

in land previously controlled by the Russian Empire smaller states tried to reestablish themselves. These included Ukraine, Lithuania, Latvia, and Estonia.

Finally, there was the Polish-Soviet War that began in 1919 and was easily the most important of these regional wars. The territory of Poland was important to the new communist leader Lenin, who believed that Poland could be a conduit through which communism could pass from Russia to the working-class people of post-war Germany.

Often when the causes of inflation, (or hyperinflation,) following World War I are analyzed, the first inclination is to blame the fact that the losers were being forced to pay massive reparations. The situation in Poland was far more complex and cannot simply be attributed to reparations. It was the chaos described above and the rapidly changing political climate and leadership that in large part led to inflation.

Inflation and hyperinflation

Simply put, inflation can be described as a rise in prices, which can be translated to a decline in purchasing power over time. This essentially means that a unit of currency, in Poland that was the Polish mark (Mp), can purchase less than it could previously. Any rise in prices would be described as inflation, until the rise in prices is significant.

Hyperinflation refers to a period during which the price of goods is rising at an uncontrollable rate. Author Philip Cagan in his book *The Monetary Dynamics of Hyperinflation*, wrote, "Generally, inflation is termed hyperinflation when the rate of inflation grows by more than 50 percent a month." Cagan goes on to add that one of the most common reasons for hyperinflation is a rapid increase in the money supply.

While there are several monetary policies that are employed to combat hyperinflation one of the methods often seen is a redenomination of the country's currency. As the currency loses purchasing power it becomes necessary to issue notes, (or postage stamps) in increasingly larger denominations. That is why we see postage stamps in denominations approaching, or exceeding, millions of marks.

This method makes combatting hyperinflation difficult because one of the things that must happen is a restoration of faith and trust in the currency by not only the citizens of the state, but also the global economic system.

Properly handled, a currency redenomination resets the values of currency in use. This makes it possible to print currency and stamps in face values more like their pre-hyperinflation counterparts. Imagine the psychological challenge



Figure 3. March 1, 1924: A cover from Kielce to Bialystok shows the earliest record use of the million mark stamp, Scott 213.

of putting a 1,000,000Mp stamp on a simple domestic letter to mail it.

The cover shown (Figure 3) is a solo use of the Polish million mark stamp used on a domestic letter from Kielce to Bialystok on March 1, 1924. This is the earliest recorded use of the million mark stamp, which is the highest face value stamp regularly used in Poland. A 2 million mark stamp was issued and is known used on seven philatelic (flight) covers, all addressed in the same hand, all sent on the same day, and all mailed at the same postal counter in Warsaw.

Steve H. Hanke and Nicholas Cruz have studied hyperinflation and compiled a table of the world's top 50 instances of hyperinflation for a paper titled "World Hyperinflations" published in 2012 by the Cato Institute. Based on their research, hyperinflation in Poland began in mid-1923 and lasted until January 1924 with the month having the highest inflation being October 1923. Inflation during that month was 275 percent and the time required for wholesale prices to double was just 16 days.

Inflation and hyperinflation in Poland

Following the end of World War I and the establishment of the Second Polish Republic, it became necessary to establish a central bank. Fortunately, in Poland, the Polish Loan Bank (Polska Krajowa Kasa Pożyczkowa) was formed during World War I and this bank became the first central bank of the new republic.

In addition, the Polish Loan Bank was already issuing Polish marks and because of this, the Polish mark became the first official Polish currency. Unfortunately, the main role of the bank was to print money to increase the amount of currency in circulation. This was done to meet the needs of the ministry of state treasury. However, it was not tied to any eco-

conomic output. A potential effect of this rapid rise in circulating currency is inflation, and that is exactly what happened.

The needs of the new Polish state, coupled with the continuing wars in Poland and the desire to reconstruct Poland, were all deemed to be more important than the need for currency stabilization. The result was predictable, rapid financial deterioration and spiraling inflation beginning in 1918. Table 1 illustrates the link between currency in circulation and the accompanying inflation. The data in the table appeared in the book *A Monetary History of Poland*, by Grzegorz Wójtowicz and Anna Wójtowicz.

A close examination of the data in this table tells a startling story. In just six years the debt of the Polish State Treasury increased from 100 million Polish marks (0.1bn) to 291.7 trillion (291,700.0bn) Polish marks.

Equally as startling is the amount of money that the Polish Loan Bank had printed and in circulation. In those same six years, money in circulation increased from 9 billion (9bn) to 506.2 trillion (596,244.0bn) Polish marks. Finally, the U.S. dollar (USD) exchange rate increased from 9 Polish marks in 1918 to 9.25 million Polish marks in 1924. The USD exchange rate is perhaps the clearest indication of the magnitude of the collapse of the Polish mark.

Władysław Grabski, a politician and economist, was one of the first to recognize that stabilizing the State Treasury and the value of the currency was a critical element in the formation of the new Polish state. It was Grabski, who had been named minister of the Treasury in 1920, who created the first plan for the stabilization of state finances.

Grabski's plan involved a suspension of the issuing of Polish marks for purely budgetary purposes and a reduction in expenditures. The escalation of tensions with Russia and the faltering Polish-Bolshevik relations curtailed any hope that Grabski's plan would stabilize the Treasury.

By the following summer, in 1921, Grabski was no longer in government service, but he prepared a draft law intended to improve the health of the Treasury. The economy had continued to destabilize and as a result, his new plan included tax increases in addition to the originally planned budget cuts and eliminated printing of excessive amounts of currency. The government, however, lacked the political will to enact the necessary budget cuts.

It wasn't until 1923 that the idea of a stabilized state bank was forced into the public discourse. Prices had continued

to rise and President Stanisław Wojciechowski came to the realization that action was necessary. Grabski, who had been reappointed minister of Treasury, realizing that the will to adopt his earlier radical plan was still not possible, commissioned Professor Roman Rybarski, of the Jagiellonian University, to write a statute for a future Bank Polski.

This state bank replaced the Polish Loan Bank as the official bank of Poland and was created a year later in 1924. In essence, Grabski, understanding the political climate, decided that if he couldn't make the necessary changes immediately, he would have a plan in place and ready for when the time came.

Finally, after a series of price increases, in mid-1923 the Sejm (lower house of Parliament) approved the introduction of a property tax intended to prevent hyperinflation.

In late 1923 and early 1924 there was considerable discussion about how best to stabilize the state bank. One plan involved the acceptance of a great deal of foreign investment to prop up the economy. Accepting foreign investment, however, carried the risk of losing control of your economy to foreign investors or nations. Keeping in mind that Poland had just recently emerged from more than a century of partitions, the prospect of losing control to outsiders was not an attractive one.

As a result, President Wojciechowski and Prime Minister Grabski utilized internal Polish resources, increased taxes, and raised transport tariffs on the Polish state railways.

The final piece of the recovery plan came on May 1, 1924, with a currency redenomination. Under the plan, 1.8 million Polish złoty was exchanged for \$1.00 (U.S.). With this redenomination the Polish mark ceased to exist, and the złoty was introduced.

The graph shown (Graph 1) contrasts the rising prices and the rapid decline in the purchasing power of the Polish mark from mid-1923 until the currency redenomination on May 1, 1924.

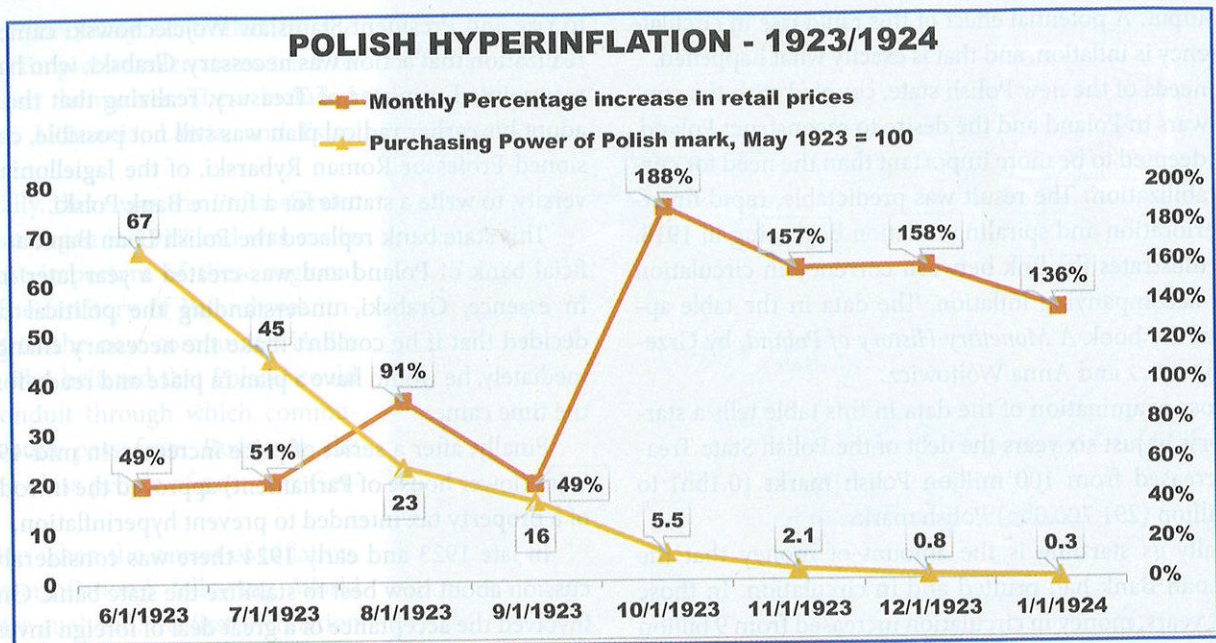
The postal impacts of hyperinflation in Poland

The postal impacts of this episode of hyperinflation in Poland can be seen in three areas: rates, regulations, and the stamps.

Rates: The rapidly changing rates that resulted from inflation, and then hyperinflation, made it a challenge to keep

Inflation of the Polish Mark	1918	1919	1920	1921	1922	1923	3/31/1924
Debt of the Polish State Treasury (billions of Polish marks)	0.1	6.8	60	221	676	111,322.0	291,700.0
Money in circulation (billions of Polish marks)	9.0	15.0	40.0	230.0	793.0	125,372.0	596,244.0
USD exchange rate (in Polish marks)	9.0	110.0	590.0	2,923.0	17,800.0	6,375,000.0	9,250,000.0
Retail prices (1913 = 1)	x	25.0	136.0	560.0	2,772.0	1,524,482.0	3,447,562.0

Table 1 shows the monetary policy and the inflation of the Polish mark.



Graph 1. Polish hyperinflation of 1923-1924.

the public informed, for clerks to calculate and for the post office to publish. From September 1923 until March 1924 there are 10 tariff periods with the longest being just 46 days and the shortest being just eight days. For illustrative purposes the graph shown (Graph 2) shows the inland and foreign letter rates during this period.

Regulations: The rapidly rising (changing) rates led to the introduction of several very important regulations as revealed in the Regulations of the Minister of Posts and Telegraphs dated December 16, 1923.

First is the introduction of tariff units which are addressed beginning in section 2. Quoting from the document:

§2 - Fees indexed are determined in tariff units.

§3 - The tariff unit is one-100th of the gold franc determined in accordance with Article 2 of the Act of December 6, 1923.

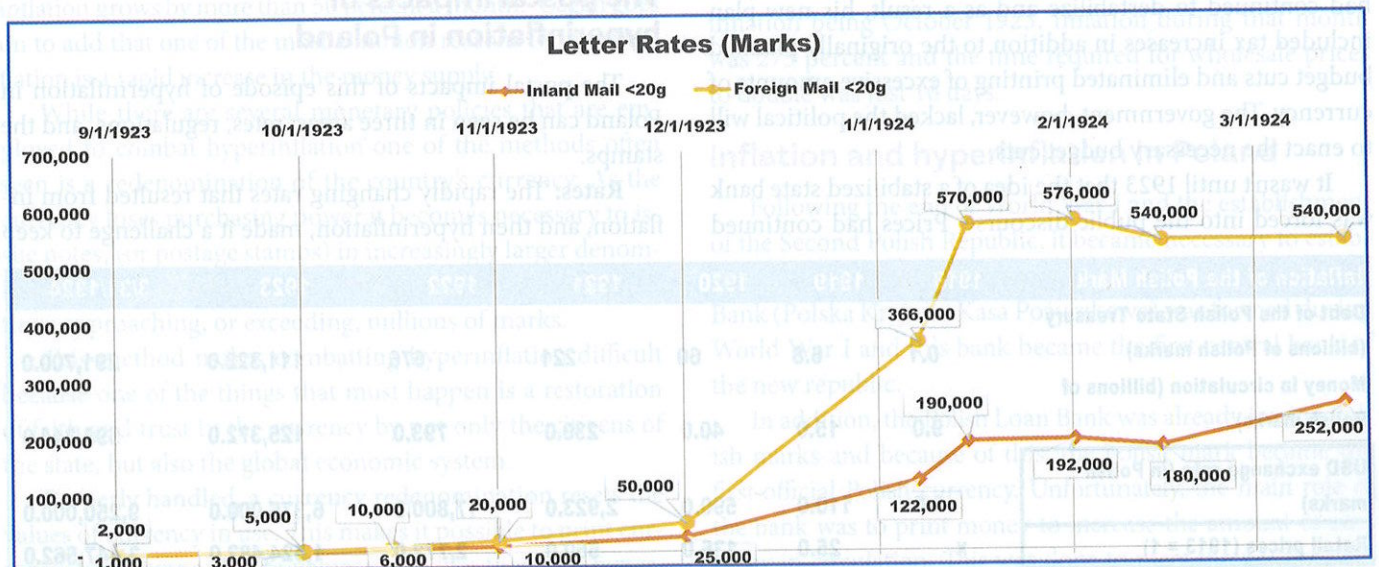
§4 - Fees set in tariff units are charged either with post-

age stamps denominated in Polish marks or in cash in a circulation coin.

§5 - This section confirmed that the value of a tariff unit would be set on the first and the 15th day of each month. The exchange rate of a tariff unit was published by the Ministry of Treasury on the 25th day of the preceding month.

In practical terms this meant the fees were no longer quoted in Polish marks but rather in tariff units. As an example, beginning on January 8, 1924, with the introduction of the tariff unit, a domestic letter weighing 20 grams or less was 10 tariff units while the same foreign letter was charged 30 tariff units.

Throughout the tariff unit period (until May 1, 1924) the "cost" of mailing a domestic letter was the same 10 tariff units. It was the exchange rate that fluctuated. This meant that rate charts could be simplified, referring only to the tariff unit due for the service requested, and the number of



Graph 2. Polish letter rates illustrate the rapid increase in postal tariffs.

tariff units was multiplied by the exchange rate to arrive at the number of Polish marks payable.

A second, equally important, regulation that appeared in the December 16 Official Journal of the General Directorate of Posts and Telegraphs was section 9.

§9 - Telegraphic and telephone postage charges calculated in Polish marks according to the number of tariff units at the specified rate in Section 5, rounded up to 50,000mk upward or downward.

This regulation makes properly rating a letter from this period a challenge, because it was expressly stated that payment of the exact amount due was not required.

Stamps: The rapidly increasing cost of mailing a letter meant, of course, that the issued stamps had to be printed in rapidly increasing denominations as well. This culminated in early March 1924 when 1,000,000mk and 2,000,000mk stamps were issued. These are the two highest face value stamps ever released in Poland.

The 2,000,000mk stamp is known on seven philatelic (flight) covers all addressed in the same hand, posted on the same day, and mailed at the same counter in Warsaw. While these letters undeniably travelled through the postal system, most were returned to the sender, and are therefore likely philatelic in creation and so did not see regular postal use. The 1,000,000mk stamp did see regular commercial use and is known on approximately 40 letters posted from a variety of towns across Poland.

There were, of course, additional impacts in the postal system related to hyperinflation. However, the following three are significant and are the ones that are most relevant to the philatelic study of this period.



Figure 4. September 1, 1923: A domestic letter sent on the first day of the rate period from Oswiecim to Katowice with 500 marks postage paid via five 100-mark stamps, Scott 165.



Figure 5. September 21, 1923: A cover from Ostróg Wolynski is addressed to the White House and "Sir President." It is franked with three 2,000-mark Polish Eagle stamps, Scott 169B.

Imagine the psychological challenge of putting a 1,000,000Mp stamp on a simple domestic letter to mail it.



Figure 6. October 14, 1923: Warsaw to Berlin.

The transition from the Polish mark to the Złoty

When studying the Polish postal history of this chaotic period I believe there are three distinct periods. First is Inflation/Hyperinflation, which began in 1923 and lasted until January 7, 1924. The second is the Tariff Unit period from January 8 until April 30, 1924. And lastly, is the Transition/Aftermath period, which began on May 1, 1924, and lasted until at least August 1927.

As with any study of the postal history of inflationary times there are several types of usage that are typically more sought after. These include usage on the first and final day of rate periods, covers that are franked with many stamps, so-called “mass franking” (*massenfranktur*, in German) The Fischer catalog of Polish stamps assigns a premium value to covers franked with many stamps. Also important to an inflation study are covers posted during the transition period bearing stamps of both the old and new currency, finally are commercial covers franked with the 1,000,000Mk stamp.

Following are examples of postal usage organized by these three time periods, which include examples of the most sought-after usage.

Inflation/hyperinflation period

Figure 4 is a domestic letter sent on the first day of the rate period, September 1, 1923, from Oswiecim to Katowice with 500 marks (Mk) postage paid. The postage due for this letter was 1,000Mk and a “T” indicating postage due was struck on the upper right of the letter.

Shown (Figure 5) is another foreign letter from this rate period. However, this letter was sent express. The letter is from Ostróg Wolynski and is addressed to the White House and “Sir President.” Ostróg was a Polish border town now in Ukraine and the letter was received at the White House during the first month of the presidency of Calvin Coolidge



Figure 7. Foreign letters also drew many stamps. More than four dozen overlapping stamps – an illegal use for most postal services – cover the front and back of a letter mailed October 14, 1923 to Philadelphia (top). A more standard treatment was given to stamps on a foreign letter cover to Berlin with 28 500-mark stamps (Scott 169) on the back.

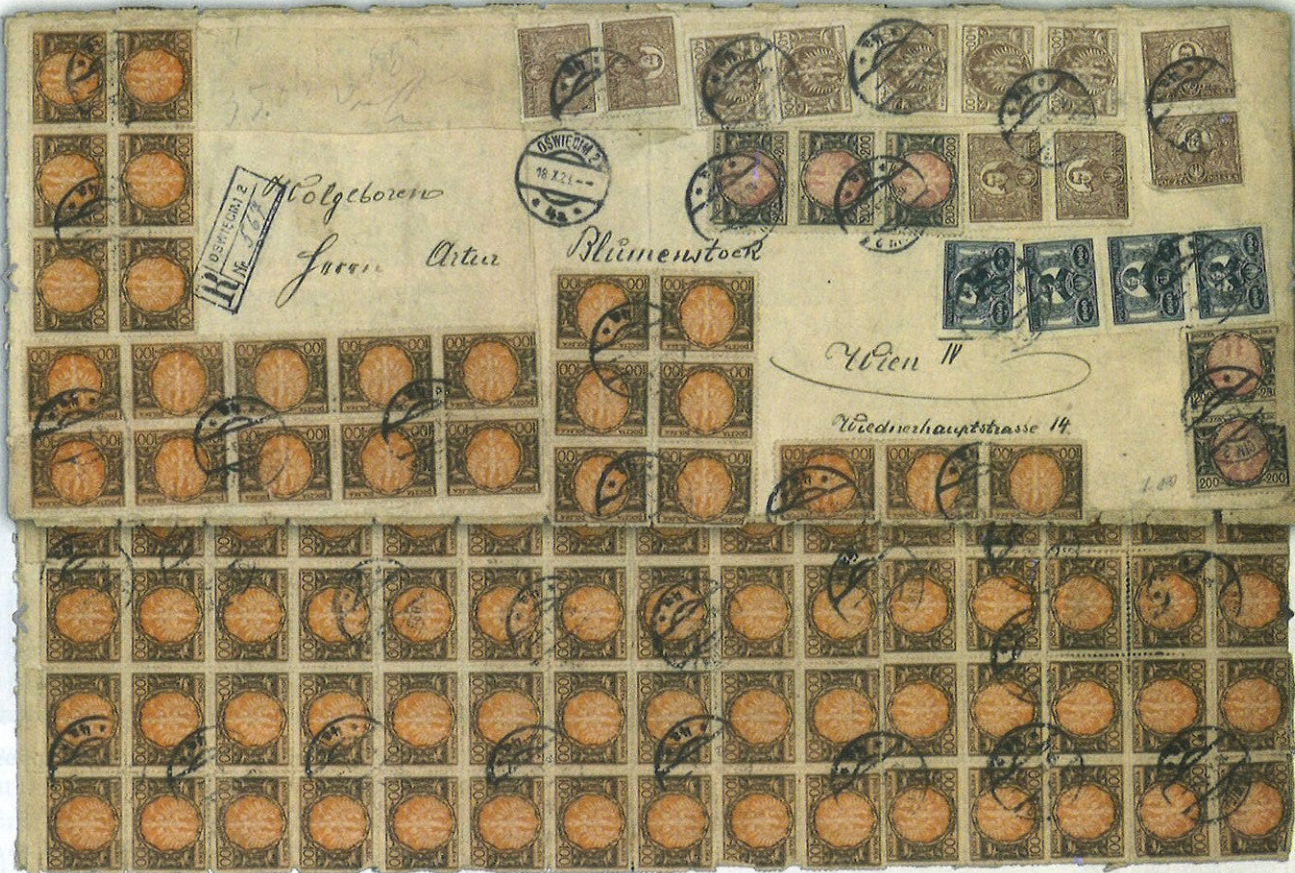


Figure 8. October 18, 1923: Oswiecim to Vienna, Austria, front and back used on an oversized envelope.

after President Harding died on August 22, 1923. The postage due for this foreign express letter sent on September 21, 1923, is 8,000Mk.

Next is a foreign express letter (Figure 6) from Warsaw to Berlin Germany. This letter was mailed October 14, 1923, just one month after the "White House" letter, and the postage due has increased by 150 percent in the month to 20,000Mk; 18,000Mp is on the reverse.

As rates increased the mass franking covers became more prevalent. Figure 7 shows the fronts and backs of two foreign letters (one registered) sent during the same rate period. Both of these covers are properly paid and because of the increasing rates required multiple stamps to pay the proper rate. The two covers are franked with 50 and 34 stamps, respectively!

Also sent during the same rate period is a letter (Figure 8) sent October 18, 1923 from Oswiecim to Vienna, Austria. This properly rated registered letter has a total of 120 stamps on it!



Figure 9. January 8, 1924: Back side of a cover from Zakopane to Nowy Sacz, with full sheet of 300-mark stamps (Scott 167) needed to pay postage.

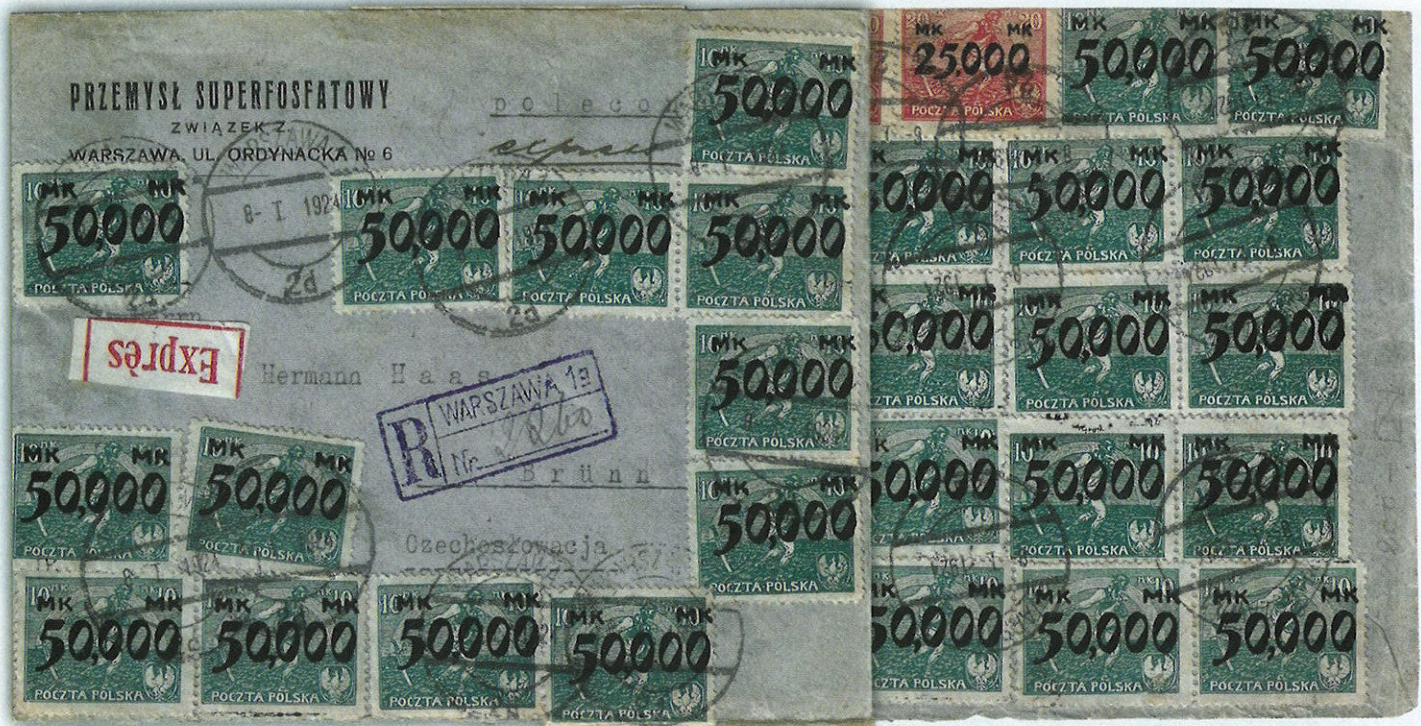


Figure 10. January 8, 1924: Warsaw to Brunn, Czechoslovakia, front and back, with overprints of the Sower and Rainbow of Hope stamps used to pay postage (Scott 196 and 197).



Figure 11. January 16, 1924: Sokolniki to Loriet, France, front and back, which has seven of the 10,000 marks on 25m surcharges (Scott 195).

As rates continued to increase, the difficulty in paying postage resulted in even more creative ways to use up stamps that were rapidly losing their value due to inflation.

Shown in Figure 9 is the back of a letter sent during the final rate period before the tariff unit began on January 8, 1924. The sender of this letter, which was previously opened for display, affixed a full sheet of the 300Mk stamp in addition to six 2,000Mk stamps to pay the proper rate of 50,000Mk for this domestic letter. Unfortunately, several of the stamps originally affixed have since fallen off, but still, this is a good illustration of the difficulty in simply paying the proper postage to mail a letter.

Tariff unit period

January 8, 1924, was the first day of the Tariff Unit period and the cover shown (Figure 10) from Warsaw to Brunn, Czechoslovakia was sent on the first day of that period. This was the shortest rate period of Polish hyperinflation lasting just eight days.

The foreign letter shown (Figure 11) was sent from Sokolniki to Loriet, France on the first day of the subse-

quent rate period. A foreign letter weight less than 20 grams was rated at 30 tariff units (TU). During this period the exchange rate had been set at 1 TU equal to 19,000 marks (Mk). As a result, the postage due for this letter was 30 (TU) times 19,000Mk, or 570,000Mk. Based on the stamps applied, a total of 575,000Mk was paid for postage with a roundup of 5,000Mk.

One of the most challenging stamps to find commercially used is the 1,000,000Mk stamp (Figure 12) that was sent on the final day of the rate period. This foreign destination registered letter from Warsaw to Berne, Switzerland was rated at 60 TU. (30TU for foreign destination and 30TU for registration). The exchange rate was 18,000Mk, so the postage necessary on this letter was 60 times 18,000Mk, or 1,080,000Mk. In this case a total of 1,150,000Mk was applied, resulting in a 70,000Mk roundup. There also is evidence that at least two stamps had been removed likely at the post office prior to mailing because of the overpayment. Also interesting about this letter is the fact that it was mailed on the final day of the rate period.

A letter that was sent prior to the currency redenomination on April 25, 1924 (Figure 13) was returned to sender after redenomination. This Official registered letter with return receipt requested was sent from Łomża to Lviv by the Honorary Court at the 33rd Infantry Regiment. On the reverse, the receiving validation stamp is dated May 1; the letter was not delivered; the addressee was not found. The letter was returned to Łomża, where it arrived on May 3. The final day of the Polish Mk was April 30, 1924.



Figure 12. March 15, 1924: Warsaw to Bern, Switzerland, front and back.

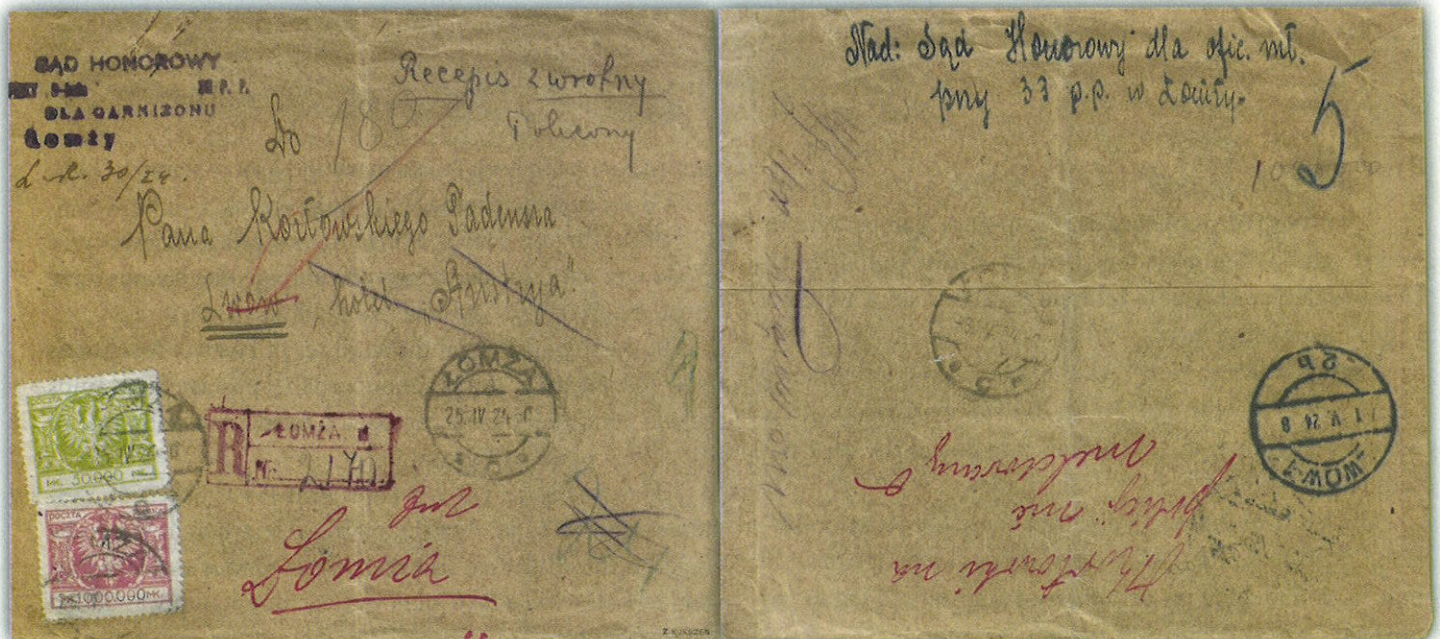


Figure 13. April 25, 1924: Łomża to Lviv, front and back. This cover only needed two stamps – a 50,000-mark and a 1 million-mark.



Figure 14. May 5, 1924: Pinsk to New York with the rate covered by 30,000- (Scott 207) and 300,000-mark (Scott 211) stamps.



Figure 15. May 6, 1924: Warsaw to Szwedzka.

Transition/aftermath period

Following redenomination, Polish mark stamps were no longer valid. When used, they were struck through or encircled with a blue crayon to indicate that the stamps were not valid. The postcard in

The cover sent to New York show in Figure 14 was mailed on May 5, 1924, with two Polish Mk stamps applied. These were crossed through with a blue crayon and the card was sent to destination.

The letter in Figure 15 also was sent after redenomination, in this case the Polish mark stamps were encircled in blue crayon and the proper Groszy stamp was added to pay postage. (1 złoty equals 100 groszy).

The card in Figure 16 was sent from Wilno to Monter-

rey, Mexico with both Polish mark and groszy stamps. Usage with both currencies affixed are quite scarce.

Beginning on May 1, Polish mark postage stamps were no longer valid for use. However, postage due stamps were treated differently.

In the Regulations of the Minister of Posts & Telegraphs dated May 1, 1924, it was announced that postage due stamps would continue to be accepted at a fixed conversion rate of 10,000Mk equal to 1 groszy.

Shown (Figure 17) is a letter sent Poste Lagernd (Restante) from Vienna, Austria to Katowice, where it was to be held for the addressee. The fee for this service was 5 groszy, and at Katowice, a 50,000mk postage due stamp was added to pay that fee.

In rare cases, postal officials revalued the Polish mark

postage due stamps themselves as seen on a court document that was returned to the sender as undeliverable (Figure 18). When the document was returned to Moglia, there was postage due of 15 groszys, which was paid by the two stamps. The mark value was crossed out in ink and the groszy value overwritten.

The parcel card shown (Figure 19) is the latest use of Polish mark denominated postage due stamps that I have seen. This card is dated August 12, 1927, three years after the currency redenomination took place. This card also is a mixed franking with both Polish mark and groszy stamps used to pay the postage due.

New postage stamps using the denomination of the groszy and the złoty were issued around the middle of 1924 (Figure 20).

Conclusion

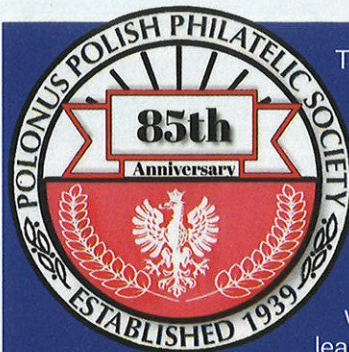
The study of inflation postal history is a fascinating one and, in many cases, an important collection or exhibit can be built without a significant resource commitment. There are 50 examples of hyperinflation identified in the Hanke/Cruz study referenced earlier, and all these likely had an impact on the postal services in that country.

Collecting and documenting postal services during these chaotic times can be a challenge but also very rewarding. In some cases, like 1923-1924 Poland, rules and regulations were well documented but other cases have virtually no remaining documentation and a quick search often shows that while many people have collected and exhibited, as an example, German hyperinflation following World War I there are other examples of hyperinflation that have yet to have any serious study completed.

Have fun!

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The Polonus Polish Philatelic Society is the oldest and largest society in United States dedicated to the study and promotion of Polish philately. 2024 is an important year for Polonus and Polish philately as we celebrate the 100th anniversary of the introduction of the Złoty and the 85th anniversary of Polonus. For more information, Ron invites you to visit the recently updated website at Polonus.org. At the website you can learn more about the society, view back issues of our award-winning bulletin as well as several Polish exhibits and find links to join the society. The society will celebrate its 85th anniversary in August at the Great American Stamp Show.

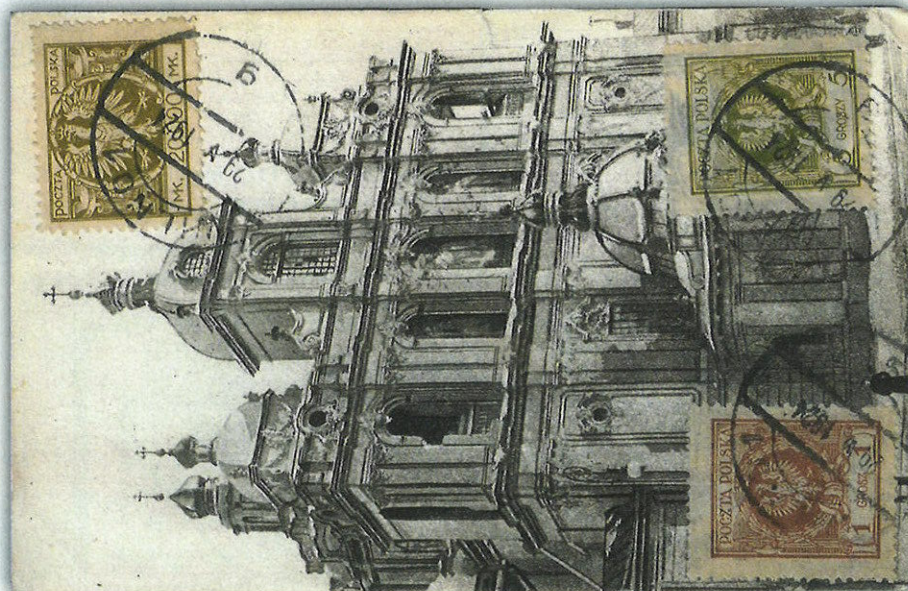


Figure 16. May 23, 1924: Wilno to Monterrey, Mexico with mixed franking of 20,000-mark (Scott 206) and 1- and 5-groszy (Scott 215, 218) stamps.



Figure 17. September 7, 1925: Vienna, Austria to Katowice, with a 50,000-mark postage due.

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Figure 18. May 5, 1925: Mogila, court document from Krakow.



Figure 19. August 12, 1927: Skarzysko Kamienna parcel card.



Figure 20. A set of a dozen new Polish stamps with new denominations of groszy and złoty became valid on May 1, 1924 (shown Scott 223, Arms of Poland, and 226, President Stanislaus Wojciechowski).

The Author

Ronald J. Klimley has been an avid stamp collector, exhibitor, and author for more than 40 years, having joined the APS in 1982. He exhibited first day covers for many years with a highlight being World Stamp Show-NY2016, where his exhibit of first day covers of the 1964 New York World's Fair issue received a gold medal in the Experimental First Day Cover class. Ron is currently the president of Polonus Polish Philatelic Society, which was founded in 1939 by a small group of Polish stamp collectors as a "local club" in Chicago.