

The Path to Central Bank in Poland: The Duchy of Warsaw

Background and Purpose

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Abstract

This thesis investigates the foundations of central banking in the Duchy of Warsaw, a client state of the French Empire, within the broader context of economic and political history. While much has been written about the Duchy of Warsaw, its economic aspects, particularly the development of central banking, require further exploration. Due to the scarcity of archival documents, many of which were destroyed during World War II, this research builds a comprehensive background to explain the motivations and feasibility of establishing a central bank in the Duchy. The study delves into the economic conditions of the Duchy from both domestic and international perspectives, analysing the economic status of its citizens and the significant influence of French policies. The French influence, crucial for the idea of a central bank, extended beyond the independence of Poland from the partitions of 1795 to include extensive social, legal, and administrative reforms. However, the Duchy's status as a French client state also meant participation in the Continental Blockade and involvement in the wars of 1809 and 1812, ultimately leading to its transition into the Congress Kingdom under Russian control in 1815. This thesis utilizes various sources, from economic analyses to historical legislation, to understand the unstable economic situation of the Duchy and its impact on regular citizens. It traces the continuity of legal concepts from the Duchy to the Congress Kingdom, highlighting the significant legislative acts introduced by Napoleon, such as the Code de Commerce and the Code Civil. By exploring the central banking proposals from the era of the Polish-Lithuanian Commonwealth and the Duchy of Warsaw, and contrasting them with the Bank of Poland established in 1828, this research highlights the unique characteristics of these early central banking initiatives. The findings underscore the ambitious but flawed attempts to implement central banking in Poland, driven by mercantilist goals of economic development and financial stability. Overall, this research not only sheds light on the economic history of the Duchy of Warsaw but also provides a foundation for further studies on central banking and banking relations in Europe.

KEYWORDS: *Central Bank, The Duchy of Warsaw, economy, French Empire, Napoleon*

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1. Introduction

The second half of the 18th century was a period of contrast in the history of Poland. The decadence of the state and the constant wars fought by the Polish-Lithuanian Commonwealth since the 17th century were destroying the country's economy. A state weakened by ongoing wars is fragile and susceptible to obstruction by neighbouring states like, in the case of Poland, Russia, Prussia, and Austria. On the other hand, this period marked the height of the Enlightenment in the Polish-Lithuanian Commonwealth, which, despite the first two partitions of the state by the three aforementioned countries, led to the adoption of the first constitution, called the "3rd May Constitution." The Duchy of Warsaw was a Polish state that existed between 1807 and 1815, created as a Napoleonic client state and a buffer zone with the Russian Empire. Before the creation of the Duchy, the Polish crown was the object of a diplomatic game between Napoleon and Alexander I. One of these "diplomatic games" by Napoleon was to offer the Polish crown to the Russian Emperor to weaken the bonds of alliance between Russia, Austria, and Prussia. As Napoleon did not achieve his goal, he gave the crown to Frederick Augustus I of Saxony. There is no clear evidence why Napoleon chose the ruler of Saxony, but the Wettin house is mentioned as the heirs to the crown of the Commonwealth in the 3rd May Constitution. The Duchy of Warsaw itself was created in 1807 by signing the Treaty of Tilsit between Russia and France and later between France and Prussia. The Duchy comprised 1/7 of the territory of the pre-partition Polish-Lithuanian Commonwealth. Critically, the key port city of Gdańsk was outside the Duchy as a free city-state under French protection. All the lands used to create the Duchy were taken from areas of the Commonwealth that came under Prussian rule after the Partitions of Poland-Lithuania. The reaction of the Russian Emperor to the creation of the Duchy is worth mentioning. In a letter to his mistress Maria Czetwertyńska-Światopełk, he wrote: "At least there will be no Poland, only a pitiful Duchy of Warsaw."¹

In 1809, the Polish Minister of War, Prince Józef Poniatowski, was aware of Austrian preparations to strike the Duchy. The inevitable strike came on 14 April 1809.² War was quite challenging for the reborn Polish state, but on 14 October, a peace treaty gave the Duchy other pre-partition territories that Austria took during the partitions of 1772 and 1795. The final shape of the Duchy was 155,5 km² and 4.3 million people. After the failure of Napoleon's campaign in Russia, Alexander I, occupied the Duchy of Warsaw and on 1 March 1813, he set up the

¹ Jarosław Czuby, *Księstwo Warszawskie: 1807-1815* (Warsaw, Wydawnictwo Uniwersytetu Warszawskiego, 2011), 133 – 134.

² *Ibidem*, 202.

Highest Temporary Council which governed the realm in the name of the Russian Emperor.³ In total, Napoleonic rule lasted only from 1807 until 1815. Russian rule lasted from 1815 until 1918, when Poland, as well as Lithuania, re-gained their independence. As the Russian control under ex-Commonwealth territories was much longer – changes brought by France were still visible, even after 1918.

1.1 Research Question

In this thesis I will answer the following research question: *What are the foundations of central banking in the Duchy of Warsaw?* Chapters 2 and 3 consists of necessary context for understanding the foundations of central banking in Poland. Chapter 2 examines the economy of the Poland that formed the context for thinking and initiatives on central banking. Due to the loss of sovereignty, France held great sway in the Duchy of Warsaw. Chapter 3 discusses the French influence on the Duchy of Warsaw. The main research question is explored in chapter 4. The ideas and initiatives on central banking in Poland are explored in chronological order, dealing first with certain period of the pre-Partition Commonwealth of Poland-Lithuania, 1763 - 1790, second the era of the Duchy of Warsaw, 1807-1815, and finally the era of the Congress Kingdom of Poland, 1815-1860.

1.2 Literature Review

In the subsections below, I focus on various legal and economic literature, primarily from the years 1790 to 1831, as well as theories about central banking itself. The literature used in this paper includes information and data from diverse sources, ranging from narrative sources like diaries and journals of people living during that time to bookkeeping data of the state and legal acts. This multifaceted approach allows for a comprehensive understanding of the economic landscape of the Duchy of Warsaw during this period. By better understanding the economy, from macro and micro economic perspective, of the Duchy, it becomes easier to comprehend why the Central Bank was seen as a desirable asset in the modernization of the economy.

In Grochulska's work about commerce in the Duchy of Warsaw, we can read that economic issues of the Duchy are 'barely touched'⁴, and her statement which was written in 1967, is still relevant as confirmed by some later works by other polish historians like Złotkowski or

³ Ibidem, 516.

⁴ Barbara Grochulska, *Handel zagraniczny Księstwa Warszawskiego: z badań nad strukturą gospodarczą* (Warszawa: Państwowe Wydawnictwo Naukowe, 1967), 8.

Pilarczyk.⁵ There was recently an attempt to fill this gap in Polish historiography by Kowalczyk⁶ but reception of his work was negative and why it was negative, I explained it later in this chapter.⁷ How it is the wrong approach to the economy history of the Duchy, I will discuss this matter below. As Czuby said that the Duchy of Warsaw is the first Polish modern state because of adapting new thought and spirit of this particular time – Napoleonic era.⁸ Central Banking – or as will be shown, the legal beginnings of central banking in case of the Duchy, is also one of the factors of being modern state.

There are recent works, more economic than historic, about the Duchy of Warsaw which shows that this topic can be explored by scholars other than historians. An economic point of view is provided by Bukowski et al.⁹ They are writing that recent research about more focused on economic and statistic rather than on history on Eastern Central Europe were made in 1950s to 1970s which, as Bukowski et al. mentioned, were made under Marxist view on economy and history,¹⁰ and there is still missing data about urbanization and GDP in 19th century Polish territories¹¹. As the results are from years 1790 – 1910, I will focus on results that are useful for my thesis, 1790 – 1815. They used correlation between urbanisation level and GDP per capita to estimate in other parts of Europe to get estimation of extrapolation of GDP per capita of Poland in two ways – as a whole region and as three parts under three countries, Prussia/Germany, Russia, and Austria/Austria-Hungary – both are for 19th century¹². The authors recall earlier approaches to those studies on GDP to which he has critical approach:

“Wójtowicz made estimates of historical Polish GDP based on a simple Solow model, using very rough estimates of the value of capital and labour resources as

⁵ Dariusz Złotkowski, *Miasta departamentu kaliskiego w okresie Księstwa Warszawskiego: studium gospodarcze* (Częstochowa: WSP, 2001), 22; Piotr Pilarczyk, ‘Polityka Gospodarcza Jako Czynniki Kształtowania Rozwiązań Prawnych. Wpływ Na Regulacje Celne w Polskiej Skarbowości Od XVIII Do XX Wieku’, *Studia z Dziejów Państwa i Prawa Polskiego XVI* (2013): 77.

⁶ Rafał Kowalczyk, *Polityka gospodarcza i finansowa Księstwa Warszawskiego w latach 1807-1812* (Łódź: Wydawnictwo Uniwersytetu Łódzkiego, 2010).

⁷ Piotr Degen, ‘Rafał Kowalczyk, Polityka Gospodarcza i Finansowa Księstwa Warszawskiego 1807–1812, Łódź 2010, Wydawnictwo Uniwersytetu Łódzkiego, Ss. 391 + 69 Il.’, *Studia z Historii Społeczno-Gospodarczej XIX i XX Wieku* 12 (2013): 137–46.

Piotr Pilarczyk, ‘Rafał Kowalczyk, Polityka Gospodarcza i Finansowa Księstwa Warszawskiego w Latach 1807–1812, Łódź 2010, Wydawnictwo Uniwersytetu Łódzkiego, Ss. 391’, *Kwartalnik Historyczny* 119, no. 4 (2012): 835–40.

⁸ Czuby, ‘Księstwo Warszawskie – Pierwsze Nowoczesne Państwo Polskie?’, 397.

⁹ Maciej Bukowski et al., ‘Urbanization and GDP per Capita: New Data and Results for the Polish Lands, 1790–1910’, *Historical Methods: A Journal of Quantitative and Interdisciplinary History* 52, no. 4 (2 October 2019): 213–27, <https://doi.org/10.1080/01615440.2019.1580171>.

¹⁰ Bukowski et al., ‘Urbanization and GDP per Capita’, 213 – 214.

¹¹ *Ibidem*, 214.

¹² *Ibidem*.

well as simplifying parameters of the model. Unfortunately, their methods and data sources remain rather unclear and cannot be replicated.”¹³

As well as other two examples of similar papers done in 1999 and 2017 are also questionable when it came to extrapolate those data for other regions of Poland.¹⁴ From the information provided by Bukowski et al. it can be clearly seen that methodology as well as the range of data is still ongoing debate in the Polish historiography when it comes to indicate the ways of estimation of GDP or from more holistic point of view, how we should deal with economic history. As the authors claim they have collected various data from because Poland at that time was under three countries, which means they had to indicate borders and cities properly to specific country – they collected data from 1794 to 1910 which can help them in furthered estimations.¹⁵ Results on Table 2 – 4 and Figure 2 and 3 show that in 1790s and 1810s – which is time of my interest in this paper – the Prussian part is the richest and most urbanized. This is very useful information to confirm information from primary sources which can indicate if, for example some author of a journal/dairy presented a picture that can be corroborated with the data or not. Bukowski et al. are aware of fact that due to complicated nature of data – especially for earlier periods – they are estimations which are not perfect, but this one of the most recent approaches which is giving to further analysis a lot of data.¹⁶ And what is making this approach very different from others that this is quantitative type of work as well as group work. I do not mean here group publishing under editor, but 5 authors working on single paper which is *novum* when it comes to work on the Duchy of Warsaw. The same spirit of economic approach is found in the work of Marcin Wroński.¹⁷ It is first work about income inequality in the Duchy of Warsaw. What has been said by all scholars that I mentioned before about insufficient research on different aspects of economy, Wroński is one of the those scholars who is filling the gap. He is making a unique research and as he is claiming that could be widely use by historians and social scientists but also research can be composed to subject of other ethnic, religious, and social groups that were living in the Duchy of Warsaw¹⁸. And this is especially

¹³ Ibidem, 216.

¹⁴ Ibidem, 216 – 217.

¹⁵ Ibidem, 220.

¹⁶ Ibidem, 224.

¹⁷ Marcin Wroński, ‘Income Inequality in the Duchy of Warsaw (1810/11)’, *Scandinavian Economic History Review*, 2 December 2022, 1–15.

¹⁸ Marcin Wroński, ‘Income Inequality in the Duchy of Warsaw (1810/11)’, *Scandinavian Economic History Review*, 2 December 2022, 13.

valid point because pre-partition Poland was multi – ethnic, religious, and cultural state¹⁹. The debate about economics of the Duchy of Warsaw has been ongoing from Wawrzyniec Surowiecki's study of 1810 but comparing frequency and intensity to other aspects of the Duchy – like legal, military, or political matters, publications about economy of the Duchy are not numerous as those others. Thanks to the recent grant program of Polish National Science Centre (NCN) there is new approach to issue of economy of the Duchy of Warsaw especially work of Wroński is the most recent.²⁰

Moving to more general point of view about state the discussion about economy of the Duchy of Warsaw is present from the time of this realm, on example of nobleman Wawrzyniec Surowiecki (1810), who wrote about the need for industrial reformation in the Duchy.²¹ The first historian to write about the economic situation in the Duchy was Fryderyk Skarbek (1860), who was described events like the Continental Blockade, (French economic war on England, in which, Duchy of Warsaw as Napoleonic satellite state was obligated to participate), in terms of 'total bankruptcy of agricultural realm', but without any data to prove that point.²² Czubyaty claims that this representation of the economic condition by Skarbek was a little bit exaggerated.²³ As I will show in the Chapter 2, condition, of the economy of the Duchy was far from stable. The first modern approach to the economy or some its points was Barbara Grochulska in her work about international commercial situation of the Duchy of Warsaw. Here, the points about poor condition of the economy, especially of the trade aspects are based on data like efficiency of agricultural sector, conclusion about industrial development of the Duchy, trade policy or the outcome of trade policy on example of trading wheat with other countries.²⁴ In my opinion this is macroeconomic approach to economic data by only giving the results, which are important to understand the structure of the state as well decision made by the Duchy, but lacks the socio-economic approach, which is more visible in later works of other authors. Historians naturally rely more frequently on quantitative sources because of their field of research. Statistics in many ways can free from oppression of descriptive sources which are

¹⁹ Ewa Domańska, '[Re]Creative Myths and Constructed History. (The Case of Poland)', in *Myth and Memory in the Construction of Community: Historical Patterns in Europe and Beyond*, ed. Bo Stråth, Series Multiple Europes, no. 9 (Bruxelles; New York: P.I.E.-P. Lang, 200AD), 253 – 255.

²⁰ reference

²¹ Wawrzyniec Surowiecki, *O Upadku Przemysłu y Miast w Polsce* (Warsaw, 1810), <https://polona.pl/item/o-upadku-przemyslu-y-miast-w-polszce,MTA2MDA2MzQ/4/#info:metadata>.

²² Fryderyk Skarbek, *Dzieje Xięstwa Warszawskiego*, vol. I (Poznań: J.K Żupański, 1860), 182.

²³ Czubyaty, *Księstwo Warszawskie (1807-1815)*, 190.

²⁴ Barbara Grochulska, *Handel zagraniczny Księstwa Warszawskiego: z badań nad strukturą gospodarczą* (Warszawa: Państwowe Wydawnictwo Naukowe, 1967), 69 – 75, 112 – 114, 184.

biased because of their origin – they were created by human therefore they cannot show whole picture because of its subjective nature.²⁵

The next authors follow the rule of using subjective sources like journals from period of the Duchy as well as the data evidence to make complete picture of socio-economic situation in the Polish realm. Dariusz Złotkowski is one of the authors who uses data from archives documents about budget of towns²⁶, to prove harsh conditions. For example, he uses letter that were sent do Ministry of Domestic Affairs about unfair fat tax that was collected from butchers.²⁷ Those two examples were supported by their ‘opposite elements’, in case of city budgets which were sums of income and expense of particular towns there are also elements that can make this data more understandable like letters between Ministry of Domestic Affairs official and their representative in the field about necessary intervention who is going to obtain particular lease agreement on tavern for 30 years and to cut it down to 3 years because only for reason known to official of Ministry²⁸ and that was direct intervention into town budget. For support the letter to Ministry of Domestic Affairs from butchers, Złotkowski is giving data about tax income from archives, in order to show how many taxes, those permanent and temporary ones, where collected from all citizens.²⁹ Aleksandra Oniszcuk (2021) gives a specific case of relations between government and Jewish citizens of the Duchy of Warsaw – as she is going through all cases of relations on the line citizen – government, from legal to economic relations, I want to make points about those.³⁰ As Złotkowski was also giving some points about position of Jewish citizens in his work, Oniszcuk made points only about them. She gives a picture of legal-economic relations between Jewish and government of the Duchy, as she is giving data about specific taxes and other fees that only Jewish citizens have to pay³¹ and to emphasise this she not only is going to documents of Jewish community³² or political discussion³³ of Duchy officials but also for poetry³⁴ which is unusual in historic works therefore I do believe it was done in order to show whole spectrum of seeing issue of taxation – from

²⁵ Lucyna Majka-Błazejczyk, ‘Rola metod statystycznych w badniach nad hisotrią gospodarczą’, in *Historia gospodarcza: problemy i metody: studia w stulecie powstania poznańskiej szkoły historii gospodarczej*, ed. Tadeusz Janicki (Poznań: Wydział Historii UAM, 2020), 162 – 163.

²⁶ Złotkowski, *Miasta departamentu kaliskiego w okresie Księstwa Warszawskiego*, 130.

²⁷ *Ibidem*, 218.

²⁸ *Ibidem*, 222 - 223.

²⁹ *Ibidem*, 217 – 218.

³⁰ reference

³¹ Aleksandra Oniszcuk, *Pod Presją Nowoczesności. Władze Księstwa Warszawskiego Wobec Żydów* (University of Warsaw Press, 2021), 197 – 200.

³² *Ibidem*, 208.

³³ *Ibidem*, 221.

³⁴ *Ibidem*, 209.

very formal way of archival documents to more free approach on such a topic. Jacek Przygodzki (2021) took very unique way to look at commercial relations issue in the Duchy of Warsaw, as the rest of mentioned author are going through whole history of the Duchy of Warsaw, Przygodzki is narrowing he's work to functioning of temporary government established by Russian Emperor, which give us 2 years of functioning of the Duchy from 1813 to 1815. This point of view is showing us the condition of the Duchy of Warsaw economy as well as from data as well as from Russian officials journals. The same point was given for example by Grochulska, in terms of abolishment the Continental Blockade but Przygodzki point is strengthened by Russian Empire point of view about it as well as changes in the law made by them³⁵.

The last aspect of the literature review is the holistic approach to the economics of the Duchy of Warsaw by Rafał Kowalczyk.³⁶ I want to take it from different viewpoint – from two critical reviews of this book from the Polish history journals by two the Polish scholars both are negative and because of that I decided to not include at all work by Kowalczyk. It has to be explained why it has been seen as negative book. As we start with review by Pilarczyk, we can read that whole work is done wrong because of a quite a lot of things, the book is chaotic and has not been well organised into chapters and does not have any subchapters which makes this book difficult in use. Beside the fact that the author is re-uses the same arguments, information, and footnotes in the same context in other places without any further information, he also used, for a whole book only 1 table and without any information to which year this data belongs. There is no theory about of financial and economic policy and he often use as the synonym to the financial – fiscal policy. He is also barely mentioned the topic of practical dimension of the financial and economic policy as well as the basic primary and secondary sources according to Pilarczyk³⁷. On further pages Pilarczyk is describing false arguments of Kowalczyk, that either are from lack of knowledge of author about particular area of subject like claiming that administration in the Duchy was fully Prussian or biased interpretation of data – that Poznan's population growth during Prussian rule before establishing the Duchy of Warsaw, to Kowalczyk it was higher economic position of this city, Pilarczyk shown that this growth of population was because of administration borders of Poznan were expanded for its downtowns and that had

³⁵ Jacek Przygodzki, 'Problematyka Handlu Pod Rządami Rady Najwyższej Tymczasowej Księstwa Warszawskiego 1813-1815', 2021, <https://doi.org/10.34616/23.21.029>.

³⁶ Rafał Kowalczyk, *Polityka gospodarcza i finansowa Księstwa Warszawskiego w latach 1807-1812*, Wydanie 1 (Łódź: Wydawnictwo Uniwersytet Łódzkiego, 2010).

³⁷ Review of Rafał Kowalczyk, *Polityka gospodarcza i finansowa Księstwa Warszawskiego w latach 1807–1812*, Łódź 2010, *Wydawnictwo Uniwersytetu Łódzkiego*, ss. 391, by Piotr Pilarczyk, *Kwartalnik Historyczny* 119, no. 4 (2012): 835–837.

nothing in common with economic growth³⁸. Beside misplacing or misspelling towns, names, documents, terms, numbers there are also false information based on those mistakes of misplacing and misspelling³⁹. Pilarczyk ended his review with negative opinion about work of Kowalczyk and wrote that this attempt was unsuccessful, and the history of finance and economy of the Duchy are still not described properly.⁴⁰

A second review is by Piotr Degen at the beginning he is writing Kowalczyk took very hard and ungrateful task to make an attempt to write about this particular topic which is still avoiding by scholars.⁴¹ From the first page Degen is writing that Kowalczyk decided to write the book against facts, against information that primary and secondary sources are presenting and against principles of economy as well as on other rules set by Aristotelian logic⁴². The rest of the review is quite similar to the review by Pilarczyk but in my opinion, Degen is more, cruel (!) to Kowalczyk as being mean he is also very detailed about every mistake made by Kowalczyk, there are quite a lot of them, and I want to translate and paraphrase only three of them. Kowalczyk is using the term of visible hand not as Alfred Chandler about modern management of companies but as the synonym of state protectionism on the other hand Kowalczyk named Prussian administration as the invisible hand of market. Second mistake on the very same page of review, Degen is writing about Kowalczyk's theory that increase of taxation in regions taken by Prussia from Commonwealth were done in order to increase economic growth. Degen is writing that there is no economic theory that would link increase of taxation with economic growth and publishing this idea in more than 200 copies could revolutionize global economy.⁴³ Kowalczyk is also giving the Prussian peasants brought from core part of Prussia to taken lands of Commonwealth from partition that their superior agriculture abilities were increasing income to the budget, he is missing the fact, that those peasants were free from paying taxes and fees and they just couldn't make any income to budget, also when it comes to year 1808 and 1809 we can observe mass emigration back to Prussia from the Duchy of Warsaw, Degen is writing that those people who, according to Kowalczyk, can't pay rent despite the fact of superior agriculture skills and technique.⁴⁴ After few pages of pointing out mistakes, Degen also done the same thing as Pilarczyk, emphasizing

³⁸ Ibidem, 837.

³⁹ Ibidem, 837 – 839.

⁴⁰ Ibidem, 840

⁴¹ Ibidem, 137.

⁴² Ibidem, 137 - 138

⁴³ review of Rafał Kowalczyk, *Polityka gospodarcza i finansowa Księstwa Warszawskiego 1807–1812*, Łódź 2010, Wydawnictwo Uniwersytetu Łódzkiego, ss. 391 + 69 il., by Piotr Degen, *Studia z Historii Społeczno-Gospodarczej XIX i XX Wieku* 12 (2013), 140.

⁴⁴ Ibidem, 141.

misplacing, and misspelling of places, documents, people, dates, institutions.⁴⁵ Degen finished his review with calling Kowalczyk a *bricoleur*, which in English is a loanword bricolage.⁴⁶ Unfortunately, none of this review was answered by Kowalczyk yet.

When it comes to central banking, itself there must be distinction between today meaning of central bank and historic definition of it. According to Ugolini defining central bank is quite problematic – term of central bank used since about the beginning of 19th century but that was the name of headquarter of multi-branched bank or sometime later to express the position of the Bank of England. He proposes to apply modern definition of central bank and as a result of it is the first central bank was Sweden’s Riksbank because it was first bank with prerogative of creating money. Second is applying definition of “authority” of bank which in that case transfer us to 1870s which could suggest that Bank of England (1694) was the first central bank which is suggesting that requirement of being a central bank is being a ‘bank for a bank’ or lender of last resort. The third option is Amsterdam’s Wisselbank – public Dutch bank was the first bank if we apply condition of creating credit money to existing account.⁴⁷ As Ugolini is writing about axiological nature of criteria as they have more judgment value and it creates unsolvable controversy, he shows alternative solution with I personally prefer and agree, is to change the *institutional approach* to *functional approach* – instead of analysing form of organization he chooses to take a closer look to functions/solutions that need to provide, and it doesn’t matter which organization is responsible for them. The first advantage over institutional point of view is functions or solutions do not have to necessarily be ranked and thanks to that they avoid trap of judgmentalism. Second is the clearer approach to definition, instead of asking what central bank is supposed to *be* – can be asked in different way – what central bank supposed to do.⁴⁸ Ugolini shows tasks of central bank – financial stability and monetary stability.⁴⁹ There is no literature whatsoever about Central Banking in the Duchy of Warsaw beside one title from interwar period that mentions Central Banking very fleetingly – one longer sentence about date, author, and few words about plan.⁵⁰ It is the same plan and author that I investigated in this work. More about Central Bank in the time of Commonwealth can be read in three works but none of those mention any ideas for a Central Bank in the Duchy of Warsaw. Wojciech

⁴⁵ Ibidem, 143 – 146.

⁴⁶ Ibidem, 146.

⁴⁷ Stefano Ugolini, *The Evolution of Central Banking: Theory and History*, Palgrave Studies in Economic History (London: Palgrave Macmillan, 2017), 9 – 10.

⁴⁸ Ibidem, 11 – 12.

⁴⁹ Ibidem, 13.

⁵⁰ Andrzej Grodek, *Idea Banku Narodowego (Geneza Banku Polskiego 1763- 1828)* (Warszawa: Biblioteka Szkoły Głównej Handlowej w Warszawie, 1936), 78.

Morawski wrote what he referred to as a ‘Historical dictionary of Polish banking till 1939’. Most of the study is dedicated to banking from second half of 19th century and first half of 20th century. His focus is only on plans that were already successfully established without single mentioning about any legal acts or plans of forming central bank and due to this, the first institution that can be named as the Central Bank is Bank of Poland, funded in 1828 and was disbanded in 1885 due to Russian Empire policy.⁵¹ Another scholar is Cecylia Leszczyńska, who wrote the official history of Polish central banking, published by the National Bank of Poland. She not only did the short introduction about a plan of Andrzej Kapostas from end of 18th century, but also a theory about the evolution of concept of a central bank from the beginning of 19th century to until the end of 19th century.⁵² Finally is Krzysztof Łopuszyński who presents the most recent research on the Central Banking between end of 18th century and beginning of 19th century. Compared to other authors he is focuses on ideas that were created in the last years of Commonwealth and gives some general analysis of those plans, the debate on them, which resulted into the abandoning of those projects.⁵³

About Central Banking in the Duchy of Warsaw, unfortunately there is barely any work. From my research I can only describe the position of Polish economist, Andrzej Grodek, from 1936, who mentions central banking in the Duchy, but also gives quite a lot of space to the debate around Central Banking in the Commonwealth. He also examines the mercantilist politicians and thinkers as the founders of institution that will focus as well as on the emission of currency as on the provide base for economic growth of the Commonwealth, calling currency as the *nervus rerum*. As the Polish Lithuanian Commonwealth lacked precious metals like gold and silver, mercantilists saw banks as the cure for not enough currency in domestic market. Not banks as institution per se, but their specific product – short-term credits. Polish mercantilists, according to Grodek, were heavily inspired, when it comes to emission of the currency, by Bank of England, or as Grodek calls it, the Bank of London.⁵⁴

A review through literature not only gives an answer to how the debate has been explored in terms of socio-economic issues, but also gives a clue where the demand for research is. I think that I show rising interest for economic matters, as well complexity when it comes to building narrative structure around central banking problem.

⁵¹Wojciech Morawski, *Słownik Historyczny Bankowości Polskiej Do 1939 Roku*, (Warszawa: Muza, 1998), 37.

⁵²Cecylia Leszczyńska, *Zarys Historii Polskiej Bankowości Centralnej* (Warsaw: NBP, 2010), 4 – 7.

⁵³Krzysztof Łopuszyński, ‘Idea Bankowości Centralnej w Ostatnich Latach I Rzeczypospolitej’, *Roczniki Nauk Prawnych* 28, no. 3 (2018), 106 – 108.

⁵⁴Grodek, *Idea Banku Narodowego (Geneza Banku Polskiego 1763- 1828)*, 12 – 14.

1.3 Sources and methods

In this thesis I will analyse several primary sources. First are the legal propositions from the time of the Duchy of Warsaw as well as the Commonwealth. There are two legal propositions in this thesis, the first is from 1790, from the Commonwealth by merchant and banker, Andrzej Kapostas⁵⁵, the second primary source is by nobleman Jan Kanty Chrucki in 1808⁵⁶, both of those documents are from archive of National Library in Warsaw, Poland. Both of documents are the most detailed projects of Central Banking As I shown in Chapter 4, besides the fact, that they have different core assumption when it comes functioning of this institutions, end goal is the same – improvement of economic situation of state which is in desperate need for modernization and industrialization. Second type are articles from the Enlightenment era Commonwealth's periodical from years 1788 – 1790, two articles were written by anonymous author in 1788⁵⁷ and in 1790⁵⁸, they are discussions around how exactly a central bank should be organized and the experience of other European countries in central banking, third article was written by castellan Jacek Jezierski in 1790, who created sketch of central bank⁵⁹. Detailed study on those primary sources is in Chapter 4 The last type are reprinted primary sources Protocols of the Duchy of Warsaw State Council, it was published in 2 volumes, each volume was divided into 2 parts, published in 1960⁶⁰, 1962⁶¹, 1965⁶² and 1968⁶³. This are the most valuable documents in terms tracing discussion and legal procedure on central bank projects in

⁵⁵ Andrzej Kapostas, 'Planta Ułożenia Projektu Banku Narodowego Do Prześwietnej Deputacji Projektu Ekonomiki Krajowej Podana', 1790, SD XVIII 3.5992, Biblioteka Narodowa,

⁵⁶ Jan Kanty Chrucki, 'System Banku Skombinowanego Dla Xięstwa Warszawskiego. Projekt Prześwietnym Stanom Na Seym Zgromadzić Się Mającym Do Rozwiązania i Potwierdzenia Przedstawiony.', 1808, 2.005.462 A, Biblioteka Narodowa,

⁵⁷ 'Sposób Pomnożenia Majątku i Dochodu Publicznego Przez Ustanowienie Banku Narodowego.', Pamiętnik Polityczny i Historyczny Przypadków, Ustaw, Osób, Miejsc i Pism Wiek Nasz Szczególniej Interesujących IV, no. X–XIII (1788): 1020–45.

⁵⁸ 'Myśli i Przestrogi Nie Objęte Dla Naordu Względem Projektu Bankowego. Wzór Nowy Banku Użytecznego.', Pamiętnik Polityczny i Historyczny Przypadków, Ustaw, Osób, Miejsc i Pism Wiek Nasz Szczególniej Interesujących III–IV (1790): 1129–53.

⁵⁹ Jan Jezierski, 'Projekt Banku Narodowego', Pamiętnik Polityczny i Historyczny Przypadków, Ustaw, Osób, Miejsc i Pism Wiek Nasz Szczególniej Interesujących III–IV (1790): 1123–29.

⁶⁰ Bronisław Pawłowski and Rada Stanu Księstwa Warszawskiego, 'Protokoły Rady Stanu Księstwa Warszawskiego. Vol. 1, no. 1 (1960), <https://kpbc.umk.pl/dlibra/doccontent?id=25711>.

⁶¹ Bronisław Pawłowski, 'Protokoły Rady Stanu Księstwa Warszawskiego.' Vol 1, no. 2 (1962), <http://kpbc.umk.pl/dlibra/publication/edition/25713>.

⁶² Polska. Rada Stanu Księstwa Warszawskiego, Tadeusz Mencil, and Bronisław Pawłowski, 'Protokoły Rady Stanu Księstwa Warszawskiego.' Vol. 2, no. 1 (1965), <http://kpbc.umk.pl/dlibra/publication/edition/25714>.

⁶³ Tadeusz Mencil and Bronisław Pawłowski, 'Protokoły Rady Stanu Księstwa Warszawskiego.' Vol. 2, no. 2 (1968), <http://kpbc.umk.pl/dlibra/publication/edition/25715>.

the Duchy of Warsaw as due to massive destruction of archives gathered in Warsaw during Second World War, the ways of indicating result of such legislation works are very limited.⁶⁴

2. Economy background of the Duchy Warsaw

In order to understand development of ideas for central banking in the Duchy of Warsaw, the thesis start by examining the origins of the Duchy of Warsaw, before proceeding to discuss the economic and international state of the Duchy of Warsaw, and finally the influence of France on the economy.

2.1 The origins and international position of the Duchy of Warsaw, 1807-1813

The first point is a draft of the economic and international context of the Duchy of Warsaw. The entire setting is placed between 1807 and 1815, within the dynamics of European affairs caused by the Napoleonic Wars, which meant constant changes and chaos. Issues that affected the Duchy, such as the Continental Blockade, regulatory disorder, and tax burdens for the war efforts of not only the Polish army but also the French and other allied armies, caused many problems in the reborn state. Not long after establishing the Duchy, there was war with Austria, in 1809, and, subsequently, yet another war, 1812-1813, when Russian army entered the Duchy after defeat of Napoleon and his allies in Winter Campaign. Later, the Russian occupation of the Duchy from March 1813 and their attempts to reform taxes and tariffs led to other significant issues, which I describe further in this paper. The second point of this list is devoted to an entire chapter due to its significance, as the French Empire was the creator of the state and the constitution of the Duchy.⁶⁵ Foreign policy, including foreign aspects of economics and commercials, were under control of Kingdom of Saxony and, also, under French control. Grochulska wrote that the Dutchy policy line was reflecting interests of Kingdom of Saxony and French Empire⁶⁶. King of Saxony, Frederick Augustus, as also the Duke of Warsaw, held all executive prerogatives in his hand⁶⁷. This was granted by the formula in Napoleon's constitution which said "government is in the person of the ruler". Based on the suggestion of Minister of Foreign Affairs of French Empire, preceded by the Council of Ministers report publication (May 1812), which outlined precarious condition of the Duchy of Warsaw, King of

⁶⁴ 'Straty Wojenne w Warszawskich Archiwach Wyniosły 90–95 Proc. Ich Przedwojennych Zasobów', accessed 31 May 2023, <https://dzieje.pl/wiadomosci/straty-wojenne-w-warszawskich-archiwach-wyniosly-90-95-proc-ich-przedwojennych-zasobow>.

⁶⁵ Czuby, 'Księstwo Warszawskie – Pierwsze Nowoczesne Państwo Polskie?', 366.

⁶⁶ Grochulska, Handel zagraniczny Księstwa Warszawskiego: z badań nad strukturą gospodarczą, 114.

⁶⁷ Czuby, 'Księstwo Warszawskie – Pierwsze Nowoczesne Państwo Polskie?', 366.

Saxony decided to give extraordinary permission to the Council. He agreed to grant them the status of viceroyalty which, according to the Constitution of the Duchy, belonged rightfully, to the brother of the King.⁶⁸ At the same time, Napoleon attempted to limit control and influence of Saxony over the Duchy to a minimum. On 27th of May 1812, by his decree, French ambassador was appointed in Warsaw to allow more direct control over work of the Council of Ministers. In consequence, these actions led to a creation of some sort of viceroyalty for French ambassador Dominique Dufour de Pradt. This decision gave significant freedom in actions to French ambassador in Warsaw. His doings however resulted in Napoleon's word of warning and decision to limit ambassador's authority to take care of army needs only. Afterwards, due to lost campaign in Russia and de Pradt dismissal, his deputy Louis Pierre Édouard acted as French ambassador in the Duchy of Warsaw till May 1813.⁶⁹

More detailed impact analyses of changes in French approach to the supervision over the Duchy in place between 1807 – 1815, are provided below. Other significant factors affecting the Duchy, particularly in the economic field are also considered in this paper.

2.2 Economic and International situation of the Duchy of Warsaw

Without any doubt the economic condition of the Duchy of Warsaw was not great. The timing - realm created in the middle of wars between Napoleon and opposing coalition - cannot be considered as a factor that would contribute to building a stable and prosper economy. To understand economic burdens of the Duchy, we have to analyse relevant data, but it is important to note that the research of Malinowski and von Zaden is based on information from Cracow region only and does not consider that data from other parts of the Duchy might be different. Furthermore, Malinowski and Van Zanden are using \$PPP from 1990 and Bukowski et al. – which is next research – \$PPP from 2011. It can be seen that GDP per capita given by Malinowski and Van Zanden, in comparison to Great Britain and Netherlands, shows around three times higher values (respectively: 1513\$PPP and 1620\$PPP to 569\$PPP) before Industrial Revolution around 1700 but when we look at the data for year around 1820 (which is the closest date to my research given in this paper), difference is still three times higher (respectively: 2074\$PPP and 1886\$PPP to 634\$PPP).⁷⁰ As for the data provided by Bukowski et al., I selected

⁶⁸ Mancewicz, Helena. 'Zmiany Ustrojowe w Księstwie Warszawskim w 1812/1813 r.' *Roczniki Humanistyczne* XXXVI, no. 2 (1988): 183-184.

⁶⁹ Mancewicz, Helena. 'Zmiany Ustrojowe w Księstwie Warszawskim w 1812/1813 r.' *Roczniki Humanistyczne* XXXVI, no. 2 (1988): 179-181.

⁷⁰ Mikołaj Malinowski and Jan Luiten van Zanden, 'Income and Its Distribution in Preindustrial Poland', *Cliometrica* 11, no. 3 (September 2017): 401, <https://doi.org/10.1007/s11698-016-0154-5>

the figures applicable to time around year 1810 and from lands taken by Prussian and Austrian. With such selection I regarded the lands which formed most of the Duchy hence the given data can represent an estimation for the whole Duchy. For Prussian's regions GDP per capita was 1576\$PPP and for Austrian's regions it was 1138\$PPP. In average it gives 1357\$PPP.⁷¹ In comparison with the available data from United Kingdom (1810) and the Netherlands (1808) for the same 2011\$PPP, respectively there are 3410\$PPP and 2971\$PPP.⁷² Reviewing the data provided by Bukowski et al., those GDPs per capita of United Kingdom and the Netherlands, are correspondingly higher: from about two and a half times to two times. So, an assumption can be made that Cracow, and surroundings, were notably poorer than other regions of the Duchy of Warsaw. Another set of available data about GDP per capita is from recent work of Wroński. He attempted to make an evaluation of taxpayers' scale in the Duchy of Warsaw and presented some conclusions. As per his analyses, the total population of the Duchy of Warsaw was 4 300 000 residents. He however noted that the specific data, which can help to establish the overview of taxpayers in the Duchy, is available for Kalisz Department only.⁷³ I can express my agreement with his opinion. During my studies of digitally available archives, I immediately became aware that significant number of documents were missing. Sadly, this is a common issue applicable to the state and completeness of the archives as more than 90% of archives' material was destroyed during World War II.⁷⁴

Table 1 below present the taxpayers classification. Based on existing evidence it can be noted that the taxpayers were divided into ten classes (I to X)⁷⁵ depending on their wealth. It is worth stating that the lowest class consisted of taxpayers with non-stable source of income, and it was approximately only 2.5 % of total Kalisz Department population.⁷⁶

⁷¹ Maciej Bukowski et al., 'Urbanization and GDP per Capita: New Data and Results for the Polish Lands, 1790–1910', *Historical Methods: A Journal of Quantitative and Interdisciplinary History* 52, no. 4 (2 October 2019): 222, <https://doi.org/10.1080/01615440.2019.1580171>.

⁷² Maddison Project Database, version 2018. Bolt, Jutta, Robert Inklaar, Herman de Jong, and Jan Luiten van Zanden (2018), "Rebasing 'Maddison': new income comparisons and the shape of long-run economic development", Maddison Project Working paper 10.

⁷³ Marcin Wroński, 'Income Inequality in the Duchy of Warsaw (1810/11)', *Scandinavian Economic History Review*, 2 December 2022, 2,4, <https://doi.org/10.1080/03585522.2022.2148736>.

⁷⁴ 'Straty Wojenne w Warszawskich Archiwach Wyniosły 90–95 Proc. Ich Przedwojennych Zasobów', accessed 31 May 2023, <https://dzieje.pl/wiadomosci/straty-wojenne-w-warszawskich-archiwach-wyniosly-90-95-proc-ich-przedwojennych-zasobow>.

⁷⁵ See Table 1.

⁷⁶ Wroński, 'Income Inequality in the Duchy of Warsaw (1810/11)', 5.

Table 1. Division of taxpayers.

Group	Example of occupation or material status.
I	Poor without any stable source of income
II	Small farmers, hired peasant
III	Medium – size farmer, some artisans, servants
IV	Landowners – whole village, successful artisans, innkeeper, priests
V	Owner of 2 villages, higher officers, bookkeepers, merchants in bigger towns
VII	Owner of 3 to 6 villages, lawyers, public officials, owners of palaces
VIII	Owners of 7 to 11 villages, abbots, most successful merchants, goldsmiths
IX	Owners of 12 villages, bishops and archbishops, suppliers of the army, bankers
X	Owner of more than 12 villages, all persons receiving over 40 000 zł from public funds

Source: Marcin Wroński, 'Income Inequality in the Duchy of Warsaw (1810/11)', *Scandinavian Economic History Review*, 2 December 2022, 5, <https://doi.org/10.1080/03585522.2022.2148736>.

Table 2. The number of taxpayers revenues from them

<i>Categories of taxpayers</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>V</i>	<i>VI</i>	<i>VII</i>	<i>VIII</i>	<i>IX</i>	<i>X</i>
<i>Absolute numbers</i>	72 560	55 656	6 573	1 386	1 469	594	180	136	105
<i>% of taxpayers</i>	52.33	40.14	4.74	1.00	1.06	0.43	0.13	0.10	0.08
<i>% of income from taxes</i>	27.79	42.63	10.07	3.18	5.63	4.55	2.07	2.08	2.01

Source: Marcin Wroński, 'Income Inequality in the Duchy of Warsaw (1810/11)', *Scandinavian Economic History Review*, 2 December 2022, 5, <https://doi.org/10.1080/03585522.2022.2148736>.

The analyses showed that the taxpayers in class II and class III were jointly forming 92,47% of whole taxpayers group and they were paying over 70% of total sum of taxes. Furthermore, it can be noted that the middle class is practically non-existing - only 6.8% of taxpayers. Remarkably, the top-class taxpayers, the wealthiest group - 0.08% of the total taxpayers - was generating only 2% of total taxes sum. This data breakdown is very helpful in picturing and understanding the Duchy of Warsaw society image: mostly agrarian oriented community with middle class barely existing.

To fully realise the extent to which this young state was absorbed by the war, it is worth mentioning that 90% of public expenditure was on military⁷⁷ and, it is apparent that in such case, any other investments in the elements of civil infrastructure (roads, industry, etc.) were very much limited. In the work of Złotkowski there are more insights given to picture how war affected development of cities based on Kalisz Department case. Złotkowski emphasised the burdens of ordinary citizens of the Duchy: while the nobility was obliged to host one or two army officers, the artisans were required to take care of up to 12 (!) soldiers.⁷⁸ He provided evidence on a few similar circumstances leading him to the conclusion that not only was the state budget massively burdened by military spending, but that ordinary citizens had to additionally contribute to this heavy and disproportionate obligations. Conscription was also considered as negative factor on the economic development. Based on the available evidence, the size of its impact on the local economy and manufacturing is difficult to be assessed.⁷⁹ Surowiecki in 1810 noted similar cases by saying that artisans are only making money to pay the taxes. He stated that there is very little from their savings to develop, invest and upgrade their business.⁸⁰ On the other hand, the presence of the armies created high demand on certain services and goods. It determined popularity of particular branches of craftsmanship like cooper, shoemaker, blacksmiths etc. This was a potential opportunity for economic development and growth. However, in the view of tax burdens listed earlier, in terms of numbers the economy growth was unimpressive.⁸¹ It can be easily concluded that, in the absence of such excessive tax burdens, there would be more significant economy increase.

The maintenance of allied armies in the towns was a genuine logistical and economical challenge for citizens and for local authorities. The reimbursement of related hospitality costs

⁷⁷ Wroński, 'Income Inequality in the Duchy of Warsaw (1810/11)', 3.

⁷⁸ Złotkowski, *Miasta departamentu kaliskiego w okresie Księstwa Warszawskiego*, 68.

⁷⁹ *Ibidem*, 70.

⁸⁰ Wawrzyniec Surowiecki, *O Upadku Przemysłu y Miast w Polsce* (Warsaw, 1810), 60 - 61, <https://polona.pl/item/o-upadku-przemyslu-y-miast-w-polszce,MTA2MDA2MzQ/4/#info:metadata>.

⁸¹ Złotkowski, *Miasta departamentu kaliskiego w okresie Księstwa Warszawskiego*, 229.

presented a challenge itself as it was stamped with bureaucracy demands.⁸² Local citizens appealed to the authorities to relax tax obligations. There is a preserved letter from residents of Goliny, the town destroyed by French army. Noting the extent of town damage, they asked to abolish, for some period of time, taxes and other fees they were obliged to pay. Even given the circumstance, this request was rejected by the authorities.⁸³ It must be noted that the development of economy is a broad and long-term process. To illustrate: first buildings of textile industry were established already in 1801 and only in 1810 authorities allowed 8 people to establish plants that were using Cichorium as their raw resource. At the same time, the most successful sector was alcohol industry – demand in this area of business was elevated significantly by the armies located in the Duchy.⁸⁴ It is worth adding domestic investors appeared to be the only real pillars of the fragile economy of the state. Foreign investors, from the Netherlands for example, considered that the risk is too high to engage substantial sums of money in newly created state, still with uncertain position and future but already in heavy debts. Bayonne sums serves as an most known example of debts presented in the Duchy of Warsaw.⁸⁵

As I mentioned earlier in this paper, birth and existence of the Duchy of Warsaw during the Napoleonic era, left significant mark on all particularities of this state. The one of them, studied here, the economy is no different. The first, determining factor for the Dutchy financial situation and market, was the Continental Blockade. The Napoleonic idea of blockade of the Great Britain can be seen in two ways – as economic warfare and as mercantilist style of economic policy. Aaslestad also highlighted another fact – Continental Blockade led to chaos and rapid transformations in commercial world.⁸⁶ To visualise the scale of consequences, I present other than Polish perspective – a brief study case - to the reader. However, instead of outlining how the Continental Blockade affected trade relations in Amsterdam or London, I move the lenses further East, towards Eastern Europe to place focus on situation of Riga - a port city in the Russian Empire dramatically affected by market situation caused by embargo on the trade with Britain. Riga is located in the same region of Europe as Polish port of Gdańsk

⁸² Ibidem, 83 – 84.

⁸³ Ibidem, 163 – 164.

⁸⁴ Ibidem, 227 – 229.

⁸⁵ Jarosław Czuby, *Księstwo Warszawskie (1807-1815)*, (Warszawa: Wydawnictwa Uniwersytetu Warszawskiego, 2021), 190 – 192.

⁸⁶ Katherine Aaslestad. “Revisiting Napoleon’s Continental System: Consequences of Economic Warfare,” in: Katherine Aaslestad and Johan Joor, eds., *Revisiting Napoleon’s Continental System: Local, Regional and European Experiences, War, Culture and Society, 1750-1850* (Houndmills, Basingstoke, Hampshire; New York, NY: Palgrave Macmillan, 2015), 2 – 3.

- at the very same sea, the Baltic Sea. It was one of the most important trade cities in Russian Empire handling 20% to 24% of total Russia's export.⁸⁷

English merchants and their ships were significant contributors to such state of play as they often moored in this port for trading. Over 2100 British ships visited port of Riga in years 1802-1804 and that is about 20.1% of the total of all the port ships.⁸⁸ On 17th of November 1807, Russian Emperor Alexander I, published *ukase* to declare the breakage of commercial relations with Britain, as per one of the Treaty of Tilsit (1807) points. It is worth to quote here the work of Anita Čerpinska, who investigated the dynamics of Riga export in years 1801 – 1817. The data presented in her paper provided evidence of a massive drop in the numbers of ships visiting the port for years: 1806 (2,096 ships and 15,547 roubles of export value), 1807 (1,154 ships and 11,525 roubles of export value) and 1808 (284 ships, 5,882 roubles of export value). The number however increased during years 1809 – 1817 (from 745 ships and 19,596 roubles of export value to 1,774 ships and 71,399 roubles).⁸⁹ Accordingly, it can be noted that England held only 10.3% of Riga's export market, during years of the Continental blockade (1807 – 1812). When the British merchants were banished from Russian's ports, the United States became one of the biggest players on Riga's trade market.⁹⁰ Second in the play were Dutch traders. These two biggest players on market were mostly interested in buying of hemp and rye.

Napoleonic times also affected commercial relations with Sweden. Before year 1807 this country was mainly focus on trading hemp and rye, but due to the Continental Blockade, they become also interested in timber and flax. To understand the dynamics it is worth stating that American merchants were completely absent in Riga from year 1801 to 1806, however in years 1807 – 1812 they became second most significant buying power of Riga's goods. First was Sweden, advancing from 6th position held in years 1801–1806. The third in the ranking was the Netherlands which held the same position as previously, in years 1801–1806.

Same as for other cities, for Riga as well, the Continental Blockade had also social consequences for the citizens. Due to rapid and unfavourable changes brought with the Continental Blockade, illegal trade and smuggling became ways to survive. For many

⁸⁷ Anita Čerpinska, 'Riga Export Trade at the Time of the Continental Blockade (1807– 1812)', in *Revisiting Napoleon's Continental System: Local, Regional and European Experiences*, ed. Katherine Aaslestad and Johan Joor, War, Culture and Society, 1750-1850 (Houndmills, Basingstoke, Hampshire; New York, NY: Palgrave Macmillan, 2015), 242.

⁸⁸ Čerpinska, 'Riga Export Trade at the Time of the Continental Blockade (1807– 1812)', 243.

⁸⁹ *Ibidem*, 246.

⁹⁰ *Ibidem*, 248.

merchants it was also time of bankruptcy which was also caused by war with Napoleonic France in 1808. At that time Riga faced the crisis, shortage of coinage, gold and bullions. Income of the city returned to the same level as it was before the Continental Blockade in year 1809 to fall down again in next years and to reach its lowest point during war in 1812.⁹¹

Moving back to Polish city I refer to Grochulska's work *Foreign Trade of Duchy of Warsaw: from studies about structures of economy* that gives an extensive range of information and details about trade relations and related data in Gdansk. Based on this paper, it is evident that the consequences of the Continental Blockade were significant. Between year 1798 and 1805, the main merchant power were English traders, representing 36.8% of total trade ships in the port of Gdańsk. Another set of data picturing the number of ships which sailed in and/or out of port in years 1798 – 1805: the first is Britain with 3,318 ships in and 4,044 ships out, second is Denmark (2,108 in and 1,767 out) and third place is for the Netherlands (1,790 in and 1,438 out). Based on this data, Grochulska indicates that such number of ships originated from the fact that countries like Denmark and the Netherlands were dominant grain exporters. It can be however noted that trading relations with Britain were oriented on importing. Nevertheless, the export of grains to Britain represented a half of general Gdańsk's port export in years 1793 – 1805 This equals to 289 556,5 lasts. In comparison, second place held by the Netherlands corresponded to 102 401,25 lasts and 17,8% of total export of grain. British domination in grain export was as follows: year 1800 – 90%, year 1801 – 74% and year 1805 – 73% of the total.⁹² Available data about exporting wheat from Gdańsk proved that the trade was disrupted by the Continental Blockade. Drastic decrease in volume of wheat was noted: in 1805 it was 52 412 but in next year, 1806, it was only 15 344. It took almost 25 years for Gdańsk to recover from this trade collapse and to export wheat again, in a similar volume as before the Continental Blockade.⁹³

The merchants from Gdańsk were sending letters to French officials alarming them of the consequences of the economical war Britian. To trade with Great Britain the merchants had to acquire a special license. Even if such permission was available to buy, it was too expensive and beyond reach for the merchants. On the other hand, lack of trading meant bankruptcy for merchants. This situation inevitably resulted in the development of black market. French officials in Gdańsk were so corrupted that smuggling appeared to be even possible during

⁹¹ Ibidem, 252 – 253.

⁹² Ibidem, 174 – 177.

⁹³ Ibidem, 185.

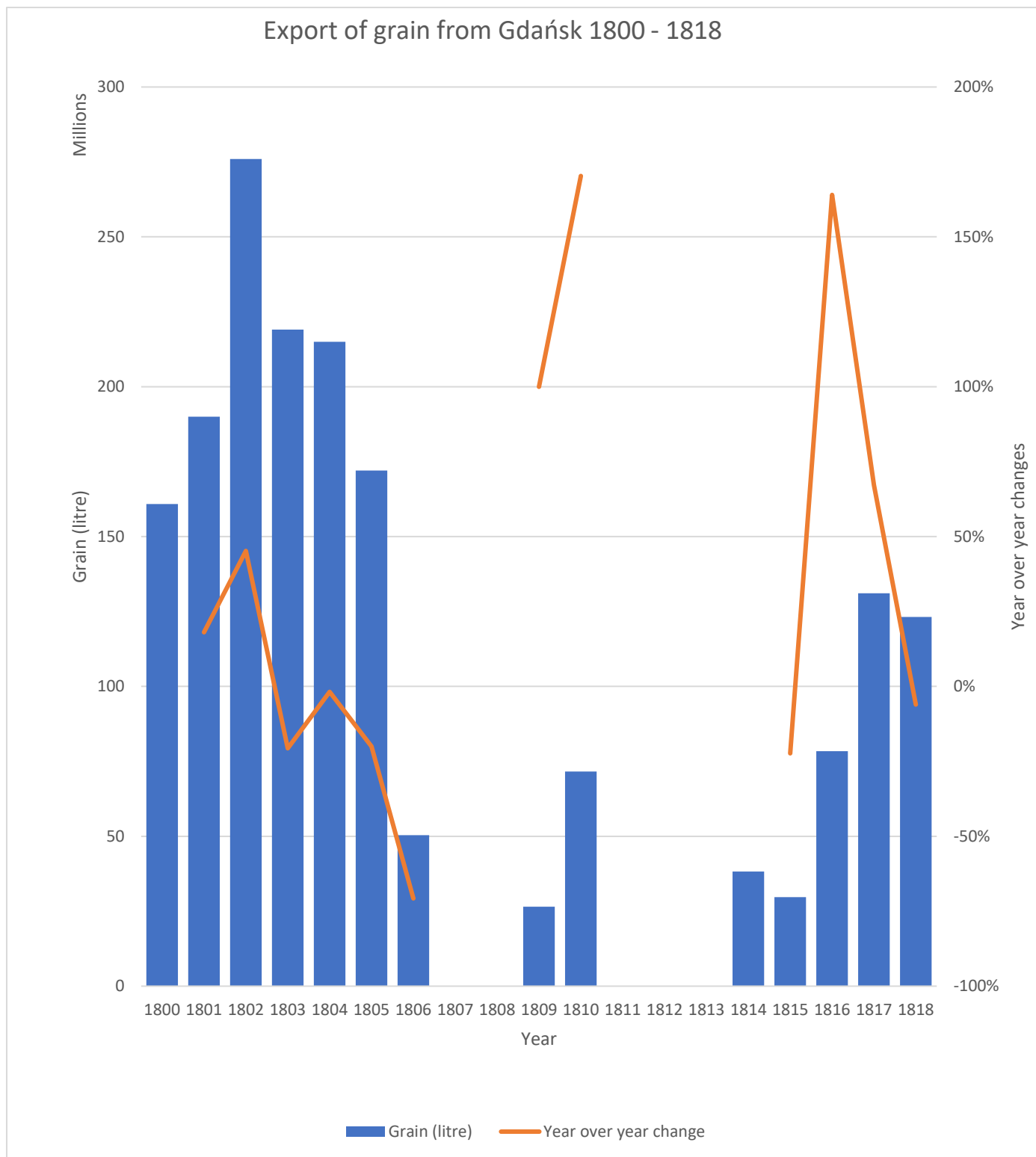
daytime⁹⁴. This modern black-market practice had its beginning, according to Kochanowski, during French Revolution and continued during the Continental Blockade. He sees those events as catalysts of modernised illegal trade practices.⁹⁵ He noted a positive side effect of the Continental Blockade, in years 1806 – 1811, prices of rye dropped by 48% and prices of wheat dropped by 40%.⁹⁶ The Continental Blockade had a catastrophic impact on trade relations in Gdańsk, similarly to the port of Riga, mentioned earlier. Based on evidence data provided by Grochulska and Čerpinska, in the below graphs I present changes in export of all types of grain between 1800 and 1818 in Gdańsk (graph 1) and in Riga (graph 2). This is to visualise how the Continental Blockade and war itself disrupted grain trading and how lengthy the recovery process was. Units of measure in the below graphs are unified and expressed in litres. Some gaps in data observed for Gdańsk are caused by missing or destroyed archives, explained earlier.

⁹⁴ Ibidem, 190 - 193.

⁹⁵ Jerzy Kochanowski, 'Ekonomia nieformalna czyli ile może mieć kolorów czarny rynek.', in *Historia gospodarcza: problemy i metody: studia w stulecie powstania poznańskiej szkoły historii gospodarczej*, ed. Tadeusz Janicki (Poznań: Wydział Historii UAM, 2020), 366.

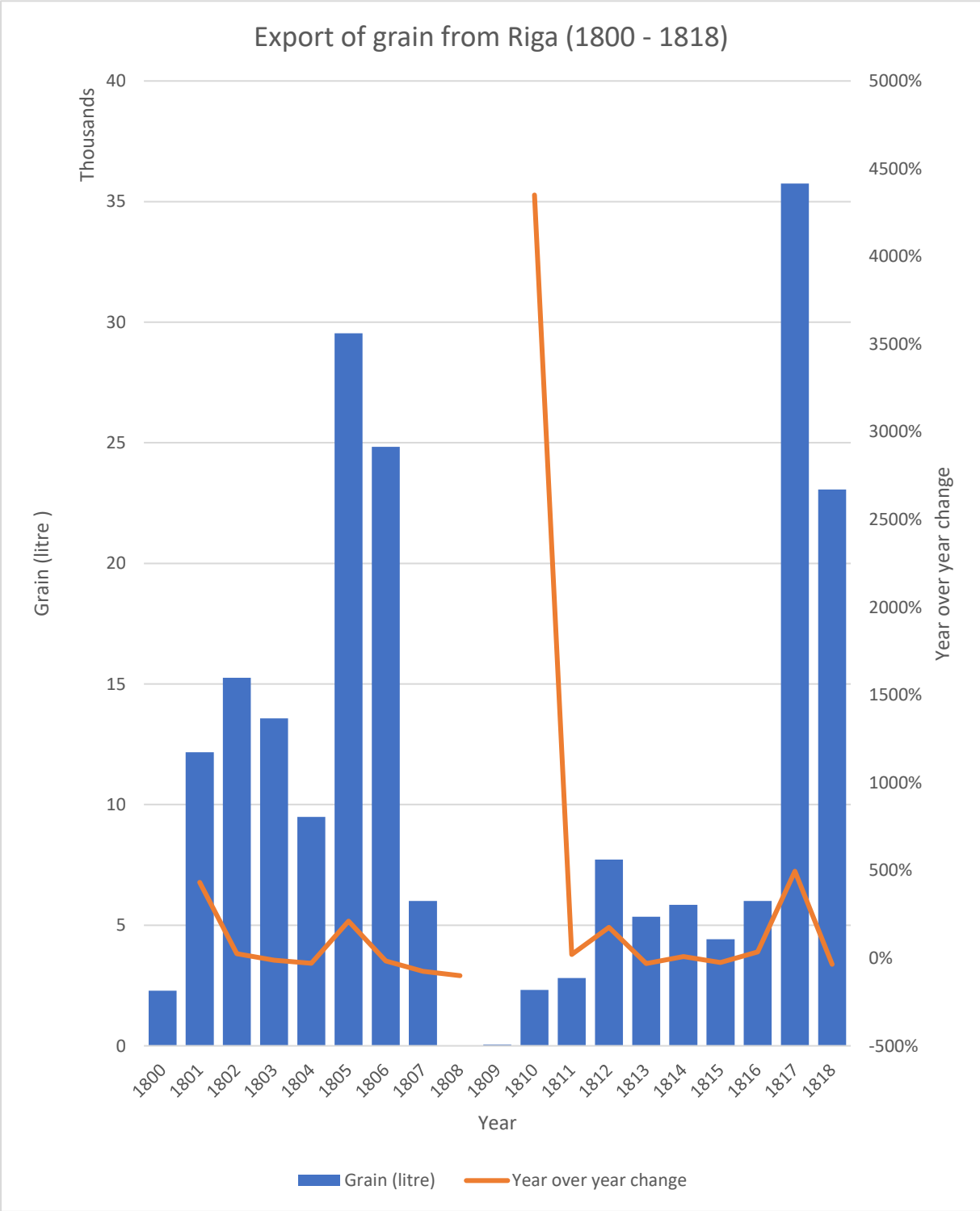
⁹⁶ Jacek Przygodzki, 'Problematyka Handlu Pod Rządami Rady Najwyższej Tymczasowej Księstwa Warszawskiego 1813-1815', 2021, 140.

Graph 1



Source: Barbara Grochulska, *Handel zagraniczny Księstwa Warszawskiego: z badań nad strukturą gospodarczą* (Warszawa: Państwowe Wydawnictwo Naukowe, 1967), 186 – 187.

Graph 2



Source: Anita Čerpinska, 'Riga Export Trade at the Time of the Continental Blockade (1807– 1812)', in *Revisiting Napoleon's Continental System: Local, Regional and European Experiences*, ed. Katherine Aaslestad and Johan Joor, War, Culture and Society, 1750-1850 (Houndmills, Basingstoke, Hampshire; New York, NY: Palgrave Macmillan, 2015), 250.

Participation of the Duchy of Warsaw in the Continental Blockade has ended on 9th of September 1813. At that time, Russian Emperor, Alexander I, decreed end of extra fees and taxes on English products ⁹⁷. The end of the commercial war with Great Britain did not mean the end of corrupt officials and inefficient bureaucracy. The Temporary Government, established by Alexander I on the 13th of March 1813, initially faced serious issues with tax collection. For example, tariffs amounted to 869,807 Złoty in 1813 compared to 882,180 Złoty in 1811. They took steps towards improving their situation, and by 1815, this sum had more than doubled to 1,760,083 Złoty ⁹⁸.

The Duchy of Warsaw faced significant economic and administrative challenges during its existence from 1807 to 1815, primarily due to the volatile geopolitical landscape shaped by the Napoleonic Wars. The Continental Blockade, aimed at weakening Great Britain economically, severely disrupted trade in port cities like Gdańsk and Riga. The socio-economic fabric of the Duchy was predominantly agrarian, with a negligible middle class and a small elite class holding disproportionate economic power. The overwhelming focus on military expenditure drained resources from potential investments in infrastructure and industrial development, hampering long-term economic growth and affected negatively on everyday situation of average citizen.

⁹⁷ Przygodzki, 'Problematyka Handlu Pod Rządami Rady Najwyższej Tymczasowej Księstwa Warszawskiego 1813-1815', 140.

⁹⁸ Ibidem, 141.

3. French Influence in the Duchy of Warsaw

The initial reflection on the French influence on the Duchy of Warsaw was made in the section on economic background of the Duchy of Warsaw. In this chapter, I focus mainly on legal and political influence on the Duchy by the French Empire.

As Czubyaty writes, the lack of real state sovereignty in last Commonwealth's decades was not a new factor. Napoleon was simply replacing the empress of Russia, Catherine II. Political establishment in Commonwealth knew well how to operate under foreign influence. It required skills in backstage negotiations, practise in gaining the favour of particular interest group etc.. However, it was important to highlight what the difference between Napoleon and Catherine II was. Napoleon was considered as "enlightened" emperor, and as such, from the Duchy of Warsaw society perspective, for most of them seemed easier to accept.⁹⁹ Change in attitude was also visible in statement of Polish Jacobins who claimed that Napoleon presents a unique opportunity for the Duchy to benefit from the outcome of revolution, avoiding the "bath of blood" seen in the initial revolution phase.¹⁰⁰ It is also essential to understand what Catherine II influence in last decades practically meant for the Commonwealth. Ultimately, the power was divided among so many fractions that it was almost impossible to rule. In fact, for most of the time, nobody ruled. Napoleonic constitution offered the actual chance to unite the power, to pass the authority to the elite and King of Saxony, who was under personal union with the Duchy of Warsaw. It must be however noted that Frederick I of Saxon, mostly governed Saxony and his visits to Warsaw, the Duchy capital, were quite rare . On one hand, the fact that there was no Duke in the state, disrupted the balance of the influence in favour of Polish political establishment.¹⁰¹ On the other hand, if a particular ministry intended to proceed with some changes, they were obliged to wait for the response from Dresden granting approval or disapproval from the Duke. Due to this waiting time the whole process usually was taking weeks.¹⁰²

There were two major legal acts in place given by French Empire to the Duchy – Constitution and Napoleonic Code. These legal acts from French conferment were modified

⁹⁹ Jarosław Czubyaty, 'The Attitudes of the Polish Political Elite towards the State in the Period of the Duchy of Warsaw, 1807–1815', in *Collaboration and Resistance in Napoleonic Europe*, ed. Michael Rowe (London: Palgrave Macmillan UK, 2003), 173, https://doi.org/10.1057/9780230294141_10.

¹⁰⁰ Czubyaty, 'Księstwo Warszawskie – Pierwsze Nowoczesne Państwo Polskie?', 373.

¹⁰¹ Czubyaty, 'The Attitudes of the Polish Political Elite towards the State in the Period of the Duchy of Warsaw, 1807–1815', 176.

¹⁰² Michał Gałędek, 'Prawne i Polityczne Uwarunkowania Statusu Ministra Księstwa Warszawskiego', in *Studia z Dziejów, Państwa i Prawa Polskiego*, ed. Jerzy Malec, vol. XVI (Kraków: Oficyna Wydawnicza AFM, 2013), 152 – 153.

partially to suit to Polish tradition from pre-partition time. French Empire demonstrated flexible approach this aspect. Nevertheless, significant changes were introduced resulting in transformation of decentralized realm into strongly centralized country with powerful political figure in a play - the Duke, in person of Frederick I of Saxony. The two-chamber parliament, elected with direct election system is one of the elements which remained preserved in the new Duchy. Taking into consideration the prerogatives of the Duke and comparing them with the prerogatives of the two chamber parliament, it can be concluded that the Duchy it was a strong monarchy with superficial parliament.¹⁰³ Centralization of bureaucracy was an effect of the implementation of Constitution given by Napoleon. The skeleton of this change was minimally modified and can even be considered as a copy of French administration solutions. This was however only applicable to the general, high level rules. By studying more detailed principles it can be noted that adjustments were done to adapt them to the local situation.

On the top of the Duchy administration was Council of the State, solution directly implemented from the French bureaucratic system, plus, a body unknown to French system, Council of Ministers. The administration was divided into five different departments: War, Treasury, Police, Domestic Affairs and Justice. These offices were created on Emperor's decree from 14th January 1807 and later led by French minister, Hugues-Bernard Maret. This was a result of a consultation with the Duchy political elites. The discussion on the number of necessary departments were held, however, final decision belonged anyway to France.¹⁰⁴ It is worth adding that Napoleonic model of administration was very popular in first half of 19th century and served as a base for creation of other models in Europe. Local administration in the Duchy was totally different comparing to the pre-partition solutions. The establishment of prefects, with subprefects in charge of departments and responsible for districts, was introduced. Rural areas though still kept their right to choose head of commune.¹⁰⁵

Napoleonic Code was also an important change introduced to Polish legislation. As the history of its implementation in the Duchy proved, for most of Polish conservative elite, it was too radical to accept. Numerous changes, like introduction of common judiciary, separation of criminal and civil courts, creation of new institutions – notaries, resulted in confusion and uncertainty among Polish establishment. The main opposition, created by old and wealth noble families, was against abolition of serfdom. Legal and societal changes were supported mostly

¹⁰³ Czuby, 'Księstwo Warszawskie – Pierwsze Nowoczesne Państwo Polskie?', 366 – 368.

¹⁰⁴ Michał Gałędek, 'Miejsce Resortu Spraw Wewnętrznych w Administracji Księstwa Warszawskiego', *Krakowskie Studia z Historii Państwa i Prawa* 6, no. 4 (2013): 407 – 408.

¹⁰⁵ Michał Gałędek, *Koncepcje i projekty nowego ustroju administracji dla przyszłego Królestwa Polskiego: studium z dziejów myśli administracyjnej* (Sopot: Wydawnictwo Arche, 2017), 55.

by the noble houses that promoted enlightenment spreading and were against anarchic liberties. These changes were also welcomed by poor noble people and townspeople. This was reported by two French residents of the Duchy, Etienne Vincent and Marshal Davout. Their point of view might have been distorted by Polish Jacobins' biased opinions about the nobility.¹⁰⁶ Polish Jacobins were in favour of full implementation of French Constitution implementation in the Duchy of Warsaw. They perceived each Napoleonic institution as perfection and Napoleon, as a revolutionist, was the leader of civilization progress. They considered every Napoleonic governmental and legal model worth application as based on universal values, and at the same time regarded it a permanent model appropriate for every place and country.¹⁰⁷ Eventually, after two amendments in favour of nobility, on 21st December 1807 peasants gained personal freedom. However, the land they were working on, remained still a property of nobility. With another change introduced at that time civic rights of Jews were suspended.¹⁰⁸

The implementation of French solutions was not mandatory. In fact, changes had to be strict only on the rules provided by Constitution. French law and administration solutions were used as a general guidance for reforms. These rules were planned in some unfinished projects and those which could not be concluded as the Duchy ceased to exist.¹⁰⁹ The new elements implemented as per French model aimed on extending the influence of centralised government on broad public. That means establishment of censorship of publications and press, as well as a creation of propaganda for domestic purposes. This state propaganda also stands for creation of 'Journal of Law', purely based on French custom of announcements of law acts. Additionally, 'Department Journal' was introduced and it served as education method in terms of health, hygiene and thrift¹¹⁰. The peak of administrative reforms was on 20th June 1810. This is when the commission of deputies for changes in administration was created. Their goal was to identify and demonstrate the ways to improve ineffective administration but only below the Constitution level. The Constitution, as Napoleon's gift, cannot be amended in any manner. Their report was ready on 19th January 1811 and, from the perspective of searching for French Influence and execution of it – the deputies' commission appeared sceptical about implementation of Napoleonic model into the country. They noted that the law, given to the Duchy, was not

¹⁰⁶ Czuby, 'The Attitudes of the Polish Political Elite towards the State in the Period of the Duchy of Warsaw, 1807–1815', 174.

¹⁰⁷ Gałędek, *Koncepcje i projekty nowego ustroju administracji dla przyszłego Królestwa Polskiego*, 57.

¹⁰⁸ Czuby, 'The Attitudes of the Polish Political Elite towards the State in the Period of the Duchy of Warsaw, 1807–1815', 176.

¹⁰⁹ Gałędek, *Koncepcje i projekty nowego ustroju administracji dla przyszłego Królestwa Polskiego*, 56.

¹¹⁰ Czuby, 'Księstwo Warszawskie – Pierwsze Nowoczesne Państwo Polskie?', 379.

carefully considered before entering into force. The differences between French and Polish state on matters, cultural and historical heritage diversities were not recognised.

Moreover, they stated that striving for “perfection of the French law” draws the attention away from domestic issues. French solutions, according to the authors of this report, were too advanced for the particular situation of the Duchy. The claim was made that the entire administration was organised in a chaotic and incorrect way. It was emphasised that already existing local customs and structures must not be ignored when creating new ones. Summarising, criticism was not focused on the Constitution but rather on unsuccessful regular law acts that built the new system. There were also some reservations expressed about Constitutional institutions, but these related to the local ones, like Council of Ministers, rather than French ones¹¹¹. Beside critical approach, members of commission recognised the institution of Directors, based on French model, as a desired one. However, after its formation and implementation, it resulted in simple duplication the position of Ministers.¹¹² Code de Commerce, applied on 1st May 1809, was yet another major piece of legislation that changed the Duchy of Warsaw. It is worth stating that France was first country which codified the trade law. The implementation of this Code was not completed until 1817, which is already the time of Congress Kingdom.¹¹³ To demonstrate the legacy of this particular French legislation act, it should be noted that this act was valid until 1933.¹¹⁴ 124 years of validity, partial implementation is considered or, 113 years, if the count is from full application.

As presented in the examples, the application of law designed for industrialised society into feudal economic reality of the Duchy of Warsaw was tough. This act was not translated into local, Polish language and, consequently, its full implementation was limited by language barrier. On the positive note, this was an attempt to create foundations for future industrial and commercial growth. The Code itself was also a novum and led to interpretational issues due to some imbalances. For example, it was heavy focused on maritime trade with 29 articles dedicated to captain of ship, which formed a subgroup of articles about sea trade containing 247 articles in total. At the same time, the law about contract of sale was drafted in one article only with a very liberal structure for sales arrangements and three additional articles about stock exchange. The act also contains 80 articles about promissory note which were regulating all

¹¹¹ Gałędek, *Koncepcje i projekty nowego ustroju administracji dla przyszłego Królestwa Polskiego*, 58 – 61.

¹¹² *Ibidem*, 69 – 70.

¹¹³ Łukasz Baszak, ‘Znaczenie Francuskiego Kodeksu Handlowego z 1807 r. Na Ziemiach Polskich’, 2021, 152. <https://doi.org/10.34616/23.21.030>.

¹¹⁴ Anna Klimaszewska, ‘About the Translations of the French Commercial Code of 1807 into Polish’, *Czasopismo Prawno-Historyczne* 72, no. 1 (10 August 2020): 269 – 270, <https://doi.org/10.14746/cph.2020.1.15>.

related aspects.¹¹⁵ The guidelines for commercial company creations were provided in the regulations given by Code de Commerce. Issues appeared however with full law application, as for example, citizens were creating commercial partnership but did not specify the profile of such partnership.¹¹⁶ All these details did not lead to any controversies in the public debate and later, in Congress Kingdom, the Code became an instrument of modernization.¹¹⁷

From 1813, after failure in the war with the Russian Empire, the Duchy of Warsaw, was under Russian occupation. On 18th May 1814, Russian Emperor, Alexander I, created special commission to abolish and reform legal changes introduced by French. Most likely, this decision was not a will of the emperor but, rather was a result of local Polish elites influences. Prince Adam Jerzy Czartoryski, and others, who shares negative opinions about legislation reforms under Napoleon¹¹⁸, lobbied for such decision. It however appeared to be not as radical as it could be, and Code de Napoleon stayed as sample figure for future reformatoms.¹¹⁹ Alike other legal solutions brought by France to the Duchy. Still, legal landscape was shattered. Old legal traditions, supported by some Polish elites, mixed up with French way of governing country, created new law order. Many reforms, like Code de Commerce, were unfinished. Some of them, were highly controversial - like Code de Civil. French influence, without any doubt, had very strong effect on legal, administration and political issues of the Duchy. It determined future way forward for the reforms in Congress Kingdom.

¹¹⁵ Anna Klimaszewska and Michał Gałędek, 'Stosowanie Norm Francuskiego Kodeksu Handlowego w Księstwie Warszawskim, Konstytucyjnym Królestwie Polskim i Rzeczypospolitej Krakowskiej w Świetle Aktów Notarialnych', in *Studia z Dziejów, Państwa i Prawa Polskiego*, ed. Jerzy Malec, vol. XIX (Kraków: Oficyna Wydawnicza AFM, 2016), 135 – 138.

¹¹⁶ *Ibidem*, 140.

¹¹⁷ Anna Klimaszewska and Michał Gałędek, 'The Implementation of French Codes on the Polish Territories as Instruments of Modernization – Identifying Problems with Selected Examples', in *Le droit comparé et: actes de la conférence annuelle de Juris diversitas 17-19 juillet 2014*, Aix-en-Provence Faculté de droit et de science politique, Aix-Marseille Université = Comparative law and, ed. Alexis Albarian et al., *Droits, pouvoirs et sociétés (Juris Diversitas, Aix-en-Provence: Presses Universitaires d'Aix-Marseille*, 2016), 81–82.

¹¹⁸ Anna Klimaszewska and Michał Gałędek, 'Stosunek Polskich Elit Do Prawa Francuskiego Po Upadku Napoleona – Zarys Problemu', in *Studia z Dziejów, Państwa i Prawa Polskiego*, ed. Jerzy Malec, vol. XXI (Kraków: Oficyna Wydawnicza AFM, 2018), 73 -74.

¹¹⁹ *Ibidem*, 81.

4. The Road to Central Banking.

This chapter is organised in chronological order. The first part explores ideas (and initiatives) on central banking in the period of pre-partition Poland, 1788 – 1790. The sections discusses ideas and initiatives on central banking in era the Duchy of Warsaw. The third part examines initiatives on central banking in the Congress Kingdom of Poland, 1818 – 1828, where in 1828, the first actual central bank, called *Bank of Poland*, was established. To ease navigation through this chapter structure for non-Polish readers, I decided to translate the titles of documents, used to demonstrate the path to central banking, into English (in italic font below). In last subchapter I compared projects of Kapostas and Chrucki to *Bank of Poland*.

4.1 The attempts to create Central Banking in the pre-partition Poland.

4.1.1 Sposób pomnożenia majątku i dochodu publicznego przez ustanowienie Banku Narodowego.

A method to multiply national wealth and income by establishing National Bank.

‘Sposób Pomnożenia Majątku i Dochodu Publicznego Przez Ustanowienie Banku Narodowego.’ *Pamiętnik Polityczny i Historyczny Przypadków, Ustaw, Osób, Miejsc i Pism Wiek Nasz Szczególniej Interesujących IV*, no. X–XIII (1788): 1020–45.

The identity of this document author is unknown to me. Throughout the entire journal there is no mention of the author’s name, so it can be assumed that that the publication was anonymous. The opening part of the document provides significant statement from the author that bank is much safer place than any house. It is noted there that bank is a place desired by merchants as it offers possibility of changing ready cash to bill of exchange.¹²⁰ The author also mentioned that paying tickets option could be established in the bank. Paying ticket was considered a most reliable payment method. It was emphasised that only massive paying out of ready cash may lead to collapse of banking system, but this particular event was believed very unlikely to happen. As mitigation measure in case of such issue, the author is pointing out to public treasury that would transfer ready cash to the bank to prevent value of paper money being destroyed.¹²¹ The author expressed strong support to the strict monopoly of the state in money-

¹²⁰ “Sposób Pomnożenia Majątku i Dochodu Publicznego Przez Ustanowienie Banku Narodowego.”, *Pamiętnik Polityczny i Historyczny Przypadków, Ustaw, Osób, Miejsc i Pism Wiek Nasz Szczególniej Interesujących IV*, no. X–XIII (1788): 1020–45.1020 – 1021.

¹²¹ ‘Sposób Pomnożenia Majątku i Dochodu Publicznego Przez Ustanowienie Banku Narodowego.’ – 1025.

creation policies and powers, also stated that no private bank, nor trade company, should have any rights to generate money, including banknotes. This links with the direct support of government in case of any major crisis that could interrupt work of the bank. Also, it ensures better supervision of bank operations and supports building public trust in a bank as a reliable institution. The wise government, as the author claims, by using profits from bank activities will be investing into public goods. According to him, quite opposite thing would have been done by private owners, who will keep profits to themselves rather than making massive scale investments.

The author states that, if the bank lends money to a client, that person is obliged to pay it back with 2% or 3% of interest, unless loan was taken to create “most useful venture” - no details are provided to explain what the author meant with this term. If we inspect further the views he presented in this journal, it can be assumed he was an enthusiast of state modernization and his main goal was to visualise benefits and to transmit information that the goal can be achieved in various ways . There is also very interesting point in his views on the role of private sector. On the one hand he states that private investors are not very keen to participate in construction of various public accommodates from their own fortune. At the same time, he also claims that this sector has a role to play in the process: special credit (as incentive) from state owned central bank, will stimulate private, or mixed public-private sector, into investing in the state modernization.¹²² According to author national bank is safer and better option than a private one in terms of financial stability and security. National bank is managed by the recognised and qualified governmental authorities and in private bank this option is obviously not an option. To further highlight superiority of national bank over private one, it is noted that private bank can be subject to sabotage by foes. It could, for example, be caused by possible disputes among influential families, and such scenario would not affect national bank.¹²³ Here, anonymous author is however missing the point. In history of Polish – Lithuanian Commonwealth there are known cases proving disastrous influence of private sector over national affair. For example, when Saxon kings were elected to the crown of Commonwealth¹²⁴, corruption of Commonwealth nobility led, inspired and intensified Russian influence which affected fundamentally state functioning.¹²⁵

¹²² Ibidem, 1026 – 1027.

¹²³ Ibidem, 1028.

¹²⁴ Adam Perłakowski, ‘Between Liberty and Crisis. The Sejm of the Commonwealth during the Reign of the Wettin Dynasty on the Polish Throne in 1697–1763’, *Przegląd Sejmowy* 6, no. 167 (2021): 255–85.

¹²⁵ Jacek Kaniewski, ‘Z Badań Nad Zjawiskiem Korupcji w Nowożytnej Rzeczypospolitej XVII-XVIII Wieku’, *Wieki Stare i Nowe* 1 (2009): 136–59.

Next, the author explains that ratio between banknotes or tickets should be proportional to treasury income and the total sum of tickets shall not be higher than an $\frac{1}{4}$ of budget income. The proportion of bank tickets to ready cash gathered in the treasury of bank should be 1:3 in order to achieve and maintain stability and to avoid possibility of crisis related to a rapid exchange of bank tickets to cash. Also, this kind of deposit made by state could be potentially used as short-term loans and seen as a kind of pledge to assure clients that the usage of banknotes is safe. These banknotes were not likely to lose value dramatically in short period of time¹²⁶. The author claims that the administration would not be allowed to increase sum of bank tickets and such decision could only be taken by highest authorities¹²⁷. Assuming a need for such decision was recommended to the authorities, they could make for every 100 000 zloty in the deposit, 300 000 zloty of banknotes. To persuade the public to use bank tickets there should be mutual agreement between the government and private bankers sanctioning the exchange of their ready cash into new banknotes in domestic transactions. Similar logic should be applied to governmental transactions like salaries for clerks where $\frac{1}{3}$ of their salary should be paid out in a form of tickets. It was stressed that the words about banknotes usage should be spread among the ordinary people and that the Church could support it. In the paper it is stated that lowest value of bank tickets should be 9 zloty and the highest 1000 zloty but the author did not give any details how those assignats should be designed or what range of values should be taken into consideration, if only 9 200 and 1000 or 9, 50, 200, 400, 1000.¹²⁸ The author listed two cases to support the idea of banknotes usage. First one is easier money flow. The second is to provide low- interest loans for entrepreneurial purposes in order to stimulate the economy.¹²⁹ Overall, it can be summarised the author strongly supports the idea of a state-run central bank over private banks and entrepreneurs It is for its ability to ensure financial stability, public trust and economic stimulation throughout controlled issuance of banknotes and low-interest loans.

4.1.2 Projekt Banku Narodowego

Project of National Bank by castellan Jacek Jezierski (1722 – 1805).

¹²⁶ Ibidem, 1028 – 1030.

¹²⁷ ‘Sposób Pomnożenia Majątku i Dochodu Publicznego Przez Ustanowienie Banku Narodowego.’, On page 1033, author is explaining that the highest authority in Commonwealth is Parliament or as it is called in Polish language *Sejm*.

¹²⁸ Ibidem, 1032 – 1035.

¹²⁹ Ibidem, 1035.

According to Jezierski, the role of Central Bank or the National Bank, as he was calling it, was to create banknotes. One half of those tickets will be used to pay off the salary of the administration and the army, other half would serve for regular bank transactions. The sum would be an equivalent of 80 000 000 złoty, as Jezierski calculated. It is noted that the bank should incur sufficient expenses for remuneration of the bank administration. Next, the author described first branch of national bank to deal with loans but, at the same time, it should be recognised as non-profit branch. Jezierski also precisely instructs that if a client takes mortgage, this person could pay off debt in yearly terms and this yearly amount is up to borrower. Author assumed that payments for administration officials would be around 300 000 złoty and profit for national treasury would be around 2 500 000 złoty. From loans, profit should be around 7 percent from 40 000 000 paid into, as the Jezierski called it, Lombard Bank (second branch). The profit would next be divided and spent on various aspects important to the state. First are industrial and economical goals like developing factories, roads and water channels and it would consume around 1 000 000 złoty. Second category would be investment in military with a sum of 1 500 000 złoty. Author perceived cheap loans as one of the remedies to support economic recovery and modernise Commonwealth financial system.¹³⁰

According to Jezierski's idea, bank should operate for 20 years, later is for *Sejm* (parliament) to decide if an extension should be granted.¹³¹ In conclusion, Jezierski wrote that the overview of topics in his work is rather short and general. This is to ensure the text is accessible and understandable and the emphasis should go to people who have proper knowledge about central banking issues.¹³² This last point from Jezierski highlighted above, about delegating all matters related to central banking to the experts, clearly indicates that the paper was most likely a political manifesto. Nevertheless, his vision of central bank is very much alike those presented before and after Jezierski's proposition in this paper. It clearly indicates how the Central Bank should work in the Polish–Lithuanian Commonwealth, the Duchy of Warsaw or Polish Congress Kingdom. The last decade of the 18th century was a period desperate attempts to save the Commonwealth. Overarching support to radical changes in the decaying state is to be noted and Jezierski's brief statement and declaration on reforms' direction, was one of them.

¹³⁰ Jan Jezierski, 'Projekt Banku Narodowego', *Pamiętnik Polityczny i Historyczny Przypadków, Ustaw, Osób, Miejs i Pism Wiek Nasz Szczególniej Interesujących III–IV* (1790), 1123 – 1126.

¹³¹Jezierski, 'Projekt Banku Narodowego', 1127.

¹³²Jezierski, 'Projekt Banku Narodowego', 1128.

4.1.3 Myśli i przestrogi nie objęte dla Narodu względem Projektu Bankowego. Wzór nowy Banku Użytecznego

Thoughts and cautions not indifferent for Nation accordingly to Banking Project. New example of Useful Bank.

‘Myśli i Przestrogi Nie Objęte Dla Narodu Względem Projektu Bankowego. Wzór Nowy Banku Użytecznego.’ *Pamiętnik Polityczny i Historyczny Przypadków, Ustaw, Osób, Miejsc i Pism Wiek Nasz Szczególniej Interesujących III–IV* (1790): 1129–53.

This paper is from the same anonymous author as in previous article published in 1788. The author himself gave a direct clue about it referring to the previous article he authored.¹³³ In this work he debated with Jezierski’s idea of Central Bank. He stated that the amount of assignats in Jezierski’s theory is too high and may result in adding threats to the fragile economy. Also, he noted lack of interest in Jezierski’s paper about issue of securing capital to guarantee exchange tickets in high quantities.¹³⁴ He also analysed hypothetical, catastrophic vision of bank’s collapse with two real situations: from Swedish and French banks troubles from 18th century.¹³⁵ He provided an example with the institution of the Danish Bank, which he considered the oldest entity that could be identified as a bank – Kreditkassen, established in March 1797. Kreditkassen was a public bank, operating as both a loan fund and a guarantee fund, where citizens could obtain compensation payouts from their property insurance.¹³⁶ However, after careful studies of *Kreditmarksstatistik* I found out that the Polish author was not right about *Kreditkassen* and there was older bank, established in 1791 – *Speciesbanken*¹³⁷ which could be a mistake of author or misinterpretation of Danish banking institutions. There is one significant difference to note between Polish project and actual Danish bank. Polish bank was meant to be ruled by government officials only and was perceived as a project of a typical central bank. Danish option was a commercial joint-stock bank¹³⁸ and that proposition of

¹³³‘Myśli i Przestrogi Nie Objęte Dla Narodu Względem Projektu Bankowego. Wzór Nowy Banku Użytecznego.’, *Pamiętnik Polityczny i Historyczny Przypadków, Ustaw, Osób, Miejsc i Pism Wiek Nasz Szczególniej Interesujących III–IV* (1790): 1133.

¹³⁴ *Ibidem*, 1134 – 1135.

¹³⁵ *Ibidem*, 1135

¹³⁶ Denmark Statistics, *Kreditmarksstatistik* (Copenhagen: Danmarks Statistik, 1969), 134. (*Kreditkassen*)

¹³⁷ Statistics, *Kreditmarksstatistik*, 222.

¹³⁸ *Ibidem*.

joining a public central bank with private sector was more likely into Kapostas project which was taken into consideration later in this chapter. But if author had in his mind the oldest public bank in Denmark, he was right then.

Nonetheless, author listed a set of rules to illustrate and support establishment of a proper national bank, based on Danish example. He stated that bank needs to follow strict step by step process when receiving tickets. Once the full value of the ticket was paid, this ticket is to be destroyed. Eventually, in the future, this will lead to the situation when all tickets are repurchased and then the bank is shut down. New deposit-loan bank will be established next, involving also private enterprises, and this new bank will replace the previous one. These enterprises can benefit from services of the bank but must adhere to rules dictated by the country's welfare, monetary policy laws and the nation's credit principles. The foundational principle for establishing this new bank says that tickets from the previous bank cannot remain in circulation. Every year, the new bank should destroy certain quantity of these tickets via repurchasing of corresponding value of 750 000 thalers'. The new bank should always announce the number of tickets intended for buying and destroying. In the meantime, unless the tickets are repurchased, they can be exchanged at an equal rate even in royal cash registers. Correspondingly, they will still be accepted by the old bank for the exchange into real cash until the bank is shut down. The bank will fund the buying out of tickets from goods that the King had taken from the bank, which he willingly sacrifices for this end, and from stocks obtained from other public income intended for this purpose.

The author next explains that the new bank will lend, for periods ranging from one month to six months, defined according to the bank's condition and security, to those who seem reliable in terms of timely repayment. It will also replace cash bonds, create deposits and will serve as a public storage of deposits. From lent sums and cashed bonds, the bank will charge an annual interest of 4 percent and from deposits - 0.1 percent. The bank, instead of borrowing money, will discount bonds and lend tickets. The bank will lose its privileges when emitted more than the proportionate amount to money in the treasury. This is to ensure there is always a possibility for everyone to cash their tickets at any time. All the bank's notes of accountancy and incomes will be done in a coin with a good exchange rate. These tickets shall be fixed with an exchange rate for ready cash. The tickets of the Danish Bank are fixed to a free exchange rate in the Duchy of Schleswig and Holstein. Investors of this bank will choose the banking directors and administration. The bank is an independent institution, even the government cannot intervene with its operations unless there is a violation of the agreement. Directors and administration are

responsible for their activities. Every Danish citizen is allowed to sign up to this bank. Even foreigners can sign up to this bank and are allowed to collect their capital from the bank without any extra charge. Each stock is worth 500 thalers and will be marked with the name of the owner. Everyone is allowed to possess as many shares as they want. In terms of funds, the bank capital will be appropriately sized according to the quantity of stocks and shareholders are obliged to pay in instalments sums that they declared within a fixed period. Over time, the capital can be increased by fees or by new shareholders. If the profit of the enterprises exceeds 4 percent, the bank will tax the extra percent for the crown to support safety and defence they receive from the country.¹³⁹

Ending the article, the author notes that Danish bank was established following other successful examples of European banks, like English, Scottish and Prussian. The author suggest to follow this path to avoid tragedy of Swedish and French Central Banking collapse.¹⁴⁰ These articles, printed in 1788 and 1790, clearly demonstrate the awareness of some elites of the need to reform the Polish–Lithuanian Commonwealth. One of the areas requiring reform appeared to be central banking. Full recognition of the need for such a financial instrument for the government, as shown in the translated documents, was inspired by Western European examples. Some of them being less successful, like French and Swedish, but others very fruitful and positive ones, like the English. This anonymous author was greatly aware of the crucial mistakes made by the Swedish and French in the past and provided clear instructions on how to avoid them. The method of small steps defines best the anonymous author's approach to central banking. He also supported the diversification of the actions of the Central Bank, as illustrated by the example of the Danish bank. This is, in my opinion, an extended follow up and illustration of the Central Bank idea from his previous paper.

4.1.4 Planta ułożenia projektu banku narodowego do przeswietney Deputacyi Projektu Ekonomiki Krajowej

Plan of the creation of National Bank project to the great representatives of National Economic
Kapostas, Andrzej. 'Planta Ułożenia Projektu Banku Narodowego Do Prześwietnej Deputacji
Projektu Ekonomiki Krajowej Podana', 1790. SD XVIII 3.5992. Biblioteka Narodowa.

¹³⁹ 'Myśli i Przestrogi Nie Objętne Dla Naordu Względem Projektu Bankowego. Wzór Nowy Banku Użytecznego.', 1138 - 1143

¹⁴⁰ Ibidem, 1144 – 1145.

<https://polona.pl/item/planta-ulozenia-projektu-banku-narodowego-do-przeswietney-deputacyi-projektu-ekonomiki,NzY4MTA/1/#info:metadata>.

The plan I analysed next, is authored by Kapostas. It is estimated to last for 20 years and should be supervised by the Ministry of Treasury. As Kapostas writes, there should be a new commission called the Banking Commission, with 6 representatives, 1 director and a vice-director. These positions are paid and/or voluntary jobs. Additionally, there should be 6 assessors with *cum voce consultive*, which from Latin translates to "voice of advising" and their role is to serve as advisors. These positions are unpaid, but the advisors can benefit from the opportunity to be elected to the Banking Commission¹⁴¹. Bank tickets that were released before establishing this particular bank, are to be removed from the financial system. He proposed that at least half of the sum of all taxes and national expenses is to be paid in assignats. The reason he favours taxes is due the poor trade condition in Commonwealth.¹⁴² He estimated that the bank should accumulate around 5 000 000 złoty after first quarter of operations from its transactions. The author also indicated and the minimum amount of assignats that must be maintained in circulation is around 5 000 000 złoty. Kapostas claimed that the limit of bank tickets should be around 10 000 000 złoty and explained that this is approach is supported with learnings and experience from other countries' credit system. He also advised on subsequent, phased money printing and proposed a rule of printing 2 000 000 złoty in assignats every quarter, resulting in 5 quarters needed to introduce paper money.

Another assumption made by the author is that citizens, especially those specialised in commerce and trade, prefer to hold their cash in bank tickets rather than in ready cash. It means another source of ready cash in the bank deposit to be used for the insurance of assistants. Moving further, he proposed that credit system should be limited to 10 000 000 złoty. That would generate significant annual profit for the bank from interest and fees.¹⁴³ The author also mentioned the instability of banks in the following European countries: France, England, Sweden, Denmark, Austria, etc. These banks were struggling primary with a lack of ready cash for the assignats' financing. With changes applied to their monetary policy, some of these banks managed to stabilise their situation. By using this example, the author further justified his

¹⁴¹ Andrzej Kapostas, *Planta Ułożenia Projektu Banku Narodowego Do Prześwietnej Deputacji Projektu Ekonomiki Krajowej Podana* (Warsaw, 1790), <https://polona.pl/item/planta-ulozenia-projektu-banku-narodowego-do-przeswietney-deputacyi-projektu-ekonomiki,NzY4MTA/1/#info:metadata>.

¹⁴² Kapostas, *Planta Ułożenia Projektu Banku Narodowego Do Prześwietnej Deputacji Projektu Ekonomiki Krajowej Podana*, 5.

¹⁴³ *Ibidem*, a – a2

reasoning about the need to build such institution in Poland. To support his thesis, Kapostas quoted Jacques Necker and presented his opinion and line of reasoning, which emphasises the importance of maintaining the right balance between ready cash and assignats as the reliability of the bank is the key point.¹⁴⁴ Following this path he indicated that the total value of assignats should be about 40 000 000 złoty in denomination of 10, 25, 50, 100, 500, 1000. He assumed that 10 złoty will be the most common note, as has was totally aware of widespread poverty in the Commonwealth. His opinion was that by establishing such system this situation could partially be improved. The highest value of the notes is to be dedicated to the matters of trade and large transactions.¹⁴⁵

On further pages of his document, the author provided detailed calculations supporting his forecast of the maximum total number of assignats to be around 290 000. According to these estimates, 10 złoty note, as the most common banknote, will appear in quantities summing up to 100 000; subsequently number of 25 złoty notes will correspond to value of 40 000; 50 złoty note to 60 000; 100 złoty note to 50 000; 500 złoty note to 20,000; and finally, 1000 złoty note to 20,000.¹⁴⁶ Kapostas also listed responsibilities of the Banking Commission and the Directors of the Bank. He stated that, to ensure bank tickets issued by the bank are secure from fraud, three representatives should sign them along with the director and three other representatives, along with the vice-director, are to oversee the stamps of the Bank and Commonwealth. The same principle should be applied to the keys to both vaults – one with ready cash and the other with assignats – to ensure they are secured. Three members will have keys to one vault and the other three will have keys to the second vault. In case of the absence of any commission member, Kapostas indicates that one of the assessors should perform the duties. He states that the directors are obligated to create monthly reports on the balance of both ready cash and assignat cash registers and also to report on semi-annual basis on the general status of banking operations. These reports should be presented during dedicated economic sessions. Besides this, during such sessions, the expansion of the bank's credit policy and considerations regarding debtors are to be discussed. There is also a mention of second type of session, typical for the Banking Commission, a court session. During such meeting, the participants have the authority to prosecute any member of the bank who committed embezzlement, high treason or failed to

¹⁴⁴Ibidem, i – iv.

¹⁴⁵ Ibidem, 1.

¹⁴⁶ Ibidem, 9.

fulfil their duties. However, if such case concerns the director or vice-director, there will be no internal prosecution but a regular trial.¹⁴⁷

The author stated that the Treasury Commission should cooperate closely with the Bank Commission. If the Central Bank lacks ready cash for exchanges, the public treasury should send a certain amount of ready cash to the bank. To support the system and make it effectively work, the Parliament should obligate the Treasury Commission to pay in assignats at least half of every expense which exceeds 10 złoty. The authors recommended to create six exchange offices for citizens to exchange ready cash to bank tickets. Proposed fee for such transactions should equal to 1% of the total exchanged sum.¹⁴⁸ The author suggested that every 10 years bank should collect old banknotes and emit new ones.¹⁴⁹ He considered various situations and proposed appropriate procedures. For example, he highly recommended, for larger sums collected in assignats, to write down serial numbers. In the event of their destruction (e.g. as a result of fire) the owners can still go to the exchange office and, with proof of those numbers, demand new ones, in the exact value they lost. Sadly, in case of robbery or misplace, the bank cannot assist. For forgery of assignats there will be a death penalty. The author recommended that if any person provided evidence leading to punishment of a particular group of forgers, this person is to be rewarded with a bounty of 1000 złoty. This rule is to be applied even if that individual participated in such a group. The author cites the principle "divide et impera" as the rationale for this approach.¹⁵⁰

Kapostas's concept of central banking can be considered as the most complex one, next to the work of the anonymous author, previously analysed in this thesis. Set of detailed instructions on various processes and rules – from the supervising body to the monetary policy – were provided by Kapostas. He clearly perceived central bank as a tool to improve commercial and financial situation of the state. This line can be identified as the common point for all approaches to central banking presented in this thesis. Another common perspective in Kapostas and the anonymous author work, is their perception on the development of central banking throughout history. They are both fully aware of the failures in France, England, Sweden, etc., and they aim to base their projects on more reliable policies to avoid the collapse of the central bank system.

¹⁴⁷ Ibidem, 1 – 5.

¹⁴⁸ Ibidem, 5 – 6.

¹⁴⁹ Ibidem, 19.

¹⁵⁰ Ibidem, 20 - 21

4.2 The Duchy of Warsaw and Chrucki's plan for central bank.

System Banku Skombinowanego Dla Xięstwa Warszawskiego. Projekt Prześwietnym Stanom Na Seym Zgromadzić Się Mającym Do Rozwiązania i Potwierdzenia Przedstawiony.

Bank System done for the Duchy of Warsaw. Project to Great States which will gather to Parliament for resolution and confirmation showed.

*Money and public income are blood and bank is heart which is pumping and sending all these goods through whole body.*¹⁵¹

The vision of central bank in the Duchy of Warsaw by Chrucki assumed that at the beginning bank would consist of two departments called "First Bank Department" and "Second Bank Department".¹⁵² Department one will manage debts and debts relief related to Bayonne sums.¹⁵³ These debts would be handled by a special commission that was planned to be established in every department where nobles with such debt could be found. Answering to this Commission, an individual should state the sum of the Bayonne debt and provide all related details. Next, it is submitted to the Commission with a verified copy of the mortgage file. The Commission will create a protocol outlining possibilities, based on the debtor's situation, for complete or partial relief from the debt and will develop a payment plan. In case of a negative decision, the Commission must support it with a short document providing the rationale for such negative opinion about the debtor.

Chrucki also wrote about the need for detailed instructions for the Commission, emphasizing that these instructions must be very strict¹⁵⁴. He stated that the Commission should be assembled with people who know German language and have extensive knowledge of similar foreign institutions and full understanding of Prussian mortgage law. Commission's responsibilities include direct work with debtors, creation and maintenance of documents to register financial details (e.g. exact amount of a particular debtor's debt, value of the estate, deposit to the bank needed to start managing the debtor's debt). It was also noted that funds for the deposit can only be taken if they are secured by sufficient mortgage value. Moreover, if the

¹⁵¹Jan Kanty Chrucki, *System Banku Skombinowanego Dla Xięstwa Warszawskiego. Projekt Prześwietnym Stanom Na Seym Zgromadzić Się Mającym Do Rozwiązania i Potwierdzenia Przedstawiony*. (Warsaw, 1808), 10.

¹⁵²Chrucki, *System Banku Skombinowanego Dla Xięstwa Warszawskiego. Projekt Prześwietnym Stanom Na Seym Zgromadzić Się Mającym Do Rozwiązania i Potwierdzenia Przedstawiony*, 10.

¹⁵³ Ibidem

¹⁵⁴ Ibidem, 12 – 13.

same individual makes a deposit on a different estate, and this deposit is considered as secured, then this person is entitled to receive another certificate of payment¹⁵⁵. It is however not specified how large this sum should be. After paying off the Bayonne sums, the Commission should be dismantled. In case when there is no existing Director of the Bank, the members of the Commission will become members of the Board of Directors of the Bank.

Chrucki outlined a few tasks for management in a long-term plan, so called the 10-year plan, and regarding the issuance of debt papers (bonds). He claimed that these actions could lead towards domestic banking system opening to foreign investments and contacts. Another task regarded by the author is the issuance of banknotes, that Chrucki named *Biletę Bankowe* (Bank Tickets). These tickets are foreseen as another debt instrument with an option for individuals in debt to exchange 1/30 of their debt into these tickets. Total sum of debts should be divided between *Kantor Wymiany Biletów Bankowych* (Bank Ticket Exchange Office), to be located in every district in the Duchy of Warsaw and in the biggest trade cities connected commercially with the Duchy. The second department of the bank will be dealing with money and Bank Tickets lending, at interest, as well as with depositing them. However, the author stated that these features are expected to be more popular in the future as currently the nation is strongly affected by the poor economic conditions of the country. He specified that the bank would offer 5 percent on deposits and charge 4 percent for loans. The author does not list any time intervals but it can be assumed that these are annual rates. The bank will primarily benefit from fees charged from cash exchange into Bank Tickets. To avoid bankruptcy, the money loaned to the bank at 5 percent interest, would be lent back to clients but not in cash - in Bank Tickets. This reflects on the Second Department responsibility for appropriate cash investments to maintain bank's financial stability. Another aspect related to Polish assignats is their stocks, which can be divided into two groups – paid and unpaid. This is another measure to secure the financial stability of the bank. It is explained that if during the first year of the bank's existence, no one lends the bank cash made from silver or gold, then the bank should only borrow in unpaid assignats and shall demand that the interest is to be paid in assignats too.¹⁵⁶

First department will maintain the ownership of all assignats stocks along with their creation and exchange.¹⁵⁷ Chrucki populated 33 guidelines which he named as the main rules of the bank. He mentioned that to manage the first department a separate team will be formed at the assembly of General Directors of the Bank, which will operate with separate registers for

¹⁵⁵ Ibidem, 13 – 15.

¹⁵⁶ Ibidem, 18 – 19.

¹⁵⁷ Ibidem, 21.

assignats, ready cash, accounting, bookkeeping, cashier, etc. Directors are responsible for the exchange of assignats and the sums that will be exchanged for Bank Tickets will primarily be on mortgage. The Commission is responsible for the accurate estimation of these sums. The first department is only allowed to deposit sums and capitals from the Bayonne Sums that are to be paid to the Prussians. The debt sum approved by the Commission will be divided later into 10 equal parts. Each part being named debt stock and will be part of the Banking Tickets issued by the First Department. Three quarters of the total amount of the previously established assignats will be created and these sums should be paid by creditors within 10 years.

Chrucki further described the safety policy of the bank. He stated that the bank will take from the national income an amount equal to one stock of debt and will return to the national treasury the same number in tickets. Bank directors have the right to proclaim the exchange from assignats to ready cash through a public announcement. In the next point, direct connection between Chrucki's plan and the Napoleonic Code, concerning debtors who do not fulfil their payment obligations to the bank, can be noted. The Code is also used to resolve issues of mortgage law for the bank. Further, Chrucki described bank directors responsibilities, including: funds investments to generate income for the government, future policies planning and hosting annual General Assembly. The directors are obligated to solicit with clients and debtors, make statements about the past year outcomes and outline future plans. However, neither the directors nor the General Assembly, are allowed to change the established general rules of the bank to maintain the stability of the bank tickets system.¹⁵⁸

The author estimated that the value of Bayonne sums is between 60 and 80 million złoty. In his estimates he assumed its value at 60 million złoty and provided general principles in 7 points, in relation to §4, considered as a principal of 10-year plan.¹⁵⁹ To summarise, in his proposal he divided the debt into 10 equal parts, one part for each year, and named each as debt stock. He instructed that bank directors should take certain sum from national income to pay the debts off. They are also to take mortgages, with all conveyances to the bank deposit, to ensure that the debtors pay 1/3 (2,000,000) of the sum to the bank cash register for the ticket exchange fund. A percentage from the remaining sum will be paid to the bank and will be used for the depreciation of the ticket exchange system. Furthermore, according to §9 of the plan, bank directors should emit, in the 10-year period, adequate amount of bank tickets to cover 3/4

¹⁵⁸ Ibidem, 21 – 40.

¹⁵⁹ Ibidem, 41.

of the sums taken by the bank to pay off the debts. The total sum of tickets should be divided into 30 equal parts, each named as *ticket stock*.¹⁶⁰

In further parts of the document, the author elaborated on the 10-year plan, moving year by year he wrote about ready money and tickets, outlined how many tickets are supposed to be emitted each year (in terms of value, not quantity) and he stated the same for ready cash deposited in the bank.¹⁶¹ It is worth noting that in a chapter titled “Note over the Ten-year plan” Chrucki stated that this plan is to serve as a general idea only and be affected by multiple factors. He compared his idea to a compass that would guide the realm. Once the goal of the plan was achieved, bank directors will stop new tickets emission and will focus on maintain proper capital level, assumed for value of 19 500 000 zloty. In case bank directors encounter an issue with the tickets’ accumulation, then the Government shall buy these tickets and release them into the market. The income of 1 percent per year from capitals, estimated around 1 500 000 zloty, was to ensure extra funds for protecting the ticket exchange system in the bank. A remarkable point added with regards to setting up a bank lottery is worth noting:

*...but I’ve heard from one man who has a lot of experience, he claimed that a person who has stayed in addiction for 10 years, this person will not ever drop this habit and the same thing can happen with our tickets, it could happen that we will not be able to function without those.*¹⁶²

The first benefit of the 10-year plan is that the debtors will have to pay only half of their debt within this 10-year term. Another benefit is that debtors will benefit from a full and proper plan for paying off their debt. This is also beneficial for the effective administration of their family estates. The third benefit is the higher value of goods produced on the estates. This effect results from the assurance given by the plan in place and it will make not only these goods more valuable but the estates too. It will be applicable not only to agrarian products but, also, to industry. The fourth benefit is centralisation of banking matters to reduce foreign influence on citizens.¹⁶³ Chrucki emphasised the above conclusion by stating that estate owners, paying interest to the bank and allowing the bank to operate on those funds with assignats, ensures that the ready money stays in the country. He also presented other advantages including easier flow of money and assignats in the Duchy because of the bank. His final argumentation is about the expected growth of political activity resulting in the creation of social institutions to take care

¹⁶⁰ Ibidem, 41 – 43.

¹⁶¹ Ibidem, 45 – 59.

¹⁶² Ibidem, 62.

¹⁶³ Ibidem, 60 - 63

of orphans, widows etc., The bank could support these initiatives by providing financial security to them in form of deposits etc.¹⁶⁴

After describing his plan for financial situation recovery, he listed down the rules for the Second Department. Like the First Department, the Second Department will operate with certain administrative structures. He supported a possibility of transferring some sum in bank tickets from the First Department to the Second Department to maintain its functioning. The bank would pay 5 percent of interest on money lent to them for deposit and would offer their tickets with 4 percent interest, to stimulate citizens' interest in using assignats instead of ready cash. The bank would lend on every bond, including mortgage sums pledged at $\frac{1}{2}$ of the value of the estate and reaching to cover $\frac{3}{4}$ of the total mortgage sum. If the estate owner guarantees that the interest on the loan will be paid off, he would be allowed to take additional mortgage loans on his estate. The bank can lend a maximum of 2 000 000 zloty in tickets, per year, to its clients. This sum is to be borrowed by many people in many parts and not by one person in one piece for one particular reason only - this will support the exchange process of assignats, Chrucki claims.¹⁶⁵ Further, the author describes the rules regarding bonds and the bank's related policy including the rules for issuing, borrowing, and depositing. Bank Tickets are planned to be issued in denominations of 25, 50, 100, 250, 500, and, the highest, 1000 zloty. Sealed with the bank stamp, signed by bank directors and marked with proper serial numbers - each ticket will be marked with these details to ensure they are distinguishable. Each stock of tickets will differ in colour of printmaking. Every assignat will be marked to indicate the stock it belongs to and that will be written in Polish, German and French. Forgers will be punished the same way as counterfeiters of coinage and public papers. One stock of bank tickets will contain 30 000 tickets.¹⁶⁶ Among general rules for the General Assembly it was listed that the meeting cannot last longer than 8 days and should be hosted 8 weeks before Saint John's Day. Moreover, the members of the General Assembly who deposited 4 000 in "Red Zloty"¹⁶⁷ in the department of the bank would have an advisory vote in majority voting. Bank directors should preside the General Assembly, provide a report on bank condition and gather any petitions. At the General Assembly, clients can voluntarily donate to the bank. If there is not enough funds to keep the bank on track, the directors shall liaise with those clients who offered part of their donation. The exchange offices are foreseen as local branches of the bank and the first one was located

¹⁶⁴ Ibidem, 64.

¹⁶⁵ Ibidem, 65 – 69.

¹⁶⁶ Ibidem, 70 – 73.

¹⁶⁷ Name for golden Polish coins.

in Poznań. Chrucki provided only a general outline on the exchange offices and did not list any specific sets of rules. He supported the idea of dealing with banks and merchants in places like Gdańsk, Szczecin, Wrocław and Leipzig and using tickets/assignats in trade. The same set of rules and type of funding would be applied to offices located abroad. He perceived these tickets as a tool to make foreign trade easier for the Duchy of Warsaw.¹⁶⁸

To summarise this detailed legal act, firstly its multidimensional nature should be noted. It is not only to serve as a legal act about how the Central Bank should be managed in the Duchy of Warsaw, but it is also a detailed economic plan. This is very clearly visible in the part regarding the 10-year plan and the debt repayment commission. Therefore, it can be concluded that this legal act is also a mirror reflection of the current political and economic situation. The next aspect to consider is the Parliament response to this legal act proposal. Unfortunately, due to a lack of primary sources, I can only confirm that on the 30th of January and the 6th of February in 1809 it was already an ongoing and processed.¹⁶⁹ Discussion details and final decision is not known, and, it will most probably remain unknown due to lack and destruction of many sources and archives. It is estimated that 90 to 95 percent of archives in Poland were destroyed during the Second World War.¹⁷⁰ Those potentially still existing are unknown to me and therefore beyond my reach. As I mentioned earlier, in the section dedicated to the pre-partition Commonwealth, the key points of central banking, besides monetary policy, include provision of affordable loans for investments. The role of the Central Bank is to be seen as a core part of the economy. These principles remain the same in the works of Kapostas and the anonymous author. However, Chrucki's plan stands out from the others as, not only its hypothetical implementation was already possibly discussed by politicians, but also this plan included creation of a lottery. This can be seen as an odd addition, but in my opinion, it could serve as source of additional income and recognition in society. All authors, Chrucki included, stated that recognition among average, ordinary people is key to proper functioning of Central Bank.

¹⁶⁸ Ibidem, 74 – 78.

¹⁶⁹ Tadeusz Mencil and Bronisław Pawłowski, *Protokoły Rady Stanu Księstwa Warszawskiego.*, vol. 2 (Toruń: Towarzystwo Naukowe w Toruniu, 1965), 64 – 66.

¹⁷⁰ 'Straty Wojenne w Warszawskich Archiwach Wyniosły 90–95 Proc. Ich Przedwojennych Zasobów', accessed 31 May 2023, <https://dzieje.pl/wiadomosci/straty-wojenne-w-warszawskich-archiwach-wyniosly-90-95-proc-ich-przedwojennych-zasobow>

4.3 First Central Bank – “Bank of Poland”.

This subchapter is devoted to the similarities and differences between the first established Polish central bank in 1828 and the projects of Kapostas and Chrucki. Before that, I want to provide a sharp and brief characterization of the Bank of Poland to create a basis for later comparison. Unfortunately, I am not able to confirm if there is any continuity between the projects from the Duchy of Warsaw and the Congress Kingdom, so I am assuming there is no connection between these two projects. The idea of the Bank of Poland was born between 1818 and 1820. A petition to create such an institution was submitted by members of the Polish Sejm to the King, and later, in 1821, a special commission was created to take care of this matter. Their work was finalized in 1824 by its creator, Ksawery Drucki-Lubecki, Minister of Treasury in the Congress Kingdom from 1821 to 1830. Despite the fact that the Council of the State was very against this project, the Sejm voted in favour of it in 1825. Funds to establish such an institution were gathered by the end of 1827¹⁷¹. On January 29, 1828, bank was officially established by *ukase* of Russian Emperor and Polish King, Nicolaus I, and signed by Polish Minister of Treasury, Ksawery Drucki-Lubecki, and Secretary Minister of State Stefan Grabowski¹⁷². A royal decree from January 1828 also mentioned the purpose of the Bank of Poland – to stabilize the national debt situation and expand the commercial and industrial sectors. The authorities of the Bank of Poland included a president, a vice president, and three directors. Decisions were made by majority vote in the presence of three persons; if the vote was tied, the president had the deciding vote. The Bank of Poland closely cooperated with the Ministry of Treasury.¹⁷³

¹⁷¹ Grodek, *Idea Banku Narodowego (Geneza Banku Polskiego 1763- 1828)*, 30 – 32.

¹⁷² Małgorzata Grzesik-Kulesza, ‘The Creation of the Bank of Poland in the Years 1828–1885’, *Przegląd Prawa Konstytucyjnego* 36, no. 2 (30 April 2017), 134.

¹⁷³ *Ibidem*, 135.

The Bank had following prerogatives¹⁷⁴:

- 1) Emission of assignats – Polish Zloty – the exchange rate was equal to silver coinages. Except for the uprising against the Russian Empire in 1831, the rate was stable, and the use of these tickets was popular among citizens.
- 2) Public debt service.
- 3) Banking services such as regular deposits and deposits for public institution capitals, long- and short-term credits with annual interest rates ranging from 4 to 8%, and various types of loans.
- 4) Commercial activities such as trading in grain, wood, and fabric, with direct engagement of the Bank of Poland in these activities

In 1833, the Bank of Poland took control of mining facilities in the Congress Kingdom for 10 years, providing credits to those companies. After a few years of investing, the companies were unable to make any profit despite support from the Bank of Poland and had to be shut down. A later study of this credit assistance revealed numerous instances of embezzlement, with some members of the Bank directly involved. Those responsible for the aforementioned fraud faced trial and were sentenced to jail. Overall, investments and the provision of banking services were well executed by the Polish, according to Leszczyńska.¹⁷⁵ From 1841, monetary autonomy from Congress Kingdom was slowly taken and in 1859, only in Russian language were inscription on notes.¹⁷⁶ From May 1870 to June 1885 Russian Empire took final step to dismantle the Bank of Poland and transform it for currency exchange office of the Russian State Bank as well as other branches of the Polish Bank. What is more, all real estate as other valuable assets of the Polish Bank were given to Russian State Bank.¹⁷⁷

The peak of autonomy for the Bank of Poland, as well as the Congress Kingdom, lasted until the November Uprising of Polish citizens in November 1831. This means the Bank of Poland had only 3 years of proper autonomy, followed by a slow decline over the next 50 years, with the last 15 years being the harshest for this Polish bank.

In conclusion to Chapter 4, the whole idea of central banking in the Polish–Lithuanian Commonwealth, through the Duchy of Warsaw, to the Congress Kingdom of Poland, is an

¹⁷⁴ Leszczyńska, *Zarys Historii Polskiej Bankowości Centralnej*, 10 – 11.

¹⁷⁵ *Ibidem*, 12- 13.

¹⁷⁶ Grzesik-Kulesza, 'The Creation of the Bank of Poland in the Years 1828–1885', 140.

¹⁷⁷ *Ibidem*, 142 – 143.

emanation of the mercantilist idea of how to use a central bank to develop the domestic economy. The lack of money, which can be overcome by investment credits¹⁷⁸, was a driving factor. The creation of money, in the case of the aforementioned states, was the only way to achieve the goal of providing more cash to the economy. Poland was highly lacking in natural resources of gold or silver, and it was highly improbable to obtain these rare metals through commercial means. This perspective on the economy, according to Grodek, was a mistake because all the more or less successful countries in economy and commerce, like England, the Netherlands, Venice, etc., which established public or central banks, did so not because of a lack of money in their domestic economy but because of the opposite reason: a significant inflow of cash created a need for better management of it.¹⁷⁹ Thus, the chapter highlights the ambitious but ultimately flawed attempts to establish a central banking system in Poland, driven by mercantilist goals of economic development and financial stability, which did not align with the successful models observed in other countries.

¹⁷⁸ Grodek, *Idea Banku Narodowego (Geneza Banku Polskiego 1763- 1828)*, 12.

¹⁷⁹ *Ibidem*, 13.

5. Conclusion

The examination of proposals for central banking system from the Polish-Lithuanian Commonwealth through the Duchy of Warsaw reveals an innovative but ultimately flawed approach to Central Bank establishing. Firstly, the idea of a central bank arose from an enlightenment awareness of state governance. Among many plans and discussions around central bank establishment in pre-partition Poland, the most recognisable was that one authored by Andrzej Kapostas, who was merchant and banker. His idea of central bank was based on mixed ownership of, both, private and public sectors. According to his views, the commercial part meant to be private. The part of the bank with supervision and emission powers would stay under the control of the state. The bank was supposed to offer a wide range of banking services, from deposits to credits. Kapostas' plan was also heavily focused on replacing ready cash with banknotes issued by the central bank, as well as stimulating the economy and investments. As Grodek noted, mercantilists were using central banks, or issuing institutions, to boost domestic economy.¹⁸⁰

We can assume that Kapostas, Chrucki, and Drucki-Lubecki were in favour of mercantilist policy, at least to some moderate extent. However, as we revert to Grodek's argumentation, the assumptions of the previously mentioned trio and the anonymous author, whose work was heavily inspired by the Danish banking system, missed an important aspect. From their perspective, there was a strong belief that the Central Bank or the National Bank, as they called it, was a crucial point in the state economy modernisation process. But, Grodek claimed that the reason for establishing a Central Bank in a particular country was the economic growth itself. These institution were not intended to initiate or cause economic growth. When analysing the data provided earlier in table 2, it can be observed that almost 93% of the Duchy of Warsaw taxpayers were, most likely, unable to make any investments, even if supported with affordable loans. Investments in industry or any other sector of the modern economy, as considered in the 19th century, were not possible as people were simply poor, without any stable income or represented agrarian-oriented hired workers. The scenario could have been different if city of Gdańsk was considered. Placed by Baltic Sea it was regarded an important commercial centre of Eastern Europe . Following on purely hypothetical circumstances, with the Duchy of Warsaw survival or Gdańsk inclusion in the Congress Kingdom, based on graph 1 data, certain specific benefits would have been expected. Further consideration of these circumstances would simply lead to unnecessary creation of alternative history.

¹⁸⁰ Grodek, *Idea Banku Narodowego (Geneza Banku Polskiego 1763- 1828)*, 12.

Another view on economic data, presented as last one in chapter 2, shows that at the time of the pre-industrial economy in the 18th century, or at the beginning of the industrial economy in 1820, GDP per capita difference between Great Britain and Poland was three times in favour of Great Britain. When taking closer look at the assessment to support the decision for Central Bank establishment, it can be concluded that this project was inappropriate at that time, mostly due to the economic conditions. The issues, that settled the economic background for both, the Polish-Lithuanian Commonwealth and the Duchy of Warsaw, were almost identical in the last decades as there was a relatively small time gap between the existence of those two states. As a result of frequent wars, political disruption, the economy was weak and commercial relations were poor and state was not functioning well when it comes to political and legal decisions. In these circumstances, the role of central bank was to maintain monetary policy to avoid collapse, as occurred in many European countries in previous centuries, and to provide credit at low interest rates for investing in modern industry and infrastructure. Besides economic foundations, which were relatively weak, there was also other aspects: the Napoleonic influence on the Duchy which is probably the most visible and obvious one. Besides the fact that Napoleon founded the Duchy of Warsaw, he also put it under his indirect sphere of influence. Every major legal act, from the Constitution of the Duchy of Warsaw to the Commercial Code, was either a modified French legal solution or was heavily inspired by French law. But apart from those legal changes, often seen as very controversial among the more conservative establishment of the Duchy, there were two very important events that greatly affected the economy of the Duchy and, consequently, its citizens: the Continental Blockade and status of Napoleonic France satellite state to always participate in wars.

The most visible negative effects of the Continental Blockade that I described in this thesis, were corruption among officials, grey market growth caused by prices increase for many goods impossible to obtain due to this economic war, and finally, the interruptions in commercial relations, which are studied in graph 1. Secondly, we note so called war effort, which was supposed to be seen as standard obligation and everyday life part in the Duchy, from its beginning to its end. For example, war with Austria in 1809, was a victory to the Duchy but, it still brought a lot of devastation to the land. With the preparations of the Winter Campaign, the French army was more and more supplied in the Duchy and by the Duchy. It highly affected state's budget but, more importantly, it also had an effect on the citizens, who were required often to take care of 12 soldiers (!). Conscription and high taxes for the army were the elements that almost halted economic development in the Duchy. The citizens could barely afford to pay their taxes. The defeat of Napoleon and his allies, including the Duchy of Warsaw in the war

with Russia, brought a new temporary government to the Duchy which was in place from the 1st of March 1813 until the Congress of Vienna. This government did not understand local economic issues, as shown earlier in this thesis, and was introducing chaotic changes to the taxes and tariffs. It appears that they collected less money from tariffs and taxes compared to the equivalent period of the Duchy of Warsaw.

Nevertheless, the newly created Congress Kingdom of Poland, established after the Congress of Vienna in 1815 and functioning under personal union with the Russian Empire, managed to establish in 1828 the first Polish Central Bank – the Bank of Poland. For comparison, the same institution in Russia was established in 1860. Later, in 1885, the Bank of Poland became one of the branches of the Bank of Russia. Before it was absorbed into the Russian system, Bank of Poland, designed by Drucki-Lubecki, Minister of Treasury in the Kingdom of Poland, was a symbol of modernisation and the expression of its support from Polish establishment. Starting from the first full project of mixed ownership central bank institution authored by Chrucki in 1790 until the successful project of Drucki-Lubecki in 1828, the whole journey took 38 years. The journey took place through three different states formed on Polish land, each of them with another type of sovereignty to finally and fully establish an operational central bank – the Bank of Poland. The Russian Emperor and King of Poland, Alexander I, played crucial role in this process and his decree was the final act in establishing this public institution. Regrettably, many details, nuances, parliamentary debates on the projects (including Chrucki's) etc., are not included in this research because as mentioned earlier, many materials and sources were either destroyed or lost during the Second World War.

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