liquidating private banks and strengthening the public sector, which included state-owned, co-operative and municipal banks. The radical banking reform of 1948 transposed Soviet solutions to the Polish reality.

Their essence was the creation of a monobank – the state-owned NBP – that combined the features of a central bank and a commercial bank. The NBP, deprived by the authorities of independence in the field of monetary policy, exercised strict financial control over the growing state sector of the economy, gathering and distributing its resources. Its dominant role in the planned economy was supported by a few state-controlled commercial banks, which operated within narrow specializations.

The main role of the banking system was to consolidate financial resources and then supply them to the economy, which was oriented on the implementation of specific planned tasks. Importantly, these tasks were assigned by the leadership of the Communist party and passed on to enterprises through an extensive structure entrusted with the centralized management of the economy.

(transl. by Maciej Zakrzewski)

## Bibliography

- Biełkowski, A. (2003). Kierunki rozwoju bankowości spółdzielczej w Polsce, *Zeszyty Naukowe Ostrołęckiego Towarzystwa Naukowego*, no. 17, pp. 90–105.
- Decree of 15 January 1945 on Narodowy Bank Polski (1945). *Journal of Laws of 1945*, item 14.
- Decree of 18 December 1945 on the amendment of certain provisions of the Regulation of the President of the Republic of Poland of 17 March 1928 on the banking law (1946). *Journal of Laws of 1946*, Item 10.
- Decree of 25 October 1948 on the reform of the banking system (1948). *Journal of Laws of 1948*, Item 412.
- Decree of 25 October 1948 on the principles of and procedure for effecting the liquidation of certain long-term credit institutions (1948). *Journal of Laws of 1948*, Item 41.
- Decree of 25 October 1948 on the principles of and procedure for effecting the liquidation of certain banking enterprises (1948). *Journal of Laws of 1948*, Item 410.
- Dietrich, T. (1948). *Zasady systemu finansowego Polski powojennej*. Warszawa: Wydawnictwo “Kolumna”.
- Hagemejer, W. & Przelaskowski, W. (1968). *Problemy siły nabywczej pieniądza*. Warszawa: Państwowe Wydawnictwo Naukowe.
- Jaworski, W. (1958). *Zarys rozwoju systemu kredytowego w Polsce Ludowej*. Warszawa: Polskie Wydawnictwa Gospodarcze.
- Jezierski, A. & Leszczyńska, C. (2001). *Narodowy Bank Polski 1948–1970*. Warszawa: Narodowy Bank Polski.
- Kaliński, J. (1991). Bank Inwestycyjny 1949–1969 (Czy tylko historia?), *Materiały i Studia NBP*, booklet 26, pp. 1–21.
- Kłusek, M. (2013). *Państwowy Bank Rolny w latach 1919–1949. Studium historyczno-prawne*. Warszawa: Muzeum Pałac w Wilanowie.
- Kostowski, M. L. & Szczepanec, J. (1972). *Banki w Polsce Ludowej*. Warszawa: Państwowe Wydawnictwo Naukowe.
- Kucharski, M. (1964). Kształtowanie obiegu pieniężnego. In: *Finanse Polski Ludowej w latach 1944–1960* (pp. 22–66). Warszawa: Państwowe Wydawnictwo Ekonomiczne.
- Landau, Z. (1969). Czy w Polsce Ludowej dokonano nacjonalizacji banków?, *Przegląd Historyczny*, booklet 4, pp. 700–714.
- Landau, Z. (1972). Losy bankowości prywatnej w Polsce Ludowej, *Finanse*, no. 9, pp. 31–41.
- Landau, Z. (1974). Przeobrażenia systemu bankowego. In: J. Kaliński & Z. Landau (eds.), *Gospodarka Polski Ludowej 1944–1955*, vol. I (pp. 99–100). Warszawa: Książka i Wiedza.
- Landau, Z. (1994). *Historia Poczтовой i Powszechnej Kasy Oszczędności*. Warszawa: Agencja Komunikacji Społecznej SC.

- Landau, Z. (1998). *Bank Gospodarstwa Krajowego*. Warszawa: Oficyna Wydawnicza SGH – Szkoła Główna Handlowa.
- Landau, Z. & Tomaszewski, J. (1970). *Bank Handlowy w Warszawie S.A. Historia i rozwój 1870–1970*. Warszawa: Muza SA.
- Landau, Z. & Tomaszewski, J. (2002). *Bank Polska Kasa Opieki S.A. 1929–1999*. Warszawa: Oficyna Wydawnicza SGH – Szkoła Główna Handlowa.
- Leszczyńska, C. (2010). *Zarys historii polskiej bankowości centralnej*. Warszawa: Narodowy Bank Polski.
- Ochociński, S. (1986). W stulecie założenia centrali bankowej wielkopolskiego systemu spółdzielczości kredytowej, *Ruch Prawniczy, Ekonomiczny i Socjologiczny*, *booklet 1*, pp. 223–241.
- Pruss, W. (1964). *Kredyt bankowy i polityka kredytowa*. In: *Finanse Polski Ludowej w latach 1944–1960* (pp. 67–106). Warszawa: Państwowe Wydawnictwo Ekonomiczne.
- Regulation of the Head of the Government Department of the National Economy and Finances of 5 October 1944 on banking activities in areas liberated from occupation (1944). *Journal of Laws of 1944, Item 38*.
- Regulation of the Minister of the Treasury of 20 October 1949 on the commencement of business operations by Bank Komunalny (1949). *Journal of Laws of 1949, Item 428*.
- Regulation of the Minister of the Treasury of 29 October 1949 on the transferral to Bank Komunalny by Polski Bank Komunalny S.A. w Warszawie and by Komunalny Związek Kredytowy w Poznaniu together with Komunalny Bank Kredytowy w Poznaniu of assets and liabilities covered by the so-called Polish Account, and on the placement of these institutions in liquidation (1949). *Journal of Laws of 1949, Item 429*.
- Regulation of the Minister of the Treasury of 19 December 1949 on the transferral to Bank Rzemiosła i Handlu by Bank Związku Spółek Zarobkowych S.A. w Warszawie of branches and assets and liabilities covered by the so-called Polish Account, and on the placement in liquidation of Bank Związku Spółek Zarobkowych S.A. (1949). *Journal of Laws of 1949, Item 506*.
- Regulation of the President of the Republic of Poland of 17 March 1928 on the banking law (1928). *Journal of Laws of 1928, Item 321*.
- Resolution of the Council of Ministers of 21 August 1947 on the principles of the financial system (1947). *Monitor Polski 1947, Item 762*.
- Rocznik Polityczny i Gospodarczy* (1948). Warszawa: Spółdzielnia Wydawniczo-Oświatowa Czytelnik.
- Rocznik Statystyczny* (1947). Warszawa: Główny Urząd Statystyczny.
- Rocznik Statystyczny* (1950). Warszawa: Główny Urząd Statystyczny.
- Sytuacja ekonomiczna Polski w czerwcu 1948 r. (1948). *Wiadomości NBP*, no. 8, pp. 1–19.