

Triple Occupation. Banking Systems of the Occupying Powers in the Pre-War Eastern Territories 1939–1946

An Outline

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Abstract

The present article examines the transformation of banking systems in the occupied eastern territories of the Second Poland Republic in 1939–1946. It briefly discusses the banking policies of the Soviet and German occupiers and the essential role they assigned to the financial institutions they established. The text is divided into three main sections: the first presents the issue of banking during the first Soviet occupation of Poland's eastern territories in 1939–1941; the second outlines Germany's occupational banking system in the parts of the Second Republic that were incorporated into the Reichskommissariat Ostland and Ukraine; the third is devoted to the second Soviet occupation in 1944–1945.

The dismantling of the Polish state's administrative and economic structures was a prelude to the profound changes the occupying powers intended to implement in the territories they seized. Under the guise of administration, they set up economic mechanisms to support a system reliant on exploitation. These mechanisms effectively enclosed both the occupied territories and the local populations. One of the most important elements involved the subordination of banking to the ideological and economic goals of the totalitarian regimes. In the occupied eastern territories, banking became a tool used by the Soviet Communists (from September 1939 to summer 1941), then of the German Nazis (from summer 1941 to summer 1944), and then of the Soviets once more when the soldiers of the Third Reich were driven out, until the Union of Soviet Socialist Republics permanently annexed the majority of the pre-war provinces of Wilno, Nowogródek, Polesie, Volhynia, Ternopil and Stanisławów, as well as parts of the provinces of Białystok and Lwów. I had attempted to present a brief overview of the tools used to conduct banking policies as implemented by the occupying powers.

The purpose of the research done was to provide a synthetic outline of the banking systems of the occupying powers in 1939–1946 in the pre-war Eastern Borderlands (with the exception of Eastern Galicia under the German occupation, which was incorporated into the banking systems of the General Government). This subject has already been examined by historians from Poland, Ukraine, Belarus, Russia, and certain western nations.¹ The first section of the text discusses the actions taken by the Soviet authorities with regard to the banking sector in the pre-war Polish Borderlands; the following two present a brief overview of the German banking system and its subordinate “local” system (as I call the shadow banks under the strict control of the occupier) in the years 1941–1944, as well as the reinstatement of the Soviet banking system during their second occupation until the final delineation of the post-war borders and the conclusion of the process to expatriate the Polish population from areas further east. The comparably marginal issues of banking during the short-lived occupation of the Wilno region by Lithuania (October 1939 to June 1940), and of the same region by the Germans, are not discussed in the present text.²

1 See a selected bibliography of the subject at the end of the text. For the general political and economic changes in the described areas, see: Ackermann, 2010; Berkhoff, 2004; Boeckh, 2007; Lemkin, 1942; Podolska-Meducka, 2018, etc.

2 This issue is outlined in: Dieckmann, 2011.

Banking during the first Soviet occupation (September 1939 – June 1941)

On the eve of the outbreak of the Second World War, the eastern territories of the Second Polish Republic had an extensive system of banks and savings banks both subordinate to the State Treasury and in private hands. The Polish Bank, the State Agricultural Bank and Bank Gospodarstwa Krajowego [national development bank – transl.], municipal, private and local banks, outposts of the Polish Savings Bank, the Central Malopolska Savings Bank, the Central Savings Bank and *Ukrayins'ka Shchadnytsya* (Ukrainian Savings Bank), Jewish banks, as well as municipal and communal loan and savings banks and local credit cooperatives all had branches in the eastern provinces.³ These institutions were components of the entire banking and financial system of the Polish state; their accumulated savings may have amounted to as much as PLN 1.3 billion, some of which was likely moved in time to Lithuania and Romania (Bonusiak, 2006, p. 252). Some of the money, primarily banknotes, was destroyed before it could be seized by the invaders. Thus, for example, in Brześć, the Soviet Provisional Board was forced to conclude that, although PLN 12 million had been found in the provincial branch of the Polish Bank, the money had been permanently damaged (Report by Kravtsov, Head of the Personnel Branch of the Central Committee of the Communist Party of Byelorussia..., 1939, pp. 163–165).

The banks and savings banks that existed in the Eastern Borderlands prior to the war ceased to function as a result of military operations and the chaos associated with the collapse of the Polish state. However, they were led to reopen only a few weeks after the immediate turmoil of war had been eliminated and the administrative and party authorities of the partitioning powers had consolidated. On 15 September 1939, that is even before the start of the Soviet aggression against Poland, the People's Commissar for Internal Affairs of the USSR, Lavrentiy Beria, issued a directive to the NKVD operational groups preparing to operate in the occupied Polish territory. The importance of the task of seizing banks and their accumulated financial resources can be seen in the second point of the order in question: "Seize immediately state and private premises: banks, tax offices, and all state and public warehouses with valuables; record and secure all valuables" (Directive of the People's Commissar for Internal Affairs of the USSR Lavrentiy Beria..., 1939, pp. 10–15; *op. cit.* "Zachodnia Białoruś" 17 IX 1939 – 22 VI 1941..., 1998, p. 72).

³ On the variegation of banking and quasi-banking establishments, see e.g. Polesie province in: Bajura, 2013, pp. 21–24.

At the same time, establishments formerly owned by the Polish state or private capital temporarily functioned as local banks, obviously under the control of the Communist authorities. In a report on the situation in the territories of Western Byelorussia, the First Secretary of the Communist Party of Byelorussia (РС СРБ), Panteleimon Ponomarenko, described the situation of banking in the occupied territories as follows:

In cities there are private banks, cooperative banks and the state bank. The banks hold a lot of small deposits, as well as many sizable ones. Customers demand money, in some places limited sums are withdrawn, and in others they await instructions. We have appointed commissioners in the banks. The remaining funds have been sealed. We do not consider it possible to assume any financial obligations to anyone. Small depositors should be paid deposits from private banks. Large deposits of landowners, capitalists, senior government officials and settlers should be treated as national assets and, after paying out small deposits, private banks should be discontinued, leaving only the State Bank active. In that case, industrialists and significant merchants conducting their operations through private banks will undoubtedly be undercut. The problem is complex, so I would like to ask for guidelines (Letter from the First Secretary of the Communist Party of Byelorussia, Panteleimon Ponomarenko, to Joseph Stalin..., 1939, pp. 206–211; *op. cit.* “Zachodnia Białoruś” 17 IX 1939 – 22 VI 1941..., 1998, pp. 147–148).

The aforementioned “large deposits” in banking establishments were substantial indeed. According to Soviet data, the savings banks seized in Volhynia and Eastern Galicia alone contained almost PLN 297 million, belonging to 1,185,000 people (Information from the Political Bureau of the All-Union Communist Party (bolsheviks) on total funds..., 1939, p. 138). The owners of these funds were *de facto* deprived of most of their money as a result of restrictions on withdrawals. Combined with rampant high prices, the nationalization of many stores and the devaluation of the zloty, this brought dire consequences in the form of shortages of basic daily necessities and food.⁴

The first agencies of Soviet banks arrived with staff in Western Ukraine and Western Byelorussia in October 1939. The installation of their establishments advanced by leaps and bounds, with branches of the banks

⁴ In Lwów, for example, bread prices in October were three times what they had been before the outbreak of the war: Lutskyi, 2006, p. 106.

opening first in large cities such as Lwów, Brześć and Białystok, for understandable reasons. A resolution by the Central Committee of the Communist Party of the Soviet Union (CPSU) dated 1 October 1939, devoted to the situation in the occupied territories of the “former Polish state,” declared that of greatest importance in the matter of banking was to establish the function of special banking commissars at the existing provincial boards, which were the actual local centers of power. Their task was to take control of Polish banks and conduct a full inventory of them before they were incorporated into the Soviet central bank. The commissars also had to make it possible for the banks to resume operations, which included an extremely important aspect of Soviet banking, i.e. credit policy toward individual industrial plants and state institutions (Minutes of the meeting of the Central Committee of the Communist Party of the Soviet Union (CPSU) concerning the organization of political and economic life in the occupied Polish territories, Moscow, 1 October 1939, in: “*Dokumenty vneshney politiki sssr*”, 1992, pp. 19–22).

At the same time, a total ban was established on conducting any transactions using funds held by Polish banks without the approval of the aforementioned commissioners. This meant the *de facto* freezing of capital accumulated in these establishments, and the local authorities were prohibited from using these funds. In accordance with a resolution of the Politburo, international transactions were halted. In terms of organizational subordination, the bank commissars answered to two plenipotentiaries of the USSR State Bank in the territories annexed to the Byelorussian Soviet Socialist Republic (BSSR) and the Ukrainian Soviet Socialist Republic (UkrSSR). The former, responsible for the territories ceded to Byelorussia, resided in Białystok, while the latter, entrusted with the supervision of the banks existing in lands absorbed by Ukraine, was based in Lwów. The staffing of these positions was overseen by Nikolai Bulganin, then chairman of the State Bank of the USSR (Gosudarstvenny bank SSSR, hereafter: Gosbank USSR) and a member of the Politburo (Excerpt from the minutes of the meeting of the ЦКП(б) on the organization of political and economic life..., 1939, pp. 57–61, also published in: “*Zachodnia Białoruś*” 17 IX 1939 – 22 VI 1941..., 1998, p. 157).⁵

According to the aforementioned resolution, savings banks had also to resume their activities (Gnatowski, 1997, pp. 204–205). Most importantly, in light of the 1 October decision of the ЦКП(б), the yet to be established People’s Assemblies were instructed to “settle the matter of the nationalization of banks and heavy industry” (Excerpt from the minutes of the meeting of the ЦКП(б) on the organization of political and economic life..., 1939, pp. 57–61). Under such a slogan it was ordered to organize an

5 Document identical to the aforementioned, albeit published more fully.

election campaign for the People's Assemblies. Plant crews had to elect their delegates with demands for the nationalization of these enterprises (Operational Report No. 42 of People's Commissar of Internal Affairs of the BSRs Lavrentiy Canava..., 1939, pp. 1–16, p. 166, also published in: "*Zachodnia Białoruś*" 17 IX 1939 – 22 VI 1941..., p. 155).

As can be seen, the occupation authorities intended to restore the efficiency of the banking sector relatively quickly, although they had a hidden purpose in doing so even then. These measures were a *de facto* prelude to the full and complete nationalization of the banks. This decision was not made immediately, however; the steps taken in this direction indicated quite unambiguously the fate that was to befall banking establishments in the territory under Soviet occupation. Formal acquiescence to the nationalization of this sphere of the economy came with an "expression of will" from the so-called People's Assemblies of Western Ukraine and Western Belorussia, when the "popular masses" were entrusted with the task of nationalizing not only land, private enterprises, and means of transportation, but also banks. Of course, this was just a propaganda ploy. In reality, the operation was planned in advance and was to proceed not spontaneously, but on the basis of a prepared scenario. According to the official narrative, these actions were intended to end the exploitation of man by man. The "people's consent" for the nationalization of banks came into force on 26–28 October in Lwów for the territories annexed to the USSR and on 28–30 October in Białystok for the lands ceded to the Byelorussian SSR (Głowacki, 1998, pp. 66–69; Wierzbicki, 2009, p. 210).

Due to an inability to resist the totalitarian state, banks and savings banks were transferred en masse to the occupying power. According to official but incomplete data, by the end of 1939, 414 banks and 1,500 other credit institutions had been nationalized in the western regions of the USSR (Volhynia and Eastern Galicia) (Głowacki, 1998, p. 143). The number of institutions seized in Western Belorussia remains unknown, although 95 banks were nationalized in the region of Białystok alone. They became the foundation of a new, top-down organized banking system in the occupied territories. What is more, a few weeks after nationalization, operations began to exclude the Polish zloty from circulation in order to fully replace it with the Soviet ruble (Resolution of the Central Committee of the Communist Party of the Soviet Union (CKWP(b)) and the Central Committee of the USSR "On the transition to Soviet currency...", 1939, pp. 64–65). To make this arduous process possible, Gosbank, the Soviet Union's central bank, issued an additional 700 million rubles, 400 million of which were to "aid" circulation in the western regions of the USSR and 300 million for securing currency exchange in the western regions of the Byelorussian SSR (Baran, 2012, p. 480).

The occupation authorities effectively introduced their own banking system, incorporating into it a network of establishments seized through nationalization. A key role was played by the State Bank of the

USSR. The central bank had strategic importance for the entire state; it was responsible for handling short-term loans, international transactions, managing the state budget, internal credit plans, money circulation, buying and selling precious metals, foreign currency and balancing the budget. In 1938, Gosbank acquired the status of a state body of special importance when it was excluded from the structures of the People's Commissariat of Finance and henceforth reported directly to the government. In the year of the outbreak of war, it was supplemented by banks financing the army. Its activities were further supported by banks specialized in providing credit and financial services to specific sectors of the economy (e.g., the State Bank for Long-Term Credit for Industry and Energy Management, the Central Bank for Communal Economy and Housing, the Central Bank for Rural Economy, and others). The adoption of such a banking system enabled the Soviets to provide constant financing to major state investments and continuous industrial development (Atlas, 1958; Krotov, 2011; Pohl, 1975; *History of the Bank of Russia*, n.d.).

According to the decision of party leadership at the level of individual regions, field branches of Gosbank were to be established – in accordance with the will of the political leadership of the Soviet Union – by 10 December 1939, with smaller branches at the district and municipal level to begin work no later than ten days later (Baran, 2012, p. 480). Regardless of the Party's orders, the protracted nature of the administrative authorities, which did not represent a high level of competence, caused the establishment of Soviet banking to drag on considerably and remain uncompleted until late spring 1940. As in other areas of administration and organization of social life, the key tasks in banking were assigned to the "Soviet people," i.e. employees appointed to managerial positions from the central and eastern regions of the two republics. At the same time, training was provided to the local population to teach them the secrets of how the Soviet banks were operated (Wierzbicki, 2009, p. 215).

What did the occupying power's banking structures look like? In the areas from which the six western oblasts of the Ukrainian SSR were created, six regional branches of Gosbank had been established by the middle of December 1939, as well as 50 district branches (Bonusiak, 2006, p. 256). What proved extremely important for the finances of the regions, the assets accumulated in the aforementioned banks did not cease to be local capital associated with the people who produced and accumulated them, but were considered to be funds that were, so to speak, central, and therefore at the disposal of higher authorities, who could – but did not have to – allocate part of them to the development needs of the region. At the same time, a strict regime of financial discipline was imposed on the management of the banks in terms of spending the funds that were in their resources (Baran, 2012, p. 480).

Banks were entrusted with the role of stimulating the centrally managed economy and selected production facilities and institutions.

Nevertheless, they also had other tasks to perform. In fact, from the beginning of Communist governance, they became a tool of the totalitarian state in its fight against private enterprises, stores and craftsmen's establishments that were not subject to nationalization. One of the manifestations of this was the restriction on granting credit, which, after the period of wartime chaos, meant that many entrepreneurs had no chance of continuing their businesses. Incidentally, this was part of the authorities' intent and was a tacit complement to measures of a repressive nature in the full sense of the word. Furthermore, the archives of banking establishments were a source of particularly valuable information for the new authorities as regarded loans and credits granted even before the Soviet aggression. The banks had full knowledge of the assets of borrowers before the outbreak of war, which helped categorize the residents of the eastern territories in terms of class and material status.

By way of conclusion to this part of the article, it should be noted that the actions of the authorities during the first Soviet occupation led to the complete liquidation of the Polish banking network that existed in the eastern territories of the Second Republic. The monopolization of the banking sector by the State Bank of the USSR also had the negative effect of making it difficult for many people to apply for business loans and credits. This was also the goal of the authorities, and it was fully achieved. The more resilient and enterprising individuals engaged in economic activity were condemned to the good will (or rather, bad will) of the state, which fully extended its control over public capital and quickly brought about the destruction or takeover of private capital.

Banking during the German occupation (excluding the District of Galicia in the General Government)

The Polish eastern territories occupied by the Germans after the start of the Reich's invasion of the Soviet Union were subjected to three separate and different occupation policies and administrative structures: 1) the provinces of Wilno, Nowogródek and north-east Polesie became part of the Reichskommissariat Ostland; 2) the Białystok province was mostly annexed into the Third Reich (East Prussia Province) as the District of Białystok, which included the Grodno region and part of the pre-war regions of Prużana and Brześć, excluding the Suwałki region; 3) Volhynia and southern Polesie were incorporated into the Reichskommissariat Ukraine. During the first weeks of the German occupation, until late July and early August 1941, decisions of an economic nature were made by the Wehrmacht's Economic Staff (Wirtschaftsstab Ost); only after the war effort moved eastward did civilian administration gradually take over (Pohl, 2009, p. 94).

More permanent decisions (compared to measures taken in the frontier zone) in the field of banking policy in the occupied territories were made only when currency and banking competencies passed to the Reich Ministry for the Occupied Eastern Territories, a body of the German administration that was created to ensure order in the occupied territories of the Soviet Union and undertake their exploitation. The Germans also consider to be Soviet those parts of pre-war Poland that were under Soviet occupation until 22 June 1941, normalized bilaterally as a result of the second Molotov-Ribbentrop Pact.

Just as the Soviet Union had previously done, the German Reich ignored the provisions of Hague Conventions regarding banking policies implemented by an occupying state. Even the provision on the necessity of maintaining a single currency in the conquered territory was violated. The Nazis introduced a currency exchange rate that placed the Reichsmark in a privileged position against the Soviet ruble. Their economic policies regarding money and control over its circulation proved to be another tool for incapacitating the population of the conquered territories. Of the provisions under the Hague Conventions, the occupiers used only the privileges it envisioned, defined by Article 53 of the Hague Regulations as follows:

An army of occupation can only take possession of cash, funds, and realizable securities which are strictly the property of the State, depots of arms, means of transport, stores and supplies, and, generally, all movable property belonging to the State which may be used for military operations (*op. cit.* Pohl, 2009, p. 96).

In autumn 1941, the Germans decided to launch shadow banking institutions in the occupied East. In the regions included in Reichskommissariat Ukraine, they established a network of credit unions with outposts in Rivne, Łuck, Zhytomyr, Vinnytsia, Kirovohrad, Mykolaiv, Dnipropetrovsk, Kryvyi Rih, Kyiv and Brześć (Berichte über Sitzung des Verwaltungsrates..., 1942). They also extended their activities to the southern part of the areas that had previously been part of the Byelorussian SSR, that is, the Brześć region and the southern boundary of the Polesie province. A total of at least 50 such outposts were established (Eichholtz, 2003, p. 726). Their task was to conduct monetary policy in the occupied territories *ad interim*, that is until a more permanent systemic solution was established to cover the vast areas of Byelorussia and Ukraine with a banking network.

Coordination of these activities was to be carried out by a central body. To this end, the Central Bank of Issue of Ukraine (Zentralnotenbank Ukraine) was established on the territory of Reichskommissariat Ukraine, modelled after the Bank of Issue operating in the General Government.

This bank began operations on 5 March 1942, in accordance with the orders of Alfred Rosenberg, Reichsminister for the Occupied Eastern Territories. Its headquarters was located in Rivne, although branches were set up in both pre-war Poland (Brześć and Łuck) and the former USSR (Zhytomyr, Vinnytsia, Mykolaiv, Kyiv, Kryvyi Rih, Dnipropetrovsk and Kirovohrad). Moreover, it was organized in a similar fashion to the so-called imperial credit unions, which had already been in operation for many months. Of course, this institution was fully dependent on the occupation authorities, and its activities constituted part of the policies concerning the conquered and exploited territories. The aforementioned bank of issue was Ukrainian in name only; most of the management positions were filled by Germans. The president of this “central” bank for Reichskommissariat Ukraine was Dr. E. Einsiedel; his deputy, Dr. Scheffler, was also a German (Klymenko, 2015, pp. 80 ff.). The first major task of Zentralnotenbank Ukraine was the preparation of the currency reform described above, which involved the exchange of Soviet rubles for karbovanets (krb).

In addition to the Central Bank of Issue of Ukraine, a network of economic banks, the so-called W-banks (*Wirtschaftsbanken*), was established to carry out other tasks. The largest and most important of these was the Central Economic Bank in Rivne. Its official task was to “deplete monetary resources” from occupied lands. It is therefore permissible to discuss the Nazis’ intention to use banking to carry out the institutionalized pauperization of the residents of Volhynia and other areas incorporated into the Reichskommissariat Ukraine. By the end of September 1942, the contribution of the economic bank in Rivne had reached more than 1.5 billion krb. The ability to withdraw from the accounts was restricted; limits amounted to no more than 1,000 krb per day and up to 5,000 krb per month (Klymenko, 2015).

But what was the uniqueness of economic banks in the policies of the German occupier? Reichsbank Counselor Hans von Rodewald saw them as the main foundation for the “reconstruction of economic life” at a lower level for the occupied lands of Ukraine. These banks were to be similar in their role to German savings banks and with their activities aimed at financially stimulating (German) investment in the subordinate territory, decide on support for short-term loans, etc. The Central Economic Bank of Ukraine, headed by Director General Dr. Wehage, was in charge of the network of economic establishments. In an article on German banking in the Reichskommissariat Ukraine, Counselor Rodewald succinctly described its tasks: “To be brief, the economic banks were to help ‘fully develop the labor force in the lands sprinkled with the blood of the German soldier’” (Rodewald, 1942). These words fully convey the idea of economic utilization of the lands in the Reichskommissariat Ukraine, all the more so since it was these banks that were supposed to service agricultural cooperatives, i.e. peasant farms joined together for better

exploitation (Makharynych, 2019, p. 54; Perekhrest, 2010, p. 42). A separate role was played by the Central Economic Bank “of Ukraine”, which was a *de facto* supplement to the activities of the banks already mentioned. In the territories of Volhynia, however, this institution was not as important as in the lands of the pre-war USSR.

Unlike the Reichskommissariat Ukraine, the north-eastern territories of the Second Republic included in the Reichskommissariat East were treated similarly in terms of currency to the lands incorporated into the Reich: the German Reichsmark was introduced there, albeit not immediately. In the first months of the occupation, the Soviet ruble remained in circulation, including bills of the highest denominations. To the disappointment of the population, the prices in effect in the territories before the outbreak of the German-Soviet war were maintained, and the tax system was also retained. These measures were the first clear signal to the residents of the occupied north-eastern provinces that hopes for an improvement in the region’s material and economic situation were illusory.

At the initiative of Gustav Schlotterer, one of the architects of the German economic system in the East, border controls between East Prussia and the Ostland were intensified to prevent currency penetration. When exchanging the ruble for the mark, banks were instructed by the Reichsministry for the Occupied Eastern Territories that amounts valued more than 3,000 rubles should be confirmed by applicants with special certificates, explaining the source from which they obtained such an amount (Einschreiben Betr: Währungsneuordnung im Reichskommissariat Ukraine..., 1942). The purpose of such certificates was to possibly block the exchange of larger amounts of Soviet currency.

During the first eight months of the German occupation of Ostland, the improvised banking and credit system was based on partially restored former local banks, nationalized by the Soviet authorities in 1939–1941. The Germans chose not to introduce branches of major Reichsbanks such as Drezdner Bank (Handels- und Kreditbank AG), Bank der Deutschen Arbeit and Commerzbank (Hansabank AG) into the area, as they did in the Baltic states they occupied (Wheatley, 2017, p. 144). This may indicate a lack of greater interest in stimulating the local economy with loans and coordinated financial actions, and would fit in with the intention to maximize the exploitation of Ostland for food production and logging.

The banking system in Ostland was not partially organized by the German authorities until the beginning of the following year. On 23 February 1942, a decision of the Reich Commissioner for the East announced the organization of public savings banks in each district in the Commissariat. These were to be treated as fiduciary in nature and were to handle all financial transactions in their respective areas (*Verköndungsblatt des Reichskommissar für das Ostland*, 1942, p. 35). In March 1942, another

banking body was established in the form of the *Gemeinschaftsbank Ostland*. The institution combined the features and functions of a provincial bank, a clearing house and a central cooperative bank (Wheatley, 2017, pp. 144–145). The *Gemeinschaftsbank Weissruthenien*, headquartered in Minsk, was separated from this institution. Its task was to provide credit and transaction services to enterprises located in the *Generalbezirk Weissruthenien* (General District White Ruthenia). At the time, the district included such occupied Polish lands as most of the pre-war Wilno province (excluding Wilno itself), the area around Głębokie, Wilejka, Nowogródek, Lida, Slonim, Baranowicze and Hancewicze (*Gemeinschaftsbank Weissruthenien – 33 Filialbetriebe – Umfassendes Aufgabengebiet*, 1942, p. 6). In 1943, the Bank of Estonia (reactivated in 1941 after previous liquidation by the Soviets) was also incorporated (along with local assets), but was not authorized to issue money.

Gemeinschaftsbank Ostland had branches in cities where Reich credit unions had previously existed. Its activities extended to Wilno and the former Nowogródek and Polesie provinces. However, with the inclusion of this area in the circulation zone of the German mark, the Nazis abandoned the idea of issuing a local currency there along the lines of the *karbovanets*. The exception was the aforementioned Brześć region, where an extension of *Reichskommissariat Ukraine*'s banking network was implemented in the form of a branch of the Central Bank of Issue of Ukraine. Thus, the *Gemeinschaftsbank Ostland* did not issue local currency, but to some extent regulated monetary and credit policy in Ostland as an extension of such activities of the German state from East Prussia (Gerlach, 1999). One cannot help but get the impression that, as in the territories of Volhynia and *Reichskommissariat Ukraine* as a whole, occupation banking was primarily intended to serve the gradual drain of savings from the residents of the occupied territories and to serve the agricultural sector, feeding the German army under the New Agrarian Order (Chiari, 1993, pp. 77–81; Connor, 2007, pp. 167 ff.; Pohl, 2009, p. 95).

Following the success of the Red Army's winter offensive in 1944 and the threat to western Volhynia, Alfred Rosenberg ordered the evacuation of resources, employees and equipment from the Central Bank of Issue of Ukraine. The business banks and the Central Economic Bank of Ukraine had already been moved, and after the start of Operation *Bagration* the *Gemeinschaftsbank Ostland* and the W-banks of Byelorussia were also secured. According to Rosenberg's plan, presumably hoping for a return to the East, these banks were supposed to resume their activities by the end of 1944 at the latest. However, this did not happen due to the course of the war. On the other hand, in May of that year, profiting on the evacuation of the administration from the *Zentralnotenbank Ukraine* to the General Government, the Germans decided to carry out a detailed inspection of its previous activities. This operation was carried out on Rosenberg's orders, and showed the "unhealthy tendencies" of the

bank's management to spend Reich money indefensibly. Cases of embezzlement of large sums by German officials, mostly those in management positions, also came to light. This situation was made all the more possible thanks to Erich Koch, who did not intend to bring it under his control, and was rarely in Volhynia. The inspection was probably one of the elements of a power struggle within the NSDAP and the German occupation administration. Regardless, those responsible for the abuses were not held accountable, firstly because of the dire situation at the front, and secondly because they probably managed to preemptively destroy the most compromising evidence of their actions in the course of the evacuation (Klymenko, 2015, p. 89).

The research conducted suggests the hypothesis that the territories of the Polish state included in the Reich Commissariats in 1941–1944 were treated even more instrumentally in terms of German banking policy than the lands that were part of the General Government (Kłusek, 2011, pp. 105–131).

The second Soviet occupation (1944–1945)

As had been the case in 1939–1941, within months of the Red Army's "liberation" from German occupation, the eastern territories of the Second Republic – from Nowogródek to Stanisławów – were integrated into the network of the Soviet banking system through nationalization. Or, more appropriately, re-nationalization, as the USSR treated all banking and credit organizations east of the newly demarcated border with Poland as state property according to conditions from before the outbreak of the German-Soviet war (Atlas, 1948). In autumn 1944, this process was largely completed in the areas reincorporated into both the USSR and the Byelorussian SSR. Branches of the USSR State Bank were reconstituted at the regional level in Wilejka, Baranowicze, Brześć and Pińsk (in Western Byelorussia) and in Łuck, Równe, Lwów, Drohobycz, Ternopil and Stanisławów (in Western Ukraine). Soviet banks were also located in Wilno and granted to the Lithuanian Soviet Socialist Republic (LSSR). The central system was restored, supplemented by local "dedicated" banking. The most important financial transactions and the handling of loans to major industrial enterprises, the financing of administration, etc., remained with Gosbank. Nonetheless, numerous minor credit and financial issues remained within the remit of "auxiliary" banks.

The Communist occupiers managed to replace the currency even before they were able to restore their own banking system in the region. Thus, the ruble quickly returned to circulation along with the financial and economic authorities, that is, after no more than a few days following the withdrawal of German troops from the territories in question. To the surprise of the authorities, it turned out that the population had managed

to preserve a considerable stock of rubles. This is evidenced by the amount of “loans” transferred (usually under duress) by locals to the State Defense Fund in the first months after the restoration of Soviet occupation. As a result of these actions, by the end of 1944 the German mark had been completely eliminated from the areas previously under the Reichskommissariat East, as well as from Eastern Galicia. Similarly, the ruble also replaced the karbovanets in Volhynia.

Based on the restored Soviet currency, branches of the State Bank of the USSR in regional centers were fully operational from early 1945. By spring of the same year, the authorities managed to recreate a network of smaller establishments in more significant district centers, cities with the status of separate regions, and in regions of special economic importance due to the industrial hubs existing there (serviced by banks, among others). In 1948, the Soviet authorities established State Bank Plenipotentiaries for the Byelorussian SSR and USSR. The offices of the senior officials served as an apparatus of the Soviet central bank on the territory of the two republics, but were not given the right to issue currency (Luhovenko, 2011; Merkhyakov, 1996, p. 209).

The occupying power’s banking establishments played an important role in the socio-economic transformations serving Sovietization from the first months of the Soviet Union’s reinstated rule over Poland’s eastern territories. Using its extraordinary powers to finance state industry (including military industry), the branches of the State Bank of the USSR were able to carry out complex and costly operations involving support for the transfer of many industrial plants, including heavy industry, from the depths of the Soviet Union to territories near its western boundary. The State Bank remained outside the structure of the People’s Commissariat of Finance of the USSR until 1946 (*History of the Bank of Russia*, n.d.).

The impoverishment of the region’s already poor population was compounded by the results of the monetary reform carried out in Western Ukraine and Western Byelorussia in December 1947. At the time, the authorities deemed it necessary to strengthen the Soviet currency, collect the post-war “surplus”, and abolish the carding system in order to restore the ruble’s buying power. The reform involved exchanging 10 old rubles for one new one and regulating prices at the same time. Amounts placed in state savings banks and banks were to retain their value on a 1-to-1 basis up to the modest sum of 3,000 rubles. Above this limit, they were automatically treated as already-exchanged currency (Batyrev, 1958; Markovsky, 2018).

The authorities were primarily concerned with restoring full state control over the monetary resources that society had managed to accumulate in the three years since the end of the German occupation. According to propaganda, the “speculators”, and therefore the enemies of the authorities, were mainly merchants, owners of stores that had not yet closed,

wealthier farmers and small businessmen who still managed to hold on to the market, which was increasingly under fiscal siege by the financial oppression of the state. As for timing, the post-war monetary reform coincided with a massive campaign for collectivization and Operation “Zapad”, involving the deportation from Western Ukraine of tens of thousands of people whose relatives had participated in anti-Soviet resistance, as well as the launch of a campaign against “bourgeois nationalists” involved in culture and science. The authorities essentially took citizens by surprise with both the timing and the haste of their actions.

As a result, the pace of the introduction of the reform was vertiginous, and was implemented in true revolutionary style: on as early as 16 December 1947, the new currency entered into circulation (with the exception of coins), but the exchange of money from old to new began only on 18 December and was to last only until the end of that year. This caused a mass flocking of the population to exchange points, especially since undeclared money completely lost its value. At the same time, average state prices were set after the reform. As a result of the currency exchange, even people who previously had considerable reserves found themselves in a difficult financial situation. However, prices fell slowly – on the territory of Soviet Ukraine by 17% in 1948 (Baran & Danylenko, 1999, p. 31). By the end of 1950, they had declined by 43% on average, but this was not followed by a corresponding increase in purchasing power (Slusarenko, Husev, Drozynta et al., 2000, p. 359).

Conclusions

The actions of both occupying powers as regards monetary policy and banking systems in the eastern territories were radical and unrelated to the provision of financial security to the local populace. Thus, the basic principles of international law were violated, as dictated by the Hague Conventions, which specify the duties of the occupation administration to maintain the currency of the occupied state, among other requirements. The operations affecting the system of banking establishments in the occupied Polish territories were intended to provide the German authorities with efficient control over the finances of the conquered territories, which was part of the policy of full economic exploitation, which also assumed the deprivation of the Slav and Jewish populations of their financial resources.

Concerning the policies of the second occupier, it should be noted that both in 1939–1941 and 1944–1946 the Soviets aimed at a full unification of the currency and banking systems of the pre-war Polish eastern territories with the currency and systems of the USSR. The currency change and subsequent monetary reform became an opportunity to effectively deprive hundreds of thousands of people of their life savings. This, in turn,

was aimed at breaking the will of the local population to resist the ongoing process of Sovietization and condemned them to economic dependence on the totalitarian state, whose main tools in the economic field remained banking and currency.

(transl. by Ian Stephenson)

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