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Abstract

The history of 'money doctors' despatched to give financial advice to countries thought to be in need of it has mainly concentrated on American advisers (e.g. Flandreau 2003). This paper gives an account of a British mission to Poland in 1923 – 1924, a period which coincided with the ending of Poland's hyper-inflation. It describes how the mission contributed to Poland's monetary stabilisation in 1924, and explores the tensions that arose about the scope and functions of the mission, and of foreign advisers more generally, both between the mission and the Polish authorities, and within the mission.

JEL codes: N14, N24, N44.

Keywords: Poland, money doctors, inflation, Hilton Young, Grabski, monetary reform.

Poland in 1918 – 1923

When the Republic of Poland was re-constituted as a sovereign state in 1918 for the first time since it had been partitioned by Russia, Prussia and Austria in 1795, it inherited a chaotic economic and financial situation. Much of its capital infrastructure in its territory had been destroyed, or physically removed, during the war, and the population had needed food relief in the winter of 1918 – 1919. It had multiple systems of law, passed on by the three partitioning powers, multiple currencies, and no effective means of collecting taxes from its citizens.

Poland's borders with Germany were determined by the Treaty of Versailles (1919), subject to a plebiscite in Upper Silesia (see below), but Poland was at war with Lithuania, Soviet Russia, Soviet Ukraine and Czechoslovakia over territorial issues at times in 1919 and 1920.

The national currency at the time of independence was the Polish mark, which had been introduced by Germany in 1916. Plans for its replacement with a new currency, the złoty, were enacted as early as February 1919 but their implementation had to be postponed on account of pressing fiscal needs.[1] The costs of war were largely met by printing money, and it was not surprising in the circumstances that there was serious inflation in Poland. The inflation continued long after the fighting had stopped, and accelerated into hyper-inflation in 1923.

[1] Dziennik Ustaw, nr. 20, poz. 230, 28th February 1919.

British financial advice to Poland.

By the end of 1920, there seemed to be an opportunity to stabilise Poland's finances. Poland's border conflicts with Soviet Russia, Ukraine, Lithuania and Czechoslovakia had ended for the time being, though there was still to be violence in Upper Silesia in connection with the border plebiscite. At the beginning of February 1921 the Polish government approached the British Legation in Warsaw about the possibility of appointing a British financial adviser, 'owing to the lack of anyone capable of managing the finances of this country.'[2] The Ministry of Finance[3] sought an exchange banker who would advise the note-issuing bank, the Polska Krajowa Kasa Pożyczkowa (Polish National Loan Fund, PKKP) in matters of exchange, and would reorganise that department of the bank, as well as giving advice in other spheres.[4] The invitation resulted from discussions between the commercial secretary at the British Legation in Warsaw, R.E. Kimens, who was a native of Chernomin (now in Ukraine), and Baron Manteuffel , the head of the credit department of the Polish Ministry of Finance; Kimens thought that Prime Minister Wincenty Witos and Finance Minister Jan Kanty Steczkowski had had to overcome left-wing opposition to it. The adviser would be offered the post of Assistant Manager of the PKKP; he would be 'entrusted with the management of all affairs connected with foreign exchange, the Warsaw exchange, import, export and banking.'[5]

The British Foreign Office invited Lieutenant Commander Edward Hilton Young, M.P., D.S.O., to take the post. Young had been a financial journalist before the war; he had lost his right arm on active service in the Royal Navy during the war. He was elected to Parliament as a Liberal in 1918. He became Lord Kennet of the Dene in 1935. He had been suggested to the Foreign Office by Basil Blackett, the Controller of Finance at the British Treasury. In their letter to Young, the Foreign Office said that 'as a party to the Treaty which brought the state of Poland into existence, His Majesty's Government assumed a

[2] Max Muller – Curzon, 3rd February 1921, NA FO688/10/4.
[3] The Polish name for the ministry, *Ministerstwo Skarbu*, literally translates to 'Ministry of the Treasury'. The present-day Polish Ministry of Finance (*Ministerstwo Finansów*) includes the pre-war heads of this office in its list of Ministers of Finance (not 'of the Treasury'), and that is the convention I follow here.
[4] Steczkowski – Kimens, 15th March 1921, NA FO688/10/4.
[5] Max Muller – Curzon, 3rd February 1921, NA FO688/10/4.

certain moral obligation to assist her so far as they reasonably could to overcome the extraordinary difficulties with which she was inevitably to be confronted.'[6] The Foreign Office also noted ruefully that 'the position of His Majesty's Government in Poland from a political point of view has become progressively weaker and the position of the French Government progressively stronger during the past six months…'[7]

Young accepted the invitation, but said that he did not want to devote more than two or three months to the job.[8] However, he was appointed Financial Secretary to the Treasury on 2nd April 1921 and as result could not then go to Poland.[9] The Polish government asked whether British experts could nonetheless visit Poland, but the question went unanswered, because the British Foreign Secretary, Lord Curzon, wanted to indicate displeasure with Polish paramilitary activity in Upper Silesia after the plebiscite that was held there in March that year on the boundaries between Poland and Germany. In not responding to the renewed Polish request, the Foreign Office ignored the protests of the British Minister in Warsaw, William Max Muller.[10] Towards the end of the year, the Polish Mark exchange rate stabilised temporarily thanks to the reforms of Finance Minister Jerzy Michalski, who decided that the proposed mission was no longer necessary.[11]

The effects of Michalski's reforms did not endure, because the Ponikowski government of which he was a member was brought down by the Chief of State, Marshal Józef Piłsudski, and an extended Cabinet crisis ensued, with a caretaker government in place, as no Cabinet which was acceptable to Piłsudski could command a parliamentary majority. This state of affairs continued until the elections of 1922 and Piłsudski's departure from the political scene.[12] Under these conditions, the reforms were discontinued and the Polish Mark began to depreciate again in the second half of 1922.

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[6] Gregory –Young, 1st March 1921, attached to F.O. – Treasury, 18th March 1921, NA T160/110/8.
[7] F.O. – Treasury, 18th March 1921, NA T160/110/8.
[8] Young – Gregory, 1st March 1921, attached to F.O. – Treasury, 18th March 1921; O'Malley – Fass, 29th March 1921, NA T160/110/8. This account of the Hilton Young mission supplements those of Orde (1990, pp 276 – 278) and Lojkó (2006, chapter 6.2 – 6.4).
[9] "General Post", 2nd April 1921, TDA.
[10] Ministry of Treasury – British Legation, 12th April 1921; Kimens – Minister, 22nd April 1921, Max Muller – Lindsay, 14th June 1921, Max Muller – Curzon, 14th September 1921, NA FO688/10/4.
[11] British Legation in Warsaw, Annual Report 1920, NA FO417/59.
[12] Gasiorowski (1971, pp 433 - 436), Don-Simeion (2022, section 2.1.2)

During this time, despite the political paralysis, Max Muller had 'tentative discussions' with the Polish Foreign Minister, Gabriel Narutowicz, about appointing a British financial adviser.[13] Young, the earlier candidate, had ceased to be Financial Secretary to the Treasury in October 1922, and expressed an interest in going to Poland, but was then appointed to be National Liberal Chief Whip in the House of Commons and became unavailable again.[14]

For a long time, the British government looked for alternative candidates. John Gregory (Foreign Office) and Otto Niemeyer (who succeeded Blackett as Controller of Finance in the Treasury in late 1922) thought that the adviser should be 'a person whose name is sufficient in itself to attract attention to his mission and to command general assent to the views expressed in it.' The Polish Foreign Minister, Count Aleksander Skrzyński, concurred. Skrzyński saw the adviser's functions as extending beyond giving advice to restoring Polish credit in the world's money markets so as to facilitate an external loan.[15]

Young, asked yet again to lead the mission, declined initially, but Niemeyer persuaded the Prime Minister, Stanley Baldwin, to write to him urging him to accept. Young agreed in August 1923 to go to Warsaw for two months only, and added that he would need to be accompanied by one or two specialists.[16]

It was quickly agreed that Hubert Penson, a Treasury official, would join Young's mission. Niemeyer noted that Penson had specialised for several years in Polish finance, spoke Polish and Russian, and 'knows everyone there.'[17] It proved harder to find a currency expert. The eventual solution was to take two people: Henry Trotter, a former Deputy Governor of the Bank of England, who had been recommended by the Bank of England

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[13] Max Muller – F.O., 6th April 1923, NA T160/110/8. Narutowicz was elected President of the Republic of Poland in December 1922, and was assassinated in Warsaw a few days later.
[14] Lojkó (2006, pp 304 – 306).
[15] Max Muller – F.O., 6th April 1923; Gregory – Niemeyer, 21st April 1923; Niemeyer – Gregory, 24th April 1923; Gregory – Niemeyer, 2nd May 1923; Niemeyer – Gregory, 23rd May 1923, NA T160/110/8.
[16] Niemeyer – Gregory, 23rd May 1923; Niemeyer – Gregory, 20th June 1923; Baldwin –Young, 7th August 1923; Young – Baldwin, 14th August 1923, NA T160/110/8.
[17] Niemeyer –Young, 16th August 1923; Phillips – Rowe-Dutton, manuscript note, 24th August 1923, NA T160/110/8. Penson later co-edited the Cambridge History of Poland (1941).

Governor, Montagu Norman, and Frank Nixon, a former British Treasury official who had joined the staff of the League of Nations in 1920.[18] Young and Trotter were unpaid, while Penson and Nixon were paid by the Polish government.[19]

In London, the Polish government sought a loan from J.P. Morgan.[20] Norman's diary records a meeting on 15th September, with Arthur Gairdner of British Overseas Bank, a consortium bank which had been established in 1919 and which was active in Poland, 'and 2 Poles', and notes '20 mins gossip. They shd [should] follow advice of JPM [J.P. Morgan] & Co.'[21] It was expected in Poland that the introduction of a new permanent currency would be accompanied by the establishment of a new national bank of issue, and Morgan had advised that capital equivalent to 150 million Swiss francs would be needed.[22] The Finance Minister, Władysław Kucharski, who visited London in October, went so far as to announce that Poland had reached an agreement with J.P. Morgan about the founding of such a bank with a capital of $30 million (155 million Swiss francs), with a syndicate of British financiers, in which Morgan would participate. Kucharski intended that the state should hold no more than 25% of the capital.[23] Kucharski also sought, separately, a loan of $50 million to provide finance over the period until the budget could be balanced. Morgan denied any involvement, and Norman told Kucharski that 'any negotiations must necessarily depend on the outcome of Commander Hilton Young's mission of investigation.'[24]

[18] Norman's diary, 20th September 1923, BOE ADM 34/12; Young – Niemeyer, ms, 24th September 1923; Niemeyer – Nixon, 25th September 1923, NA T160/110/8; Oxford Dictionary of National Biography.
[19] Niemeyer – Lindsay, 5th October 1923, NA T160/110/8.
[20] Pease (1986, p 17), Lojkó (2006, pp 307).
[21] Norman's diary, 15th September 1923, BOE ADM34/12.
[22] Leszczyńska (2013, pp 103 – 104), Lojkó (2006, p 307).
[23] *Manchester Guardian*, 1st October 1923; *Morning Post*, 5th October 1923, BOE OV 110/21.
[24] Lojkó (2006, pp 307 –308), Reed (2018, p 510).

The Hilton Young mission: October – November 1923.

The Hilton Young mission of 'money doctors' arrived in Warsaw on 7th October 1923.[25] It was in principle independent of the British government, but only in principle: the government, especially Niemeyer, took a very close interest in it.

In October 1923, the average price of dollars in Polish marks was about three times what it had been in September. Inflation was causing growing political discontent: there were strikes in the coal mines, on the railways, in the textile mills and in the Post Office. On 5th November, the Polish Socialist Party called a general strike, and there was a serious riot in the city of Kraków in which 32 people died.[26]

Young 'formed an early opinion that in the present state of the country's finances the only way in which these vicious [inflationary] circles could be broken was by a heavy blow upon the weak point of expenditure.' He was shown a draft budget for 1924, 'which professed to balance at 1550 million gold francs… It appeared to me that these budgets had no relation whatever to realities.' He put these opinions 'before, in turn, M. Kucharski, M. Witos, and the President', and said that the maximum sustainable budget would be about 900 million gold francs. The draft budget was withdrawn and a new one produced, in which projected expenditure was 1,089 million gold francs and revenues 1,112 million gold francs. Despite Young's objections, the budget was introduced on that basis. At Young's suggestion, Kucharski stated in his budget speech that if the budget went off track, he would use his powers to restrict expenditure further.

Military expenditure, which in 1922 had been 369 million gold francs, about a third of total expenditure, was particularly contentious, and it had been mainly over this issue that the Ponikowski-Michalski cabinet had fallen out with Piłsudski. Young, in his final report, alluded to the difficulty of stabilising the budget without a reduction in outlays on

[25] Max Muller – F.O., 14th October 1923, NA T160/174, Leszczyńska (2013, pp 111 – 117). Hilton Young is not widely recognised as a 'money doctor' – for example he is not mentioned in Flandreau's book on money doctoring (2003) – but he clearly was one.
[26] Polonsky (1972, p 117), Mazur (2020).

the military but did not go so far as to express specific judgments about it.[27] General Stanisław Szeptycki had been appointed Minister of War in the Witos administration formed in May 1923, with the intention of strengthening political control of the army.[28] Faced with prospective cuts in the army's budget, he resigned on 15th December 1923.[29]

Young repeatedly advised Kucharski to postpone the establishment of a central bank and the issue of a new currency until after the balancing of the budget 'was an accomplished fact, or at least well on the road to being so.'[30] This advice cannot have been unexpected: Polish economists, including Zygmunt Karpiński and Feliks Młynarski, had already explained that a balanced budget was a precondition for a stable currency.[31]

The government, however, was impatient to stabilise the currency in order to neutralise attacks from the opposition. Reading in the press that the government was preparing the necessary legislation and intended to introduce it to the Sejm before the end of November, Young threatened to abandon his mission. However, events overtook him. It became certain on 12th November that there would be a general election in Britain, which took place on 6th December. Young had to return, so as to defend his seat in Parliament (he lost it). He told Prime Minister Witos that he would leave Nixon and Penson in Warsaw to continue their work, 'provided that he received an assurance from the Government that they would abandon the idea of introducing the bills for the Bank of Emission and the new currency.' He received no such assurance initially, but at the last moment Witos gave way and agreed to postpone the legislation until the budgetary situation would permit.[32] Nixon and Penson remained in Warsaw.

27 Source of data: Hilton Young report.
28 Rothschild (1966, pp 30 – 31).
29 Young – Kucharski, 29th October 1923; Max Muller – F.O., 31st October 1923, T160/174. For more on Szeptycki, see Rothschild (1966, pp 31 – 32).
30 Max Muller – F.O., 14th November 1923, NA T160/174.
31 Leszczyńska (2013, pp 104 – 105).
32 Max Muller – F.O., 14th November 1923, NA T160/174.

The advent of Grabski.

On 14th December, the Witos administration fell unexpectedly, when several members of the Piast (Witos' group of peasant parties) severed their connection with the party and withdrew support from the government. 'Members of Parliament began to feel that their electors were losing confidence both in the Right and in the Left, nay, in Parliament generally. Coups d'état seemed to be in the air.'[33]

President Stanisław Wojchechowski invited Władysław Grabski, who had no party affiliation, to form a new government. Grabski initially demurred, on the grounds that the leader of the largest opposition party, Stanisław Thugutt of the Polish Peasant Party 'Liberation' (*PSL 'Wyzwolenie'*, not part of the Piast), should be invited. Thugutt tried and failed to form a government, and the President reverted to Grabski.[34] During the interregnum, Nixon was granted an audience with the President, at which he stressed the importance of financial and administrative reform. Wojchiechowski agreed, and made it clear that Poland needed foreign expert advice on financial administration.[35]

On 19th December, a non-parliamentary government took office, led by Grabski, who was both Prime Minister and Minister of Finance.[36] Grabski has been described as 'a political chameleon, a man with ties to the Right who had managed to avoid becoming anathema to the Left,' and as having 'a gift for political adroitness, including a knack for keeping the wheels of government greased with the oil of corruption.'[37] Grabski put before the Sejm a draft law, giving the President authority until 30th June 1924, without further reference to the Sejm, to increase tax rates and accelerate payment deadlines, change tariffs and make expenditure savings in order to avoid a budget deficit; to establish the złoty as Poland's national currency; to manage the transition to the new currency; to determine

[33] Krzyżanowski (1924, p 321).
[34] Leeper – Curzon, 19th December 1923, NA FO417/61.
[35] Nixon – Young, 18th December 1923, NA T160/174.
[36] Polonsky (1972, pp 117 – 122) describes Grabski's accession to power, and Heydel (1939) gives an appreciation of his career.
[37] Polonsky (1972, p 119), Morawski (1992, pp 5 – 6), Pease (2009, p 66) and Mazur (2020).

the relation of the Polish mark to the złoty; and to establish a new bank of issue and to liquidate the PKKP.[38]

The bill became law on 11th January 1924. Grabski was allowed six months. He had wanted a year, and he had to hurry.[39] 'In spite of the fact that the reform was finally implemented in 1924, its programmatic layout had been formulated by Władysław Grabski nearly a year before.'[40] The layout included a land tax, a turnover tax, an income tax, a capital levy and the valorisation of revenues.[41] In. 1924, Grabski increased tax rates and, with Nixon and Penson's help, improved tax collection and control of expenditure.[42]

[38] Dziennik Ustaw nr 4 poz 28, 1924r.
[39] Grabski (1927, ch V)..
[40] Grata (2008, p 57).
[41] D.U. Poz. 412 No 50, 12th June 1923 (turnover tax), Poz. 505 No. 65, 2nd July 1923 (land tax), Poz. 607, No 77, 14th July 1923 (income tax), Poz. 829 No. 105, 8th October 1923 (capital levy), Poz. 1044 No. 127, 6th December 1923 (valorisation). The Polish tax system was described in detail by former Finance Minister Jerzy Michalski (1928)
[42] Leeper – F.O., 9th January 1924, NA FO417/62, Grata (2008), Mazur (2020).

Stabilising the Polish mark.

On 8th January 1924, Grabski instructed the PKKP to support the exchange rate of the Polish mark by selling foreign currencies at fixed prices in unlimited amounts. It was a risky decision, because the PKKP had only $2½ million of foreign exchange at its disposal and external borrowing would have been impossible. Grabski reduced the risk by devaluing the Polish mark; in other words offering to sell foreign currencies at prices well above those previously prevailing: the dollar rate spread quoted in the *Kurier Warszawski* was 10.25 million – 10 million on 8th January, compared with 8.2 million the previous day.[43] The PKKP ceased lending to the government as from the end of January. In this way it was able to rebuild its reserves of gold and foreign exchange, which increased from $18.8 million at the end of 1923 to $28.2 million at the end of January 1924, $37.8 and 44.5 million at the end of February and March respectively, and $53.3 million when the PKKP was wound up on 27th April.[44]

The Polish mark-dollar exchange rate remained stable *de facto* until the Bank Polski was established in April and the złoty replaced the mark, at a conversion rate of 1.8 million marks to the złoty. The new parity was zł 5.1826 =$1, equivalent to 9.329 million Polish marks to the dollar, and it valued the złoty at the same level as the gold franc of the Latin Monetary Union (and the Swiss franc, the last survivor of the union). Thus Grabski effectively chose the conversion rate in early January, and was able to stick to it. The era in which banks and others could make easy profits by running short positions in Polish marks was over, and much of the inflow of foreign exchange into the PKKP must have come from the closing out of short positions.

The stabilisation operation of January 1924 was the same in concept as the one carried out in January 1990, when the złoty was stabilised at a level substantially depreciated from its earlier level, and the central bank was able to accumulate large amounts of foreign exchange.

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43 PNA. Krzyżanowski (1924, p 322) suggests that the depreciated rate was chosen because of 'social considerations' – a stronger rate might have led to a fall in prices, a slump in trade and a period of unemployment. Perhaps so, but it was surely also relevant that the more depreciated the rate at which the currency was supported, the greater the chances that the exchange rate would be stabilised.

44 Heydel (1939, p 108), Leszczynska (2013, ch 2, table 4), RSRP (1924, part XI, table 6).

The Nixon – Penson mission, November 1923 – 24th January 1924.

Nixon took charge of the mission during Young's absence. He and Penson did much useful work in assisting the implementation of the new law on valorisation, and in doing so won Grabski's gratitude: 'the heads of department gladly accepted all our suggestions, and it was difficult not to assume a responsibility for the whole of the change.'[45] Tensions about the establishment of the bank of issue persisted and as early as 8th December Nixon requested the early return to Warsaw of Young and Trotter: 'I have reason to believe that your report will be needed for political negotiations between the parties and will be discussed with the various leaders before it is finally presented to the Diet.'[46]

Nixon met Grabski on 19th December, the day he formed his government, and wrote to Young that Grabski 'had no programme beyond the reform of the finances'; in other words, he had the same programme as the mission.[47] Early in the new year, Penson wrote to Niemeyer again urging that Young and Trotter return promptly to Warsaw, noting that the President and Grabski had both asked for them to do so.[48]

In the absence of Young and Trotter, Nixon won Grabski's confidence and became a close and trusted adviser: between 7th and 22nd January, they had nine meetings. 'He [Grabski] almost apologised for having had to take decisions in my absence and wishes in future to consult with us on every decision of importance'. Grabski adopted the British suggestion of monthly budgets (which was to prove ineffective in 1925). At times Nixon acted as an intermediary between Grabski and his ministers as regards expenditure on the army and the railways. Moreover, Grabski 'is impressed by the need for administrative reform, but chiefly in cases in which our action has already produced some result. On discussion, however, he agrees that by administrative means alone, the Budget might be balanced. He relied upon us very greatly and almost exclusively, for

[45] Nixon – Young, 24th December 1923; Nixon – Young, 3rd February 1924, NA T160/174.
[46] Leeper – F.O, 6th and 8th December 1923, NA T160/174.
[47] Nixon – Young, 24th December 1923, NA T160/174.
[48] Penson – Niemeyer, 2nd January 1924, Penson – F.O., 3rd January 1924, NA T160/174.

progress in these matters. He asked us repeatedly to take any action necessary, in the reform of the Ministry of Finance and the institution of better methods.' [49]

Nixon reported to London on 8th January that Grabski would not try a new currency until the budget was balanced, and that Grabski was enthusiastic about the idea of foreign experts reorganising the financial administration; Nixon said that the need was urgent. Grabski reiterated 'his request that you [Young] should return at the earliest possible moment.' As an alternative, Nixon offered to return to London to brief Young on recent developments. [50] Young evidently declined Nixon's offer, and Nixon replied saying he was 'surprised' and pointed out that the situation had 'changed radically in the last few weeks and is moving with great rapidity.' Nixon added that 'action that will follow on your mission will far outweigh the value of any report we can prepare', and that he had intended to sever his connection with the mission at about the end of January.[51] Young was not interested. He told Nixon that, when he returned to Warsaw, he did not intend to stay any longer than necessary to establish the basis of the extended mission.[52]

During January, after the Polish mark had been stabilised, the Polish government's position on the new currency changed. In Nixon's words, 'Poland is spellbound by the success of the Rentenmark and bringing great pressure on the government to imitate Germany.' At a meeting on 14th January, Grabski regarded the statutes of the bank of issue as 'already agreed' but said he was willing to take further advice and review them if necessary. Nixon again requested the urgent return of 'Trotter or some substitute' and said that he was continuing discussion of monetary policy and that it would not be desirable for him to leave Warsaw at present.[53]

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[49] Nixon – Young, 24th December 1923; Nixon – Young, 3rd February 1924, NA T160/174; Leszczyńska (2011, p 19); Morawski (2004, p 16); Nixon, 'Interview with Mr. Grabski, January 7th, 1924', NA T160/174. Nixon recorded the meetings and the records are in NA T160/174.
[50] Leeper – F.O., 8th January 1924, NA T160/174.
[51] Nixon – Young, Niemeyer and Trotter, transmitted by Leeper, 11th January 1924, NA T 160/174.
[52] Young – Nixon, 14th January 1924, NA 160/174.
[53] Nixon – Young, Niemeyer and Trotter, 11th January 1924; Nixon –Young, 15th January 1924, NA T160/174.

Nixon had been negotiating with Grabski on the possible acceptance by Poland of a technical mission, and thought he had reached an agreement, subject to the approval of the President. He told Young:

> 'Such a mission of infrastructure will do valuable work if situation is not rendered chaotic in the meantime by panic measures of currency reform. The nature and value of mission depend on this question and I consider it vital to decide quickly between mission limited to improvements in administration and wider mission taking some responsibility for schemes of monetary reform. I again recommend strongly thorough discussion in London before your departure. I am only retained here by possibility of difficulties about bank of issue.'[54]

Nixon's proposal was supported by the Foreign Office, but the Treasury was sceptical: Niemeyer wrote that the plan 'might be taken to imply far more direct support of the Polish financial scheme than is desirable', and added that the Treasury 'take a considerably less rosy view of the prospects of Polish finance than that held by those in Poland.' [55]

Nixon tried to interest Norman in the idea of a body to be set up in London to send missions of inquiry and appoint advisers to countries such as Poland in need of financial reconstruction, and receive and publish reports. It would be supplementary to the League of Nations Financial Committee. Norman was unmoved.[56]

Back in England, Hilton Young himself had been drawing up a plan for the extension of the mission. The key provision was that:

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[54] Nixon – Young, 14th January 1924, NA 160/174.
[55] Gregory (F.O.) – Secretary of the Treasury, 14th January 1924, Niemeyer – Under-Secretary of State, F.O., NA T160/174.
[56] Leeper – F.O., 8th January 1924, NA T160/174, Nixon – Norman, 6th January 1924; Norman – Nixon, 17th January 1924; Nixon – Norman, 4th February 1924, BOE OV110/21.

> ‘All laws, decrees and other proposals for financial action will be shown to the mission in order that they may have an opportunity of tendering advice before action.’ [57]

By the time Young wrote these words, Nixon and Penson had achieved in practice the ambition that they expressed, and all the influence that the British government could realistically have hoped for on Poland’s affairs.

[57] Young, ‘Proposed financial mission to Poland’, 20th January 1924, NA T160/174.

The Hilton Young mission: 25th January – February 1924.

Young returned to Warsaw on 25th January after ten weeks' absence and met Grabski the same day. He did not invite Nixon to the meeting, and did not discuss beforehand with Nixon the latter's negotiations for an extended mission. Grabski told Young that he did not intend to appoint a financial mission or a financial adviser at the present time; he might however ask for a manager for the central bank, and an adviser on government accounts or funding.[58] As reported later by Rex Leeper of the British Legation in Warsaw, Young 'gathered that [Grabski] … no longer favoured the opinion that the mission's work should be extended to an examination of the whole administrative apparatus.' Young suspected that Grabski's change of mind had been influenced by France, but cited no evidence, and Nixon thought it not so.[59] Nixon and Leeper urged Young to speak to Grabski again, but Young declined to do so, and was not prepared to contemplate any official assistance short of a financial mission or adviser. Nor would he allow Nixon to conduct further negotiations with Grabski. Young considered that 'the only course open to him was to produce his report, wind up his mission and return home.' Leeper raised the subject of Grabski's change of mind with the Polish Foreign Minister, Karol Bertoni, but to no avail.[60]

Nixon thought that negotiations over an extended mission could and should have continued, and resigned when Hilton Young decided otherwise.[61] Nixon explained his view as follows:

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[58] Young – Niemeyer, 25th January 1924; Young – Gregory, 27th January 1924, NA T160/174.
[59] The French Prime Minister Raymond Poincaré was concerned that the Hilton Young mission augured a decline in French influence in Poland and asked his finance minister Charles de Lasteyrie to appoint a financial attaché to the Legation in Warsaw. De Lasteyrie undertook to do so, but was able to reassure Poincaré that no loan from Britain or the USA was likely to be forthcoming as a result of Young's mission. DDF, 1923 Tome 2, doc 127, 31st August 1923 and later reply from de Lasteyrie..
[60] Leeper – F.O., 30th January 1924, NA T160/174.
[61] Nixon – Young, attached to Nixon – Niemeyer, 3rd February 1924, NA T160/174. In his letter to Niemeyer, Nixon said that he had resigned 'a week ago'.

'The financial assainissement of Poland therefore must consist of the two following parts:

a) A long-period work of organising and training her financial administration;
b) Victory over budget and monetary difficulties, which is likely to be attained only after a series of currency and taxation experiments.

The essential thing is that the first should continue without interruption, whatever may happen in the second. Poland may then either save herself, or, in a year or two be able to obtain foreign aid and profit by foreign control.

Both of them can only be promoted in one way – by a foreign mission of Technical Instructors. We are agreed that this is the right method for (a). For (b) a full-blown Financial Adviser seems indicated, but I do not think that Poland will accept such, or that successive Polish Government [sic] would retain him.'[62]

Young wrote to Trotter on 27th January half-heartedly inviting him to Warsaw to help complete the report, but Trotter declined, as it is clear that Young expected him to ('It would be of the greatest value to have you here: but you see it would have to be soon, and I have some fear that it may be sooner than you can manage. I may even leave before I have finished drafting, and do so at home. In any case I don't mean to stay more than a fortnight.')[63]

Grabski told Max Muller on 5th February that the Polish government wanted 'a limited number of financial experts to assist in directing the work of certain branches of the fiscal administration, and not a mission with a financial adviser at its head, such as he gathered Commander Hilton Young now considered indispensable.' In other words, Grabski was open to Nixon's ideas, which were also supported by Arthur Gairdner of the British

[62] Nixon – Leeper, 19th February 1924, copy attached to Nixon's letter to Norman, 23rd February 1924, BOE OV110/21.
[63] Young – Trotter, 27th January 1924, attached to Trotter – Niemeyer, 4th February 1924, NA T160/174.

Overseas Bank.[64] Max Muller made it politely clear in his *post mortem* report to London that he thought Young had been unreasonably intransigent.[65] Niemeyer, however, sided with Young.[66]

[64] Trotter, 'Memorandum of conversation with Gairdner and Dudley Ward', 17th March 1924, BOE OV110/21.
[65] Max Muller – F.O., 6th February 1924, NA T160/174.
[66] Niemeyer – F.O., 1st March 1924, NA T160/174.

The Hilton Young report and the aftermath of the mission.

Hilton Young's report, dated 10th February 1924, recommended a balanced budget and discussed how it could be achieved. Until the budget was durably balanced, it would be premature to introduce a new currency. External borrowing would not be possible unless Poland was willing to concede to the lenders some degree of foreign control over its finances. The central bank should be wholly privately owned and should hold as large as fund as possible of currencies with stable exchange rates – 'dollars, sterling and so forth, to be used as reserve for the protection of Polish currency from undue fluctuation in exchange value.'[67] Of course the fund of currencies could be obtained by borrowing if the other conditions were fulfilled.

Back in London, Nixon called on Norman for 1¾ hours on 22nd February, and said that Poland needed help from abroad, 'in the way of advice, not control.' Norman's record of the discussion about sending advisers to Poland ended with the following questions:

> 'Is this a feasible scheme and are we willing to give it moral support?
> Is it wise to leave Poland derelict and helpless?
> Should we come into collision with Germany or with France?'[68]

When he received a copy of Young's report, Norman wrote on a manuscript note 'we must now follow it up by finding Adviser to go there & help Polish Gov[ernmen]t.'[69]

He reported to the Bank of England Committee of Treasury – the inner circle of the Bank of England's governing body, the Court - on 27th February 1924 that according to Nixon:

> 'conditions generally in Poland were very unstable and...the real reconstruction of that country could best be brought about in the first place by building up a Civil Service which at present did not exist.'[70]

[67] Lojkó (2006, pp 310 – 313); pp 59, 61 and 65-69 of typescript of report.
[68] 'Note of conversation with Mr Nixon – 22nd February 1924', BOE OV110/21: Norman's diary, 22nd February 1924, BOE ADM34/13.
[69] Attached to Young – Norman, 22nd February 1924, BOE OV110/21.
[70] Committee of Treasury minutes, 27th February 1924, BOE G8/55.

Why did Poland approach Britain for financial advice?

As early as April 1919, Prime Minister Ignacy Paderewski had told the United States Minister to Poland that 'he was anxious for a good American financial advisor to tackle the currency and exchange question etc.'[71] No adviser was forthcoming, but Poland was able to issue a bond in the United States in 1920. However, the loan had given rise to litigation in the United States and damaged Poland's credit there. Moreover, American lenders were increasingly deterred by the fact of Poland's unsettled post-war relief debts to the United States.[72]

France had extensive commercial interests and ambitions in Poland, which it went to great lengths to protect and promote. Moreover it was Poland's main ally: it maintained a military mission there, and supplied munitions to Poland on credit. It had assisted Poland extensively in the war against Bolshevik Russia, and concluded a formal military alliance with Poland in 1921. However, in the economic sphere there was much less scope for cooperation: France's finances were in disarray and there was no prospect of borrowing money in Paris.[73]

Finance Minister Kucharski evidently hoped that his visit to Norman in September 1923 would open the way to a Polish foreign bond issue. British banks, notably the British Overseas Bank, had already extended credit to Poland. Britain was influential in international negotiations about Poland's future frontiers, both in Upper Silesia and in the east, and it would have been in Poland's interest for Britain to have a financial stake in Poland. Moreover, Britain remained one of the leading centres of international finance, and Poland might also have hoped that signs of approval from the British establishment might reinforce Poland's financial reputation in America.

In fact the prospects for a bond issue in London were poor. Quite apart from the fundamentals of the Polish economy, Poland's bad relations with its neighbours, its unsettled post-war relief debts to the United Kingdom and the condescension of the

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[71] Reed (2018, p 44).
[72] Pease (1986, pp 12 – 16), Reed (2018, p 299).
[73] DDF 1921 Tome I, document 76, 4th February 1921; Soutou (1974) and, on foreign bond issues in Paris, Soutou (1976 pp 222 - 226).

British financial establishment, Britain was using 'moral suasion' to prevent foreign bond issues in London in order to facilitate sterling's return to the gold standard.[74] Norman later advised Poland to borrow under the aegis of the League of Nations, which Poland was unwilling to do. It was not until 1926 that Poland obtained foreign economic advice, provided by the Kemmerer missions, which eventually led to a stabilisation loan with minimal external control.[75]

[74] Atkin (1970).
[75] Pease (1986).

Concluding remarks

What did the Hilton Young mission achieve? The perceptions and statements of the people involved varied quite extensively. Grabski himself told Max Muller, the British Minister in Warsaw, that 'had it not been for the pressure brought to bear by the mission, the system of valorisation would never have been adopted, and the budget introduced by his predecessor, imperfect as it undoubtedly was, would have been still further removed from realities.'[76] If the mission had achieved that and nothing else, it would have been well worthwhile.

In his published memoirs, by contrast, Grabski had nothing good to say about the mission. He did not acknowledge the contribution of Nixon and Penson, which he had told them privately he valued so greatly.[77] He claimed that the mission's advice was motivated by British political interests rather than the interests of Poland, that the mission urged a reduction in the size of the army and in doing so intruded on Poland's sovereign prerogatives, and that attempts were made to intimidate him. I have found no record of the mission explicitly urging a reduction in the size of the army in writing, but its report made the mission's view clear if not explicit: 'the budget has been falling into ruins, and it is the army and the railways that have been responsible for this expenditure.'[78] And Max Muller did try to intimidate Grabski by telling him that Poland's standing in financial markets would be damaged if the mission's recommendations were not followed.[79]

Grabski could also have complained that the mission's recommendation to delay creating a new currency until he had balanced the budget was unrealistic bearing in mind that he had been given only six months' authority by the Sejm. He could equally have complained about Young's personal demeanour. Young was unhelpful, overbearing and condescending: towards Witos and Kucharski when in November 1923 he threatened to withdraw the mission unless they undertook not to press ahead with a new currency and central bank, and towards Wojciechowski and Grabski when Young ignored their requests to return to Poland to advise the new government immediately after it took

[76] Max Muller – F.O., 6th February 1924, NA T160/174.
[77] Grabski (1927, ch IV).
[78] Young (1924), p. 14.
[79] Max Muller – F.O., 6th February 1924, NA T160/174.

office. He acted contrary to the mission's interests when he failed to consult Nixon before seeing Grabski on his eventual return, when he insisted that any future mission would have to be led by someone with the right to give advice on all financial matters, and when he refused to allow Nixon to negotiate further with Grabski. In a stinging sentence in his resignation letter, Nixon said: 'May I very respectfully say that it is somewhat unfortunate that the date of your return here and the length of your stay should be determined by considerations which are not related to the situation of the mission?'[80] There is a striking contrast between the dismissive personal attitude to Poland of Edward Hilton Young and the positive co-operation of the celebrated Professor Edwin Kemmerer of Princeton University, whose missions played a constructive role in the re-stabilisation of 1926 – 1927.[81]

Whatever complaints Grabski might reasonably have made about the conduct of the mission when writing his memoirs, he could not say that the mission's analysis was flawed. Grabski's fiscal adjustment allowed very little margin for error. It proved insufficient in the difficult circumstances of 1925, and the stabilisation did not endure: the new currency was not able to sustain its gold parity beyond July 1925.

Even after the end of the mission, Nixon tried to get the British government to sponsor a further advisory programme for Poland, in which he would take part.[82] Responding to the suggestion, Niemeyer told the Bank of England that 'the present Polish Government is showing little sign of accepting the sound advice contained in Commander Young's report and as regards the foundation of the State Bank are proceeding entirely contrary to that advice', and that he did not 'believe that any useful assistance can be given to Poland at present and until experience has taught its lessons.'[83] Perhaps over-influenced by Hilton Young, whom he had chosen for the mission, and by his own prejudices, Niemeyer was guilty of grotesque exaggeration, and Nixon got no further. It is true that

[80] Nixon – Young, attached to Nixon – Niemeyer, 3rd February 1924, NA T160/174.
[81] Kemmerer's work is discussed by Rosenberg (1999, pp 176 – 183), Flandreau (2003, introduction) and Schuker (2003, pp 66 - 67). Young's attitude to Poland became warmer over time, and he wrote an introduction to Leopold Wellisz's book 'Foreign Capital in Poland', published in 1938.
[82] Norman's diary, 22nd February 1924, BOE ADM34/13; Max Muller – F.O., 19th March 1924, Nixon - Niemeyer, 20th March 1924, NA T160/174.
[83] Niemeyer – Bank of England, 17th April 1924, BOE OV110/21.

Grabski set up a new central bank before balancing the budget, but on the most important issues, he followed the mission's advice and exploited its technical expertise. Taxation and customs duties were valorised on a gold basis, tax rates were increased, a property tax was introduced, tax collection was made more efficient, and spending was cut. These changes were the foundation of Poland's eventual financial re-stabilisation.[84]

[84] Grata (2008) describes and evaluates Grabski's tax policy.

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