

**NBP**

Money Centre  
in memory of Sławomir S. Skrzypek

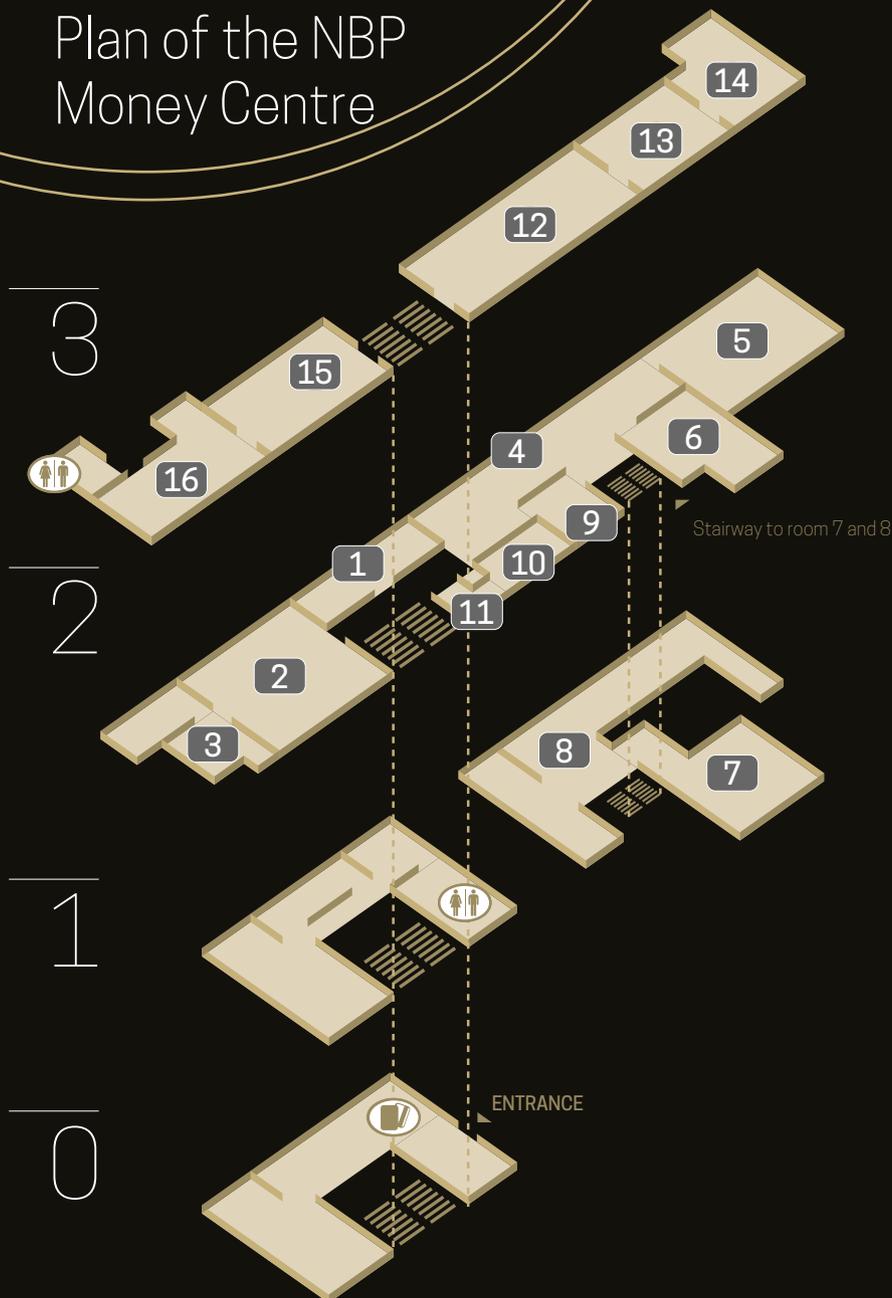
No 14  
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# Bankoteka

HISTORY ▪ ECONOMY ▪ EDUCATION



# Plan of the NBP Money Centre



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- 12** Stock Exchange and Financial Markets
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Dear readers,

The 100th anniversary of Poland regaining its independence is an exceptional anniversary. In order to honour this groundbreaking event in the history of the Polish nation, Narodowy Bank Polski has planned the issue of a commemorative banknote with the face value of 10 zł, as well as many coins that we have already presented in the previous issues of our magazine. Meanwhile, on 22 May 2018 NBP issued commemorative circulation coins with the face value of 5 zł. The total mintage is 38,424,000 pieces (!), which corresponds to the population of Poland.

The educators at the NBP Money Centre showed the first copies of this coin to the children visiting the Centre and the photos from these meetings can be found on the cover of "Bankoteka". You can read about the other exhibits that we use to capture the interest of the youngest guests and about objects that are the most popular with children in the article entitled "Getting the kids interested". Meanwhile, thinking about all those who are planning to visit our facility on the Night of Museums, which this year falls on 19 May, we include a description of the Centre's tour routes (the article "Following in the footsteps of Poland's independence").

The year 2018 is not just the 100th anniversary of Polish independence. This year marks the 190th anniversary of establishment of Bank Polski, i.e. the first bank of issue in Poland. That institution, which is recognized as the first Polish central bank, commenced its operations on 6 May 1828. On this

occasion, we would like to invite you to explore the Central Bank room, where we present an illustrated compendium of knowledge about the history of Polish central banking. The article "Journey through the 190 years of Polish central banking" is the conclusion of the materials preceding it in this issue of "Bankoteka".

In the magazine's regular section "Education", devoted to great Polish economists of the 100 years of Polish freedom, this time we present the Prime Minister and the Minister of State Treasury Władysław Grabski. The author of the great monetary reform in the interwar period and a significant figure, not only of the 100 years of independence, but also the entire history of Polish central banking, is presented by Professor Wojciech Roszkowski, a member of the NBP Money Centre Programme Board.

In the section "Pages from a calendar: 100th anniversary of Poland regaining independence" we publish a richly illustrated second part of the article entitled "Before the Polish złoty was introduced". Meanwhile in the "Exhibits" section we discuss the cash notes from 1824. Attentive readers will learn why the note carries the issue date of 1824, even though it only appeared on the market in 1828, following the establishment of Bank Polski.

Enjoy your reading!

*The editorial team of "Bankoteka"*

# Education

## Remembering Great Polish Economists

Władysław Grabski  
– practitioner and theoretician **pp. 5-9**

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The bust of Władysław Grabski in the lobby of the NBP Head Office at ul. Świętokrzyska 11/21 in Warsaw.  
Photo: NBP collection

# Władysław Grabski – practitioner and theoretician

**Władysław Grabski was born in 1874 to a family of landed gentry in the Mazovia region. During his secondary school education he drifted toward left-wing views. He studied in Paris at the École des Sciences Politiques (1892-1894) and at the Sorbonne (1892-1895), where his beliefs evolved towards liberalism and solidarism. In the years 1896-1897 he also studied agronomy (a field of science devoted to the management of agricultural farms) in Halle, after which he took over the family estate in Borów near Łowicz. His views then evolved towards national democracy: in 1905 he joined the National League (Liga Narodowa). In the years 1905-1912 he represented National Democracy in the Russian State Duma, and then worked in the Central Agricultural Society and in the Office of Social Work, which published the “Statistical Yearbook of the Kingdom of Poland” on his initiative.**

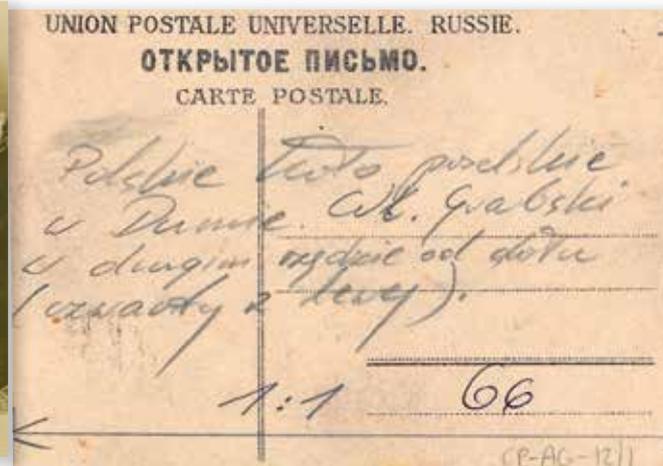


Professor Wojciech Roszkowski, member of the NBP Money Centre Programme Board

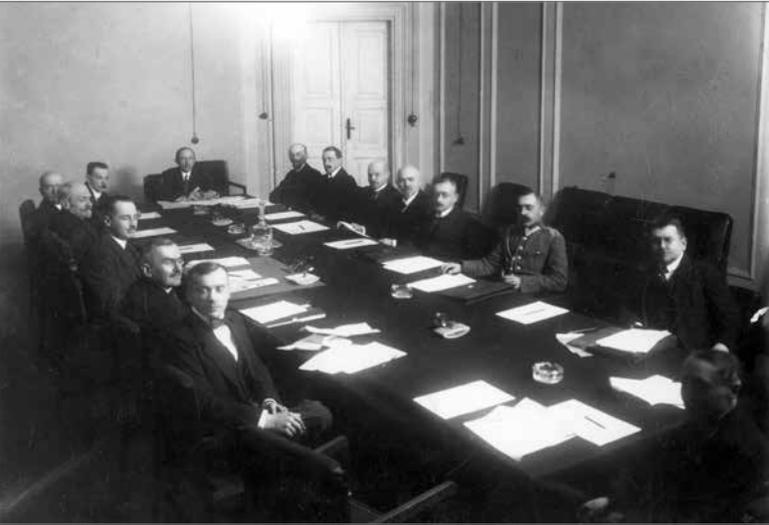
Photo from the author's archives

During World War I, Grabski became the head of the Central Citizens' Committee. Before the German army entered Warsaw in 1915, he moved deeper into Russia's interior, where he was active in the Council of Societies for Assistance to War Victims. When the Bolshevik revolution succeeded in Russia, he returned to Poland. At the end of October 1918, he became the Minister of Agriculture in the government of Józef Świeżyński. In the reborn Polish state he organized and subsequently chaired the General Liquidation Office, and in 1919 he participated in the peace conference in

Paris. In the years 1919-1922 he was a deputy to the Polish Sejm on the list of the National Peoples' Union. From December 1919 to November 1920 he served as the Minister of State Treasury in the government of Leopold Skulski. On 23 June 1920 he became the Prime Minister and he organized the Council of State Defence. However, he resigned from his position on 24 July 1920, due to the unfavourable decisions of the peace conference in Spa, where the Western countries offered Soviet Russia a compromise at the expense of Poland. He remained in the position of Minister of the



Władysław Grabski among the members of the Polish deputies' group in the Russian State Duma – postcard.  
NBP collection



Members of Leopold Skulski's cabinet. Minister of State Treasury Władysław Grabski, second from the left, 1919.  
Photo: National Digital Archives

State Treasury until November 1920. In the years 1921-1922 he served as the Polish government's extraordinary commissioner for the repatriation of Poles from Russia.

In January 1923, Grabski once again became the Minister of State Treasury, this time in the cabinet of Władysław Sikorski. In this role, Grabski submitted to the Sejm (on 1 March 1923) the draft Act on the Improvement of the State Treasury, according to which the budget deficit was to be eliminated within 3 years thanks to budget cuts and the introduction of a special wealth tax. Because Sikorski's government collapsed in May, the act did not come into force, and the cabinet of Wincenty Witos never returned to the draft legislation. Meanwhile, inflation turned into hyperinflation. While at the beginning of September 1923, one dollar cost 249,000 Polish marks at the Warsaw exchange, by December one dollar was already worth 9 million Polish marks. The economic situation became dramatic: because prices were rising every day, any calculations of costs and profits became impossible. The drop in effective demand led to decreases in production and wages as well as growing unemployment. During that time many people were killed in the Małopolska region in clashes with the police. The government of Witos lost all ability to cope with the situation.

In the face of imminent catastrophe at the state level, on 19 December 1923, the Polish Sejm once again appointed Grabski as prime minister of a



Władysław Grabski. Appointed as the prime minister of the Polish government twice: on 23 June 1920 and on 19 December 1923.  
Photo: Archive of the Grabski family

largely nonpartisan cabinet. On the next day, Grabski delivered a speech in which he presented a bold programme of activities aimed at improving the condition of the treasury. It was based on the accelerated implementation of the programme from the spring of 1923. The Sejm adopted the law on the improvement of the state treasury and currency reform on 11 January 1924. It authorized the Polish president to issue – upon a motion of the prime minister – regulations with the force of law concerning tax and customs rates, acceleration of tax payment deadlines, savings in the public administration, incurring loans, and the establishment of a new bank of issue and the introduction of a new currency.



Speech of the Minister of State Treasury Władysław Grabski at a session of the Polish Sejm.  
Photo: National Digital Archives

As early as 15 January the government accelerated the deadlines for the payment of wealth tax instalments and shortened the payment deadlines for direct taxes, introduced a property tax and raised the rates of industrial and land taxes. Rail tariffs were raised in order to eliminate the deficit of the Polish State Railways (PKP), which was a serious burden on the budget. The Ministry of Public Works and Health was shut down. The government also allocated 2.5 million dollars for interventions on the stock market. Foreign currencies were now being sold at a fixed exchange rate for the Polish marks, which stopped the decline in its value. While at the beginning of January the exchange rate was 9.8 million Polish marks for one dollar, a month later it was already 9.2 million Polish marks for one dollar. In April the

money circulation decreased for the first time since 1918, which stabilized the exchange rate of the Polish mark.

The Organizing Committee of Bank Polski SA, headed by Stanisław Karpieński, was appointed in January 1924. The Committee commenced its operations on 28 April 1924 in the form of a joint-stock company, which replaced the previously existing state-owned Polska Krajowa Kasa Pożyczkowa (Polish Loan Bank). Private owners had a majority stake in the share capital of Bank Polski SA, which was supposed to prevent any attempts by the government to push for additional issues of banknotes, in the event that a budget deficit should recur. The Polish złoty was to



Speech by Professor Władysław Grabski inaugurating the academic year 1926/1927 at the Warsaw University of Life Sciences.

Photo: National Digital Archives

be based on the stocks of gold bullion and foreign currencies stored at Bank Polski SA in the amount of 70 million złoty in gold and 207 million złoty in foreign securities and convertible currencies. The main part of this stock came from the National Treasury accumulated since the beginning of independence at the Polish Loan Bank from voluntary contributions of society and treasury purchases. The złoty issued by Bank Polski SA was based on a 1/31 g gold parity, i.e. the equivalent of the Swiss franc. The marks were exchanged for złotys at the rate of 1 złoty for 1.8 million marks. The złoty had statutory backing in 30% of Bank Polski SA's gold bullion and foreign currency stocks. At the beginning of the bank's operations, these stocks accounted for as

much as 51% of the overall złoty circulation, which means that the Polish currency had very solid backing.

The first half a year of the reform was a complete success. In contrast to other countries that were fighting hyperinflation at that time, Grabski's reform was solely based on internal sources of financing. After six months the inflationary pressure came back, but its scale was much smaller, and after a short period of weakening and then devaluation, the złoty issued by Bank Polski SA remained a strong and stable currency. Meanwhile, in mid-November 1925, before the effects of the stabilization of the budget and currency became fully



Władysław Grabski's funeral, Warsaw, 4 March 1938.

Photo: Archive of the Grabski family

visible, Grabski's government was met with intensified criticism and the prime minister resigned.

After leaving politics, Grabski devoted himself to academic work. Starting from 1923 he worked as a professor at the Warsaw University of Life Sciences (Szkoła Główna Gospodarstwa Wiejskiego – SGGW). He taught classes in political economy, sociology and the history of the Polish countryside, and created the department of social agronomy. In the years 1926-1928 he served as the rector of the Warsaw University of Life Sciences, and later (until 1934) he headed the Society of Polish Economists and Statisticians in Warsaw, after which he was elected its

honorary member. In 1936, he organized the Institute of Rural Sociology and initiated the publication of the "Yearbook of Rural Sociology". He believed that land reform would contribute to the economic development of the Polish countryside and, consequently, the entire national economy. He was the founder and an ordinary member of the Warsaw Scientific Society. He is considered to be the most prominent economic politician of the Second Polish Republic, alongside Eugeniusz Kwiatkowski, and he was awarded, among others, the Order of the White Eagle. He also published his memoirs entitled "Dwa lata pracy u podstaw państwowości naszej (1924-1925)" (Two years of work at the foundations of our statehood). He died in Warsaw in March 1938.

# Following in the footsteps of Poland's independence

## The tour route at the NBP Money Centre on the Night of Museums

The Night of Museums in 2018 is dedicated to the 100th anniversary of regaining independence by Poland. During this night we will guide the guests visiting the NBP Money Centre along a special tour route. The route entitled "Following in the footsteps of Poland's independence" allows guests to learn about the most interesting and most important information and exhibits associated with our country's independence. In addition to exhibits directly related to Poland regaining independence in 1918, we also present symbols of state sovereignty relating to the history of the Polish zloty and Polish central banking.

### Antiquity – Middle Ages – Modernity

Minting was revived in the early Middle Ages in Western Europe, and later in Central Europe. Striking own coins was a symbol of the consolidation of states, the sovereignty of the ruler, and usually also the adoption of Christianity. The first ruler striking his own coins – silver denarii – in Poland was Boleslaus the Brave. The "arrow in the tree of life" denarius (1) is considered to



1

be the oldest Polish coin. The number of coins minted by Boleslaus the Brave was small, and they mainly had symbolic significance rather than widespread practical use in commerce. On the other hand, their diversity was greater – today

we distinguish 17 types of denarii coins minted by that ruler.

The first zloty coins, which we most frequently associate with the Polish currency, came several



2

hundred years later. Before that, in the 14th century, during the reign of Casimir the Great, the grosz and half-grosz coins (2) appeared in Poland. Like the denarii, these coins were struck in many European countries. They took their name from the denarus grossus – which means a large, thick denarus. Their introduction was the result of a decrease in the value of "ordinary" denarii and the



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need to create a more valuable coin that would be useful in larger transactions.

The zloty was described in the first half of the 16th century as a unit of account worth 30



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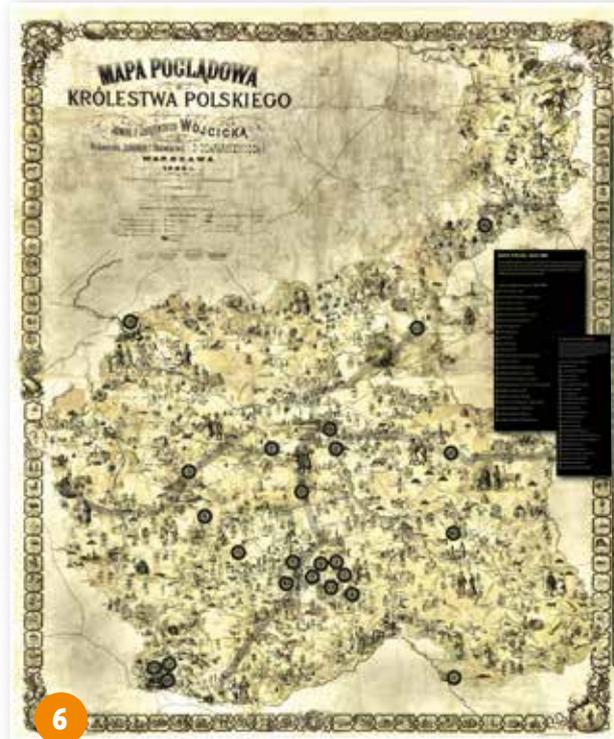
groszy. It enabled people to compare the values of various coins that were in circulation in the Polish-Lithuanian Commonwealth at that time. The "półkoppek" (half-threescore) coins (3) minted under the reign of Sigismund-Augustus starting from 1564 are usually considered to be the first real złoty coins. On the coins we can see the indication of their value – 30 groszy. Subsequent coins worth 30 groszy are the tymfs (4) – minted during the reign of King John Casimir Vasa. These coins had a bad reputation. Despite the face value of 30 groszy, they contained little silver – it was equivalent to just 12 groszy. Their emergence in circulation exacerbated the country's economic problems.

### The central bank

The issue of the first złotys in the paper form was, in turn, an episode associated with the struggle to maintain the country's independence. The first Polish paper money was issued in 1794 (5). This issue was ordered not by the king, but by



5



6



7

the authorities of the Kościuszko Uprising. The treasury notes were supposed to finance the costs of the uprising.

Despite the fact that Poland's independence could not be retained, the Polish złotys did not completely disappear from the market. Starting from 1828, they were issued by a new institution, Bank Polski, which was our country's first central bank and operated in the territory of the Kingdom of Poland (6). A very important task of the bank was to support economic development by granting loans, especially for public investments, infrastructure development, and the development of the mining industry and metallurgy.

During the November Uprising, Bank Polski joined the struggle for independence. At that time it issued coins and banknotes with the

coats-of-arms of Poland and Lithuania (7), as well as unusual gold ducats (with a value of 20 złoty) (8) which were to be used abroad for the purchase of the weaponry needed by the insurgents. In order to gain the trust of the international community, the coins looked almost the same as the Dutch ducats which were popular at that time.



8

After the fall of the uprising, the Tsarist authorities gradually limited the autonomy of the Kingdom of Poland. In 1832, as part of the repressions following the November Uprising and the process of unification of the monetary systems of the Kingdom of Poland and Russia, **ruble-złoty coins (9)** were introduced. In 1841, the ruble became the official currency in the Kingdom of Poland, and the liquidation of Bank Polski in 1886 could be seen as a symbol of the loss of the last remaining elements of autonomy.



9

The reestablishment of an independent Polish state in 1918 began a period of massive changes across the country, also relating to **the banking system** and the currency. The first years of independence were a period of inflation and



10

hyperinflation in many European countries, and in Poland this problem was exacerbated by the budget deficit resulting from the war with Russia. The inflation is well illustrated by the growing



10

denominations of **the Polish mark (10)** which was the currency used at the time.

The state finances were stabilized by 1924 thanks to the reforms introduced by the government of **Władysław Grabski (11)**. As part of these reforms, the second Polish central bank was created – Bank Polski S.A. (Bank of Poland S.A.). At the same time, a currency reform was carried out – **the Polish marks were replaced with**



11



12

**the Polish złoty at the ratio of 1.8 million marks for 1 złoty (12).**

## Wars

The unification of the currency in the lands that were included within the boundaries of the Second Polish Republic was a very big challenge due to the high number of different currencies that remained in circulation in these territories. These were not only **the currencies of the three**



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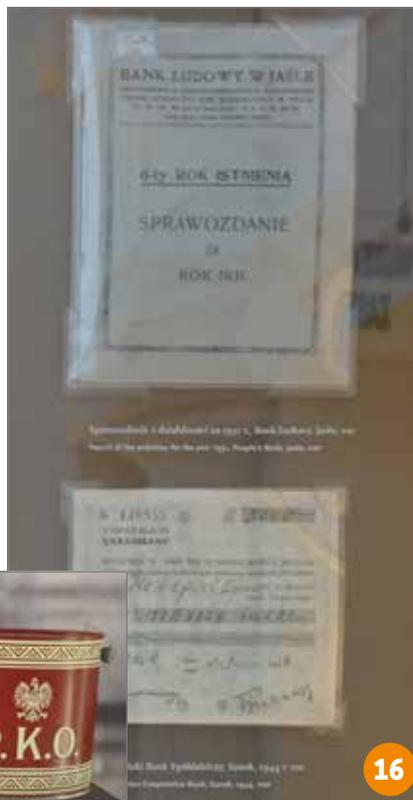
partitioning powers (13): the German mark, the Austrian crown and the Russian ruble, but also the Polish mark, the “Eastern ruble”, the “Eastern mark”, and the Ukrainian hryvnia and karbovanet, as well as various types of substitute money. The challenge was not only to replace the existing currencies, but also to determine the value of the individual currencies in relation to the Polish mark.

## Bank Street

After regaining independence Poland was a heavily destroyed country. The state took on the responsibility for the organization of economic life, among others, by creating five large private banks. The most well-known was Poczтовая Kasa Oszczędności – PKO (the Post Office Savings Bank), which was opened in 1919 and which was based on the post office branches scattered



14



16

across the country. PKO's tasks included, among others, the promotion of saving (14), which was very important in a country suffering from a scarcity of capital. Bank Gospodarstwa Krajowego (the Bank of National Economy) (15), established in 1924, played an important role in the reconstruction of the infrastructure and economy. In turn, the structure of the private and cooperative banks reflected the social reality of a multinational and multi-religious country – in the years 1919-1939 there were many banks operated by the national minorities (16).

Creators of money and money production

Narodowy Bank Polski commemorates important events by issuing collector coins and banknotes – several such issues have been devoted to the anniversaries of the regaining of independence by Poland. On the occasion of the 100th anniversary of independence, all these coins and banknotes can be viewed in the showcases located in the module entitled “Creators of money and money production” (17).

You can obtain more information on the above-mentioned exhibits at the exhibition in the NBP Money Centre.

■ Marta Dulnicz



15



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# Getting the kids interested

**In “Bankoteka” we regularly write about the educational offer of the NBP Money Centre. From Tuesday to Friday, the Centre organizes numerous activities and workshops for children aged 6 and above as well as for school youth. In this issue we want to talk about the offer that the Centre has prepared for the youngest visitors.**

Over the past several months we have been noticing more and more families visiting our facility, including families with small children. The Centre is praised, among others, by blogging mums who appreciate its friendly atmosphere, professionalism and the facilities prepared for the youngest guests and their caregivers. In a review after a visit to the NBP Money Centre, one of them wrote:

*The wonderful thing is that this place has managed to achieve something very difficult – to create an exhibition that will have great educational value and will be interesting for small children and teenagers as well as adults. (...) Many people working with children in museums and cafes in Warsaw should come here for several days of training. They could learn what it means to love your job and to approach the young visitors with genuine enthusiasm.\**

The NBP Money Centre ensures the comfort of this group of guests immediately upon entry. At the main entrance and beside the front desk, mothers can safely park their prams – the constant presence of the Bank Guard and the monitoring devices guarantee the safety of these “vehicles”. However, if someone would like to tour the Centre with a pram, they can use the lift and the special ramps. In case of any doubt, the guests will be assisted by educators who are acquainted with the techniques of working with children. It’s worth adding that the Centre also offers facilities for nursing mothers

– in intimate, discreet spaces located around the staircase, young mothers can sit down and calmly feed their baby. The visiting mothers often take advantage of this possibility. The toilet at the second floor, which is equipped with a baby changing table, is yet another facility prepared for parents visiting the Centre.

One thing that distinguishes the NBP Money Centre from similar institutions is that there is no ban on touching the elements of the exhibition. Children are even encouraged

by the educators to explore the Centre through touch, especially when it comes to the multimedia applications and selected exhibits, such as the platmynt or the gold bar. The Centre is safe for children of all ages (there are no sharp edges in any part of the exhibition)... even those who are still crawling. The latter are particularly eager to train their moves on the Bank Street, especially given the fact that during such a trip they are able to climb up a “well”, where they can play a game that involves catching fish.



As befits a third-grader, Alex Paszkowski looks at the details of the banknotes under a magnifying glass. Room: Creators of money and money production.  
Photo: NBP

\* Link accessed on 17.04.2018: <https://moi-mili.pl/centrum-pieniadza-nbp-dziecieca-mapa-warszawy/#>



No child can resist the allure of the virtual well in which the guests can catch fish. Each fish is a point in the game, which teaches children that in order to spend money, you need to earn it first. Tadzio and Alex also joined the game. Room: Bank Street.  
Photo: NBP

Any group can decide to visit the NBP Money Centre on the spot, provided that it is not bigger than 10 people. It is not uncommon for families who visit us to do so on the spur of the moment (for example, they notice the information board with the name of the Money Centre on the NBP headquarters during a stroll along Świętokrzyska Street).

Both the visitors and the reviewers on the Internet emphasize the comprehensive nature of the offer presented by the NBP Money Centre – it is appreciated by both children and adults, and neither age group gets bored during a joint visit. The groups of visitors using interactive tablets for family tours often emphasize that during the tour every family member learned something interesting and left the NBP Money Centre with a lot of new information, regardless of their age.

■ *Natalia Ćwik-Obrębowska*

■ *Consultations: Maja Gruszczyńska*  
(educator at the NBP Money Centre)

However, most kids' favourite place at the Centre is the "Encounters with money" room – it is filled with images and sounds, and also allows the children to play by piling up a mountain of coins (which is spectacular in that its size usually exceeds the size of the youngest visitors). Parents sometimes find it difficult to persuade their children to leave that room and continue the tour. In such cases they can count on the help of the educators, who know how to encourage youngsters to explore new spaces and who will recommend to parents the parts of the exhibition most appropriate for a visit with young children.

The young visitors also love the RFID cards handed out upon entry, which serve as admission cards to the Centre and also as souvenirs from the visit. The youngest guests and their parents are also glad to use the water distributors available at every floor of the Money Centre. One additional advantage of the Centre is that our guests can visit our facility without having to book a visit first.

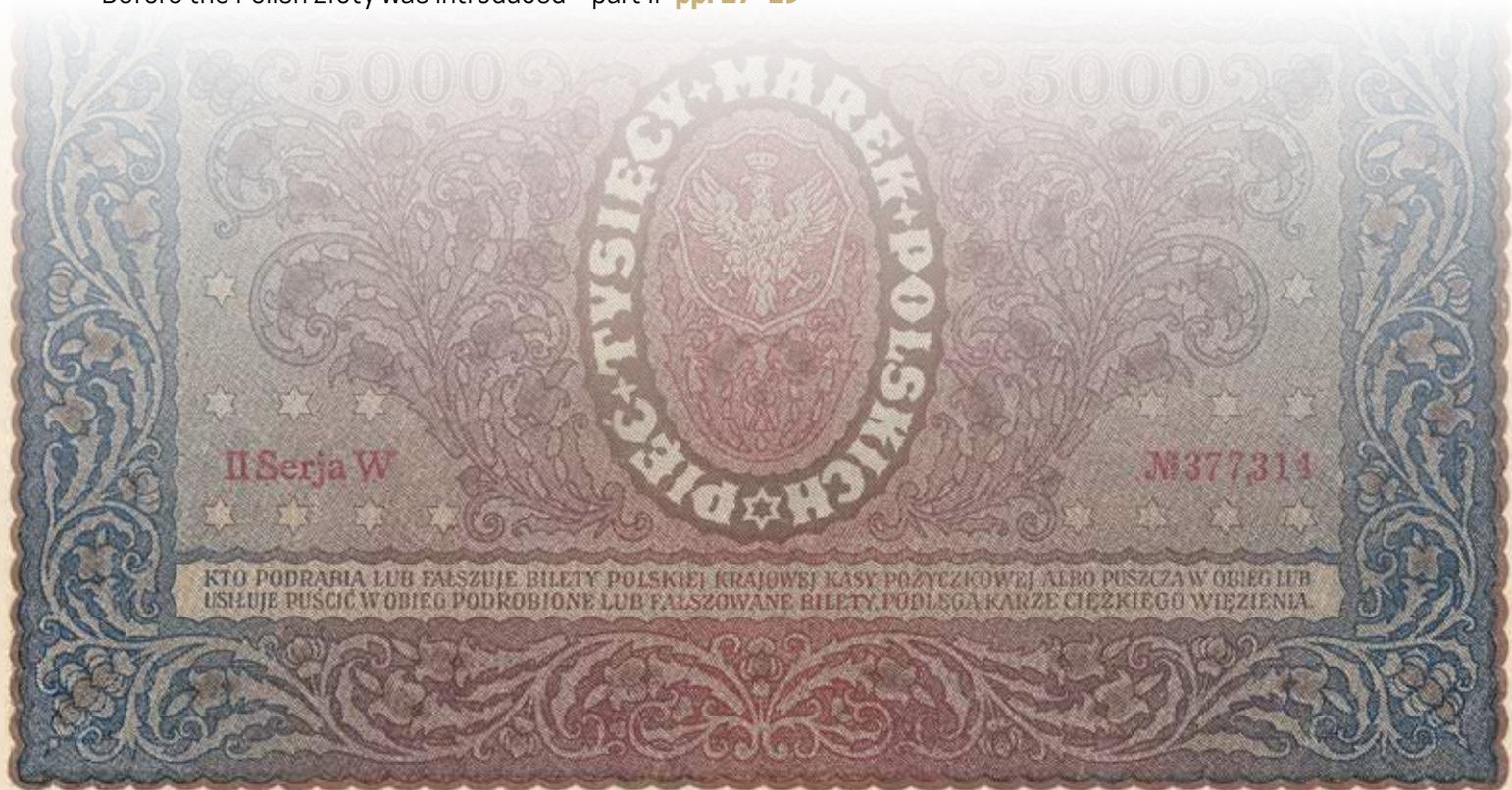


Tadzio Obrębowski, who is 3 years old, prints the souvenir ticket carrying his name, surname and date of the visit. Room: Creators of money and money production.  
Photo: NBP

# Pages from a calendar

## 100th anniversary of Poland regaining independence

Before the Polish złoty was introduced – part II pp. 17-19



# Before the Polish złoty was introduced – part II

**The authorities of the Polish state reborn in November 1918 had to face many challenges – the economic reconstruction of the country, the reform of public finances and the tackling of the currency chaos. The Polish people, who had lived for more than 100 years under the three economic systems of the partitioning powers, needed a new, uniform monetary system, a well-organized tax system, and the efficient circulation of – their own – money.**



100 Polish marks, issue from 15 February 1919. On the front side of the banknote we see the image of Tadeusz Kościuszko – a Polish national hero, one of the characters most frequently depicted on Polish banknotes in the 20th century. During the 1794 uprising Kościuszko served as the Supreme Commander of the Polish National Armed Forces. He also participated in the War of Independence of the United States. The portrait of Tadeusz Kościuszko appeared on several other denominations of the Polish mark banknotes (1/2 mark, 5, 10, 20, 1,000, and 5,000 Polish marks) issued in the years 1919-1920.

NBP collection

On 11 November 1918, Polska Krajowa Kasa Pożyczkowa - PKKP (Polish Loan Bank) was taken over by the authorities of the resurrected Polish state. Pursuant to the decree of the Chief of State of 7 December 1918, Polska Krajowa Kasa Pożyczkowa was granted the status of the sole issuing institution and the bank servicing the central government bodies. The issuance of the occupational banknotes – the Polish marks – was taken over by the government of the Republic of Poland and subjected to the control of the Polish Sejm. No distinction was made between Polska Krajowa Kasa Pożyczkowa's banknotes printed before and after 11 November 1918. After the stock of Polish marks printed in Berlin was exhausted, another series of banknotes was prepared according to new graphic designs.

The first Polish paper money issued after Poland regained independence was a banknote with the face value of 500 Polish marks, with an issue date of 15 January 1919. The graphic design of the note still resembled the style of the occupation-era banknotes approved by the chief of the occupation administration Wolfgang von Kries, but the subsequent issues and denominations had a more uniform graphic form and better security features. The first serial issue of Polish money – with issue dates of 15 February and 15 May 1919 – depicted the images of Tadeusz Kościuszko and Bartosz Głowacki. In subsequent issues, the banknotes also presented, among others, the portrait of Queen Jadwiga (Hedwig of Anjou). The notes issued by the Polish management of the Polska Krajowa Kasa Pożyczkowa carried the following clause: "The Polish State assumes responsibility for exchanging this note for the future Polish currency according to the ratio which will be adopted for Polish marks by the Legislative Sejm". Thus the issue of the Polish mark was from that point on carried out on behalf of the Republic of Poland.

During work on the unification of the circulation of money, a discussion was held with regard to the name of the new Polish currency. The considered proposals included, among others, "piast", "lech", "pol", "polonia" and "Kościuszko". Initially, pursuant to the decree of the Chief



5 Polish marks, issue of 17 May 1919. On the reverse side of the banknote we see the image of Bartosz Głowacki – a scytheman and a participant in the Kościuszko Uprising in 1794. His figure is a symbol of a peasant-soldier fighting for Polish independence. NBP collection



500 Polish marks, issue from 23 August 1919. The image of Queen Jadwiga (Hedwig) was also placed on the banknotes with the denominations of 20 and 5,000 Polish marks. NBP collection

of State of 5 February 1919, the name "lech" was introduced, along with the name "grosz" for the hundredth part of the new currency unit. One of the opponents of this proposal was Stanisław Karpiński, who then served as the head of Polska Krajowa Kasa Pożyczkowa. He suggested that the Polish currency should be called "złoty". The name of the currency was to refer not only to the coins from the pre-partition era, but also to the Congress Kingdom of Poland and the first Bank Polski

\* Z. Karpiński "O Wielkopolsce, złocie i dalekich podróżach: wspomnienia 1860–1960", Warsaw, 1971, p. 153

established in 1828. Ultimately, on 28 February 1919, the Legislative Sejm repealed the decree of the 5 February and established the "złoty" as the new Polish monetary unit. The first series of banknotes required for carrying out the reform was ordered in Paris. However, the institution that introduced this currency into circulation was not Polska Krajowa Kasa Pożyczkowa, but Bank Polski S.A., which was established in 1924.

Meanwhile, pursuant to subsequent acts and ordinances from the years 1919–1920, the Polish mark gradually supplanted other money from the territory of the Republic of Poland. The establishment of a single currency was possible due to the introduction of a ban on the imports of currencies of the partitioning powers from abroad and the determination of rates at which they were exchanged for Polish marks.\*\*

As the borders of the Polish state were strengthened, the range of circulation of the Polish mark also expanded. As early as the first half of 1920, the common Polish currency was introduced in all territories of the newly unified state. Therefore, in the following years the monetary unification only covered the territories newly joined to the Polish state. Finally, in December 1922, the Polish government issued a regulation on the withdrawal of the German mark from Upper Silesia and the introduction of the Polish mark as the only legal tender from 1 November 1923. This concluded the process of currency unification in the territories of the Second Polish Republic.

The Polish mark functioned in particularly difficult economic conditions. The authorities of the newly independent Polish state had to cover current expenses, provide loans for the reconstruction of the destroyed country, and finance military operations, e.g. the struggles for the country's eastern borders. The Ministry of the State Treasury saw an opportunity to improve the condition of

the state's finances in various financial operations, mainly in taking loans from the Polska Krajowa Kasa Pożyczkowa, which printed more and more banknotes for this purpose. However, the increased volume of money in circulation was not followed by an increase in the amount

\*\* In the lands of the former Russian partition, rubles were accepted in accordance with the old ratio of 1 ruble to 2.16 Polish marks. The German marks, used in the former Prussian partition, were exchanged at the market rate, usually according to the rate of 1 German mark to 2 Polish marks. Finally, the crowns used in the former Austrian partition were converted at the rate of 1 crown to 70 pfennigs (0.7 Polish marks).



Caricature from the days of hyperinflation in Poland in 1923. The caption below the drawing reads: "I received my monthly salary and I don't know what to do! I have too much money to carry it myself and not enough to pay the cabman to take me home".

Source: Wikisource (public domain).

Photo: A. Kościukiewicz

[https://pl.wikisource.org/wiki/Plik:Karykatura\\_\(HistoriaPolski\\_str.150\).jpg](https://pl.wikisource.org/wiki/Plik:Karykatura_(HistoriaPolski_str.150).jpg)

of goods on the market, which is why their prices grew rapidly. The purchasing power of money decreased. Inflation started growing to enormous levels, causing unprecedented price increases. The press wrote about situations where salaries were paid with bags of banknotes. A wage sufficient to support a family in January 1923, was only enough to buy a pack of cigarettes in December. This is also clearly visible on the example of the prices of basic food products: in May 1923 a loaf of bread cost approx. 1,000 Polish marks, in September it already cost 16,000 Polish marks, and in December of that year the price reached 96,000 Polish marks!



10,000,000 Polish marks, issue of 20 November 1923. The highest denomination of a Polish circulation banknote.

NBP collection

Due to the increasing inflation, ever higher denominations of the Polish mark banknotes were put into circulation. In subsequent issues, the images of Kościuszko and Queen Jadwiga were abandoned and replaced with the indication of the face value and a stylized decoration. The issues from 1922 (March, October) and 1923 (April, August, November) included banknotes with denominations from 10,000 Polish marks to 5,000,000 and 10,000,000 Polish marks (!). The latter banknote was put into circulation at the beginning of December 1923 and it was historically the highest denomination ever to have been used on Polish money. At that time, however, it was worth just over 1 dollar. At the end of 1923 inflation in Poland turned into hyperinflation. In autumn 1923, in the face of a dramatic economic breakdown in the country

there was an outburst of social discontent. The country was rocked by street riots in Kraków and demonstrations in other cities. These movements were fuelled, among others, by the deteriorating living conditions caused by the unprecedented price increases.

Polska Krajowa Kasa Pożyczkowa was preparing the design of a banknote with the face value of 50,000,000 Polish marks and intended to issue it in early 1924. Work on the project was ultimately suspended because the expected currency reform was supposed to take place soon. The Polish mark ceased to be a means of payment on 1 July 1924, and the Polish złoty was formally put into circulation pursuant to a regulation of the President of the Republic of Poland of 14 April 1924.

■ Anna Brzyska

# Exhibits

**On the 190th anniversary of the creation of Bank Polski  
- a few words about the Cash Note that was introduced back then**

pp. 21-22



# On the 190th anniversary of the creation of Bank Polski – a few words about the Cash Note that was introduced back then

**“We, Nicholas I, By the Grace of God Emperor of All Russia, King of Poland, etc. etc. etc. (...) do hereby establish in our Capital City of Warsaw a bank under the name of the BANK POLSKI, whose goal is to satisfy the public debt, and to expand trade, lending and national industry” – these are the words beginning the “Founding Act of Bank Polski” of 17/29 January 1828. In the documents from that period, two dates were given as a fraction, which marked the difference between the dates in the Gregorian and the Orthodox calendars.**

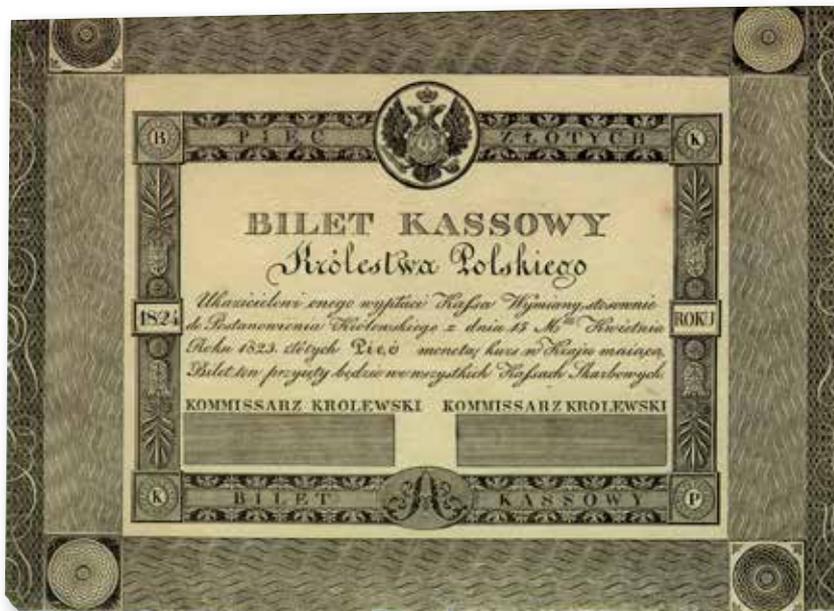
The official opening of Bank Polski on 6 May 1828 was inaugurated by the Minister of Revenues and Treasury Prince Franciszek Ksawery Drucki-Lubecki. Pursuant to Article

22 of the Act, Bank Polski was granted the privilege of issuing bank notes and treasury notes (which were already printed pursuant to the Royal Decree of 3/15 April 1823).

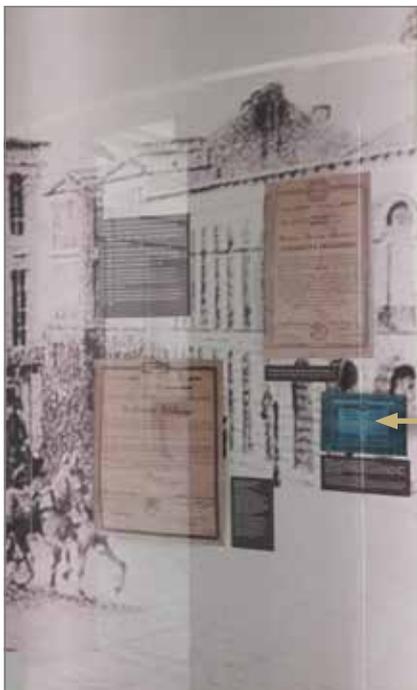
The cash notes were designed by Russian graphic designers and printed in St. Petersburg. The printing works were completed in May 1824 and this date of



Franciszek Ksawery Drucki-Lubecki 1779–1846. Portrait by the painter Marie-Eugénie Prévot Gomer, 1825. Collection of the National Museum in Warsaw – Wilanów Palace. Wikimedia



Template of the Cash Note. NBP collection



Showcase in the Central Bank room where the Cash Note from 1824 is presented.  
Photo: NBP

issue was placed on the notes. The notes were printed on thin paper in four classes corresponding to their face values: in class A – blue notes with a face value of 5 zloty, in class B – red notes with a face value of 10 zloty, in class C – white notes with a face value of 50 zloty, and in class D – white notes with a face value of 100 zloty. The banknote paper contained light and dark watermarks. They indicated the year of issue “1824” and were placed in the centre on the banknote. Below the date, in dark circles, there was the denomination of the given banknote marked with Arabic numerals (on the left) and with Roman numerals (on the right). Around the banknote there was a watermark inscription “BILET KASSOWY” (“Cash Note”) and the face value expressed in words.

The notes were printed using the copperplate technique, and one interesting fact is that these were the first Polish banknotes printed on both sides. On the front side, two decorative frames were placed along the edges of the banknote. They were executed with fancy guilloches, prepared individually for each face value. In the inner frame there was the coat-of-arms of the Kingdom of Poland, the year of issue, the face value expressed in words and the name of the note. In the corners of the frame there were the letters B-K-K-P, which served as an abbreviation for “bilet kasowy Królestwa Polskiego”, i.e. Cash Note of the Kingdom of Poland. In the central part of the banknote there was an inscription: “Bilet Kassowy Królestwa Polskiego” (“Cash Note of the Kingdom of Poland”) and a clause guaranteeing unlimited exchange of the notes

for coins. Below the clause there were facsimile signatures of two royal commissioners. Additionally, the banknote was embossed with two dry stamps: one with the face value, and another with the coat of arms of the Kingdom of Poland and the inscription “Bilet Kass: Króle: Polsk.” On the reverse side there was a decorative guilloche frame with the face value of the banknote and the signature of the bank controller.

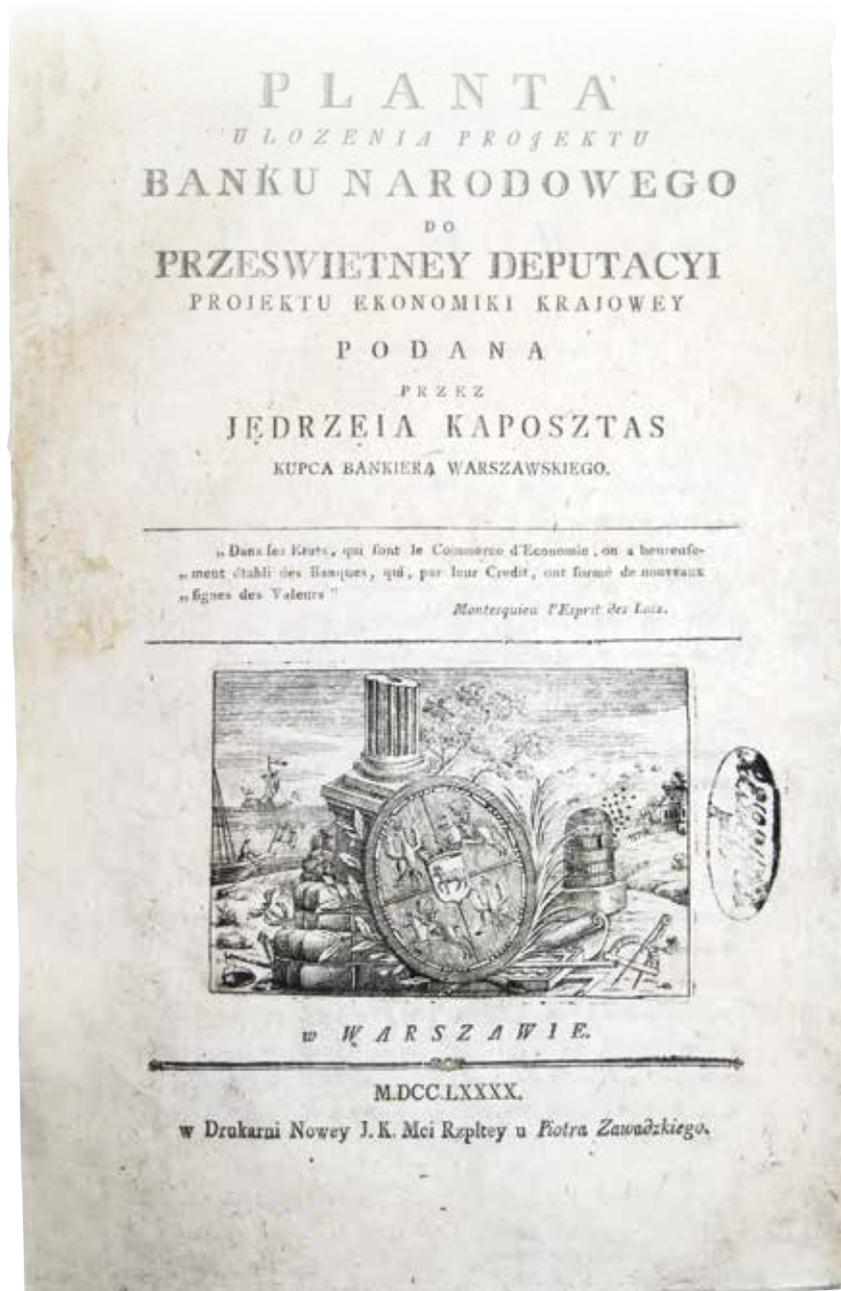
Few of these banknotes have survived the 190 years that are just passing since their introduction into circulation. At the NBP Money Centre in the room dedicated to the history of central banking in Poland, we can see the cash note with the face value of 5 zloty from 1824.

■ Marcin Madejski

# Discovering multimedia, let's open the showcases

## Journey through 190 years of Polish central banking

Room: The Central Bank **pp. 24-26**



# The most important events in the history of Polish central banking

- 1794** First paper money is issued in Poland.
- 1828** Bank Polski is established in the Kingdom of Poland.
- 1886** Seizure of Bank Polski's assets and bodies by the Russian State Bank
- 1918** Polska Krajowa Kasa Pożyczkowa becomes the issuing body of the Polish state
- 1924** Bank Polski S.A. is established
- 1939** Evacuation of Bank Polski S.A. abroad; the German authorities create the Bank of Issue in Poland
- 1945** Establishment of Narodowy Bank Polski; revocation of Bank Polski S.A.'s right of issue
- 1989** Reform of Narodowy Bank Polski's structure and function is launched
- 1995** Złoty redenomination: 1 new złoty replaces 10,000 old złoty
- 2004** NBP becomes member of the European System of Central Banks

# Journey through 190 years of Polish central banking

## Room: The Central Bank

**At the entrance to the Central Bank room the guests are greeted by a virtual character: We're meeting in a room dedicated to the history of Polish central banking. The exhibition presented here tells the story of the functioning of the central bank in Poland.**

The visitors can then choose questions from the multimedia list and they will immediately get an answer:

### **1. The central bank is the state bank. What does it mean?**

The central bank is one of the most important central institutions of the state, and most often has strong legal authorization in the constitution. The central bank of Poland is Narodowy Bank Polski (literally: National Bank of Poland). It fulfils the tasks specified in the Constitution of the Republic of Poland, the Act on Narodowy Bank Polski and the Banking Law Act.

### **2. What does it mean that the central bank issues money?**

The issue of money consists in the introduction of cash into circulation as well as providing banks with funds through, for example, open market operations. The issue of money is usually carried out by the central bank. In Poland, Narodowy Bank Polski has the exclusive right to issue currency and thus determines the size of the issue of money and the moment when it is introduced into circulation. The coins are minted in the Mint of Poland (Mennica Polska S.A.) and the banknotes are printed at the Polish Security Printing Works (PWPW SA).

### **3. The central bank is the banker to banks. What does this function entail?**

The central bank, i.e. Narodowy Bank Polski, is responsible for the condition of the banking system in the country. It accepts deposits from commercial banks, including the so-called statutory reserves, and grants them loans when the monetary resources of the banks are too small – that is why we describe it as the “banker to banks”. In Poland the central bank has served as the banker to banks only since the reforms of 1989.

### **4. What does the central bank's independence mean?**

The central bank is an institution whose main task is to ensure the stability of the currency. In order to fulfil this function, the central bank has to be completely independent from political interference. Central bank independence is not a goal in and of itself. It is merely a tool that is used to ensure that the country has a strong and stable currency. Historical experience shows that the stronger the position of the central bank, the lower the inflation and the more stable the economic situation of the state.

After acquiring this knowledge – now it's time to view the exhibits that illustrate the history of Polish central banking. This history is as tumultuous as the times in which the central banks operated. Partitions, wars, economic transformation – all of these events affected

the functioning of the economy and the role fulfilled by money.

By moving clockwise and viewing the subsequent showcases, you can learn about the first projects for the creation of a central bank in Poland, see the first Polish paper money, and learn about the most exceptional figures in the history of central banking in Poland. The exhibition presents the problems associated with the construction of the foundations of central banking. It shows how the central bank operated in spite of the changing geopolitical situation and how it affected Poland's chances of regaining political sovereignty.

The central section of the room consists of three semi-circular walls and a cast of the symbol of Bank Polski S.A. located on the floor in the middle of the room.

The semi-circular walls contain the images of three eagles. Each comes from a different era, and each represents the history of a different central bank. The double-headed eagle with a crown symbolizes Bank Polski. This was the first Polish bank of issue. It began its operations on 6 May 1828. The bank was founded by the Minister of Treasury of the Kingdom of Poland, Prince Ksawery Drucki-Lubecki. The bank was supposed to provide



The first Polish bank of issue began operating on 6 May 1828. It was founded by the Minister of Treasury of the Kingdom of Poland, Prince Ksawery Drucki-Lubecki.  
Photo: NBP

loans to support the development of the mining, metallurgy and textile industries as well as the construction of roads and railways.

The second eagle has one head with a crown. This is the eagle from the seal of Bank Polski S.A. That bank began its operations on 28 April 1924. It was a joint-stock company. The creation of Bank Polski S.A. was associated with the implementation of a number of reforms aimed at balancing



the state budget and providing monetary stability. The government of Władysław Grabski managed to carry out a reform of the state finances and introduce a new currency – the Polish złoty.

The third eagle is the eagle of the contemporary Narodowy Bank Polski. NBP was created pursuant to a decree of the State National Council of 15 January 1945. After World War II it mainly focused on replacing the occupation-era money and granting loans to government bodies and enterprises which were launching production.

During the time of the Polish People's Republic it functioned as a loan and settlement institution and a public financial control body. It also provided cash services and settlement services for the state budget. The process of NBP's transformation into a modern central bank began in 1989. A decision was then made to cease the provision of deposit and loan activities at NBP. The new Act on Narodowy Bank Polski of 1997 set out NBP's main objectives – to maintain price stability and support the economic policy of the government.

Poland's entry into the European Union and membership in the European System of Central Banks was the next phase of changes in Narodowy Bank Polski.

Prepared by  
■ Stanisław Gorący

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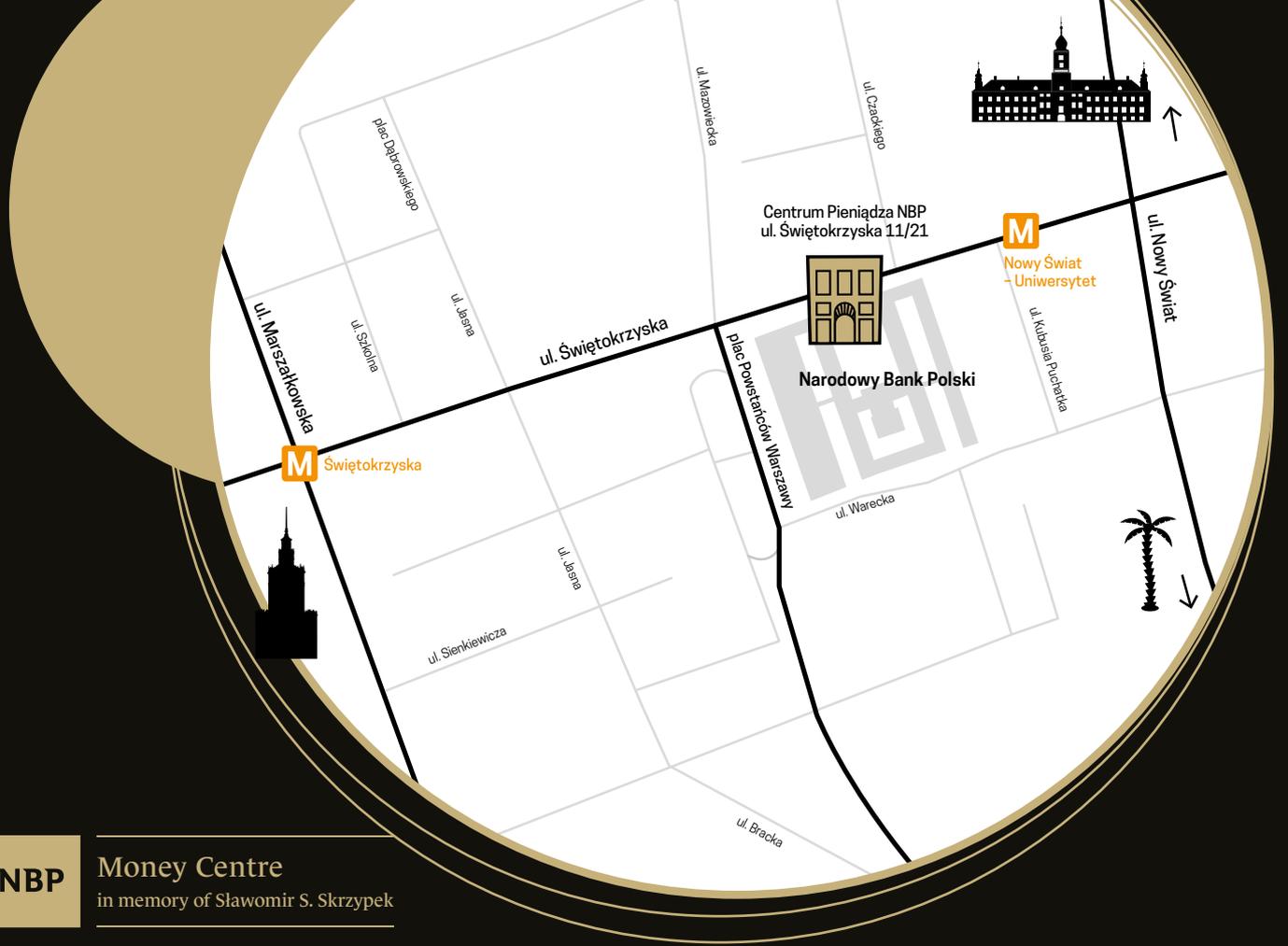
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**NBP**

## Money Centre

in memory of Sławomir S. Skrzypek

We invite you

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Friday – Sunday 10 a.m. – 6 p.m.

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