

The significance of Ulen loans for the financial and investment economy of the interwar Lublin

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Abstract: The objective of the article is to present the significance of the Ulen loan contracted on 25 November 1924 for the financial and investment economy of the interwar Lublin. The article analyses the reasons why the cities of the I tranche, including Lublin, entered into an agreement with an American partnership, Ulen and the Company, the purpose of which was the construction of municipal facilities in the city. The provisions of the agreement concerning its terms (i.e. the amount of loan, the lending rate and payment deadlines) have been given a detailed analysis here. The article has, in particular, pointed out to the extremely prejudicial provisions of the agreement, which led to the city's problems in the loan redemption and failed to secure due performance of the contract by the Ulen Company. What is more, the author has presented the process of constructing municipal investments, such as the waterworks, the sewage system, a slaughterhouse or power plant.

Key words: the Ulen loan, Ulen and Company, Lublin, investments, municipal facilities

I. Introduction

After Poland regained independence in 1918, local governments became holders of property including assets and debts reaching the times of partitioning and World War I¹. Local government unions from western provinces, i.e. from the lands of former Prussian Partition, which were holding substantial immovables together with a large number of enterprises and municipal establishments generating certain revenues, turned out to be in the best situation². Reversely, the lands of former Russian Partition were in the worst financial condition. Also the financial economy of Lublin, as a city in the Russian Partition governed by Russians, was in a bad condition in the first years after regaining independence³. This situation was caused by several factors. The war, which continued for four years, destroyed a significant part of the city's estate and resulted in major impoverishment of its citizens and diminished their debt capacity⁴. The Russians, leaving

Lublin in the summer of 1915, took the funds in the amount of 200 thousand roubles in gold⁵. Also during the Austrian occupation, municipal authorities were obliged to pay a contribution reaching nearly 170 thousand roubles⁶. Moreover, a municipal local government, set up with an advanced system of agendas, consumed a significant part of the city's expenses. All these factors had an impact on a large increase in the city's expenditure, leading in consequence to an excessive budget deficit.⁷

II. An Agreement with Ulen and Company

One of the most crucial financial and investment undertakings of the interwar Lublin was entering in 1924 into a loan agreement with an American association, Ulen and Company⁸, the purpose of which was to implement municipal investments. Apart from Lublin, similar agreements with the association were also signed by the cities of Radom, Piotrków Trybunalski and Częstochowa,

¹ ZAWADZKI, A. *Finanse samorządu terytorialnego w latach 1918–1939* [Financing municipal governments in years 1918–1939]. Warsaw: 1971, p. 80.

² Ibidem.

³ KIEREK, A. *Rozwój gospodarczy Lublina w latach 1918–1939* [Economic development of Lublin in years 1918–1939] [in:] *Dzieje Lublina* [The history of Lublin], vol. II, ed. ZINS, H. Lublin: 1965, pp. 106–107.

⁴ Archiwum Państwowe w Lublinie [National Archive in Lublin] [further referred to as APL], Akta miasta Lublina 1918–1939 [Files of the city of Lublin] [further referred to as AmL1918–1939], archive ref. no. 37, Protokół nr 26 posiedzenia Rady Miejskiej m. Lublina odbytego w dniu 18 grudnia [Record no. 26 from the session of Municipal Council in Lublin held on 28 December], 1919 r., pp. 49–50.

⁵ MARCZUK, J. *Rada miejska i Magistrat Lublina 1918–1939* [Municipal Council and Magistracy of Lublin 1918–1939]. Lublin: 1984, p. 124.

⁶ LEWANDOWSKI, J. *Królestwo Polskie pod okupacją austriacką* [The Kingdom of Poland under Austrian occupation]. Warsaw: 1980, p. 51.

⁷ MARCZUK, J. *Rada Miejska i Magistrat...* [Municipal Council and Magistracy...], pp. 125–130.

⁸ The Ulen Association was set up as a partnership in 1922 and its major shareholders were *American International Corporation* and *Stone and Webster*. The seat of the company was in New York, at Broadway, s. 120; LANDAU, Z. *Pożyczki ulenowskie* [The Ulen Loans] [in:] *Najnowsze Dzieje Polski* [Modern history of Poland] 1914–1939, vol. I., 1958, p. 123.

the so-called 1st tranche cities⁹. The lack of most basic tools for managing municipal economy led local government authorities to incur a loan. It should also be borne in mind that neither of the cities of the former Congress Poland, excluding Warsaw, had waterworks or drains¹⁰. The gas and power plants, on the other hand, were governed by private licenced entrepreneurs¹¹. The city of Lublin had a similar situation. In the years 1918–1923, its local government could not conduct any major investments. This was caused by economic chaos induced by monetary inflation, which had already started during World War I and had its climax in years 1921–1923 and at the beginning of 1924¹². Facing the price bulge, the local government authorities could not keep up with the recovery of fees and taxes, thus the local government budgets could not cover even the most necessary municipal expenses¹³. After regaining independence, the most burning issue for the local government authorities became the problem of removing the effects of war and securing material safety of the citizens, i.e. providing and caring for the people, fighting the housing shortage or laying the foundations for administration. At the same

time, the issue of making investments became of minor significance. Another equally important reason for concluding the agreement was the intention to give jobs to the unemployed in investment works. The country's economic crisis caused the unemployment to increase, thus resulting in the pauperisation of population whose critical situation demanded aid from their country¹⁴. According to the data obtained from a population census taken in 1921, the number of the unemployed in Lublin was as high as 8 538, which made 9 % of both professionally active and inactive people¹⁵. As it quickly turned out, fighting the unemployment through awarding benefits did not bring any positive results, thus the only effective measure turned out to be organising extensive public works¹⁶. Therefore, concluding the Ulen Agreement became a chance to combat unemployment in an effective way. The process of hiring the unemployed was regulated by § 12 of technical agreement which stated that the Polish citizens were employed in order to carry out investments, whereas the foreign specialist were brought by the Ulen Association only to provide proper management of the performed works¹⁷. According to statistics, on 1 July 1926, the number of people hired to perform the Ulen works in Lublin amounted to 993 with wages of 5 zł per day for ditchdiggers and 9 zł for qualified workers¹⁸. The fact is that the Ulen loans gave employment for a few thousands of people, but did not solve the global problem of unemployment in that time¹⁹.

Another factor inducing Polish government to start negotiating with the Ulen Company was intention to attract foreign capital to start investing in the Polish market and to obtain valuable foreign currencies²⁰. Some scholars even claim that it was the real factor which

⁹ The choice of these four cities was made on the basis of a few criteria followed both by the government and Ulen & the Company. Some of them were purely political in nature, the other ones were more practical and were limited to acting in compliance with the terms stipulated by the company. First of all, the chosen cities belonged to the former Russian Partition and due to their extremely difficult situation required immediate investments. All these cities, quite populous (Lublin for instance had 100 thousand citizens) and industrialised wanted for these facilities. What is more, all of them met the requirements of the Ulen Association as referred to their size and location. They were situated in the centre of Poland and on major communication lines. The loan in the second tranche was granted to the following cities: Kielce, Sosnowiec, Dąbrowa Górnicza, Otwock, Zgierz and Ostrów Wielkopolski. Ref. JEŃKIEWICZ, L. *Ulen and Co in Poland* [in:] *Samorząd Miejski* [Municipal government] 1929, p. 730.

¹⁰ ZAWADZKI, A. op. cit., p. 80.

¹¹ ZAWADZKI, A. op. cit., p. 80; KIEREK, A. op. cit., pp. 87–91; PIETKIEWICZ, Z. *Gospodarka miast polskich* [The economy of Polish cities]. Warsaw: 1928, pp. 81–90.

¹² After regaining independence, the debts of the State Treasury to the Polish National Loan Facility, which at that time was an issuing institution, reached the amount of 120 million Polish Mark. The increase in debt led to printing paper money and inflation, which subsequently resulted in rising prices and foreign currency rates. For a full perspective of this phenomenon, it needs to be pointed out that in years 1919–1922 the issue of paper money increased four times, while in 1923 one hundred and fifty times. The inflation was finally stopped with an introduction of gold currency in the second half of April 1924 and implementation of certain measures by the Bank of Poland. Ref. TAYLOR, E. *Inflacja Polska* [Polish inflation]. Poznań: 1926, pp. 6–7 and 22–23; LANDAU, L., TOMASZEWSKI, J. *Zarys historii gospodarczej Polski 1918–1939* [An Outline of Economic History of Poland, 1918–1939]. Warsaw: 1962, pp. 60–66; TOMASZEWSKI, J. *Stabilizacja waluty w Polsce 1924–1925* [Stabilisation of the Polish currency]. Warsaw: 1961, p. 15.

¹³ ZAWADZKI, A. op. cit., pp. 76–77.

¹⁴ *W rok po zawarciu pożyczki ulenowskiej* [A year after granting the Ulen loan] [in:] „Samorząd Miejski” [Municipal government] March 1926, pp. 197–199.

¹⁵ *Statystyka Polski* [Statistics of Poland]. Warsaw: 1927, vol. 18, tab. 18; KIEREK, A. op. cit.

¹⁶ *W rok po zawarciu pożyczki ulenowskiej ...* [A year after granting the Ulen loan], p. 197.

¹⁷ Archiwum Państwowe w Lublinie [National Archive in Lublin] [further referred to as APL], Miejskie Wodociągi i Kanalizacja w Lublinie [Waterworks and sewage system in the city of Lublin] [further referred to as MWiKL], archive ref. no. 1, § 12 of the Agreement concluded between the city of Lublin and Ulen and the Company for the construction of waterworks and sewage system [further referred to as: the Agreement] p. 11.

¹⁸ For comparison, one should notice that controllers employed at construction works earned up to 60 zł per week, black coat workers up to 100 zł per week, younger engineers up to 180 zł per week, while the company management from the United States even 300 dollars per week. Ref. *Nowe etapy pożyczki ulenowskiej i robót inwestycyjnych w miastach* [New stages of the Ulen loans and investment works] [in:] „Samorząd Miejski” [Municipal government], September 1926 r., p. 579.

¹⁹ LANDAU, L. *Pożyczki ulenowskie...* [The Ulen loans], p. 126.

²⁰ LANDAU, L. *Pożyczki ulenowskie...* [The Ulen loans], p. 124; ZAWADZKI, A. op. cit.

decided on the conclusion of the agreement and the municipal investments turned out to be the effect, not the purpose of the contract signed with the Association²¹.

The agreement between the Ulen Association and Lublin or the other Polish cities of the 1st tranche was concluded on 25 November 1924²². The loan contract comprised of two documents, namely a technical agreement concluded between the Ulen Association and the city of Lublin containing the conditions regulating the performance of investment works and a financial agreement between the Association and the Bank of National Economy stipulating the conditions for granting the loan²³. Then, on 15 January 1925, the Bank of National Economy entered into an agreement with certain cities and granted them loans in municipal bonds in the amount stipulated by the financial agreement²⁴. All three documents complemented each other and constituted an integral part. According to the provisions of the agreement, the loan was not granted to the city, but to the Bank of National Economy, which then borrowed money to particular cities²⁵. The purpose of this solution was undoubtedly to secure the American party which could pursue claims more easily from a national bank than the management of an indigent city in the event that the debt could no longer be paid off.²⁶ Within the framework of the concluded agreement, the Ulen Association acted in a dual role: as a creditor and a contractor of the performed investment, since the Association reserved the right to design, implement and perform all the works financed out of the granted loan²⁷.

The whole investment was to be completed within 5 years²⁸. In each year of the agreement, the company was obliged to perform approximately 20 % of all the work stipulated in the contract's provisions²⁹. The condition for implementing the working plan was getting an approval of plans, specifications and cost estimates issued by the Ministry of Public Works³⁰. The whole documentation for the city of Lublin was approved by the Minister of Public Works and on 12 September the same year the proper works started with digging a drain for water conduit investment³¹.

The conditions of the loan granted by the Ulen Company were, as the President of Lublin, Antoni Paćzek, put it: "shockingly unilateral to the disadvantage of the cities"³². Based upon the concluded agreement, the city of Lublin received capital in the amount of USD 2 858 000, which was relevant to PLN 14 818 730, with interest rate of 8% per annum, depreciated over 20,5 years, with the issue price of 85 %³³. The Ulen Company deducted 15% of the nominal value of the loan for presumptive difference in bonds rates, therefore at the very beginning Lublin lost USD 428.700³⁴. Moreover, The Ulen company reserved the right for flat-rate sum, which made 15% of the bonds nominal value as a fee for incurred expenses, exercised supervision and work performance³⁵. The objective of charging a flat-rate fee was to prevent possible disputes on submitted evidence justifying incurred expenses³⁶. In practice, this meant that the granted loan was diminished

²¹ Dziennik Zarządu m. Lublina nr 13 z 10 grudnia 1935 r. [Log book no 13 of the Supervisory Board for the City of Lublin of 10 December 1935], Protokół nr 19 z posiedzenia Rady Miejskiej m. Lublina odbytego w dniu 27 czerwca 1933 [Record no 19 from the session of Municipal Council in Lublin held on 27 June 1933], p. 1454; The loan policy of contemporary government viewed in wider perspective: LANDAU, Z. *Władysław Grabski a pożyczki zagraniczne [Władysław Grabski and foreign currency loans]* [in:] *Kwartalnik Historyczny* R. 66 [Historical quarterly journal Y.66], no 4, 1959; CZERNIAWSKI, M. *Kredyty inwestycyjne dla samorządów [Investment loans for local governments]* [in:] *Pięć lat na froncie gospodarczym [Five years on the economic front]*, Warsaw: 1931.

²² APL, MWiKL archive ref. no 1, § 1 of the Agreement, p. 1.

²³ LANDAU, Z. *Pożyczki ulenowskie... [The Ulen loans]*, p. 129; *W rok po zawarciu pożyczki ulen'owskiej [A year after granting the Ulen loan]* [in:] „Samorząd Miejski” [Municipal government] February 1926, p. 119.

²⁴ *W rok po zawarciu pożyczki ulen'owskiej ... [A year after granting the Ulen loan]*, p. 121; The BGK bonds bore 8% interest p. a. with the exchange rate of 85 dollars in gold per each 100 dollars in bonds.

²⁵ APL, Aml 1918–1939, archive ref no 44, Protokół nr 18 z posiedzenia Rady Miejskiej m. Lublina z 4 grudnia 1924 r. [Record no 18 from the session of Municipal Council in Lublin held on 4 December 1924], pp. 187–207.

²⁶ LANDAU, Z. *Pożyczki ulenowskie... [The Ulen loans]*, p. 129.

²⁷ *W rok po zawarciu pożyczki ulenowskiej ... [A year after granting the Ulen loan]*, p. 121.

²⁸ APL, MWiKL, archive ref. no 1, § 7 of the Agreement, p. 8

²⁹ APL, MWiKL, archive ref. no. 1, § 7 of the Agreement, p. 8; *W rok po zawarciu pożyczki ulen'owskiej... [A year after granting the Ulen loan]*, p. 121.

³⁰ Ibidem.

³¹ *W rok po zawarciu pożyczki ulen'owskiej... [A year after granting the Ulen loan]*, p. 193.

³² PAĆZEK, A. *Moje rządy w Lublinie [My reign in Lublin]*, Lublin: 1929, p. 20.

³³ LANDAU, Z. *Pożyczki ulenowskie... [The Ulen loans]*, p. 131; MARCZUK, J. *Rada Miejska i Magistrat... [Municipal Council and Magistracy]*, pp. 140–141; The loan was calculated at the following exchange rate: 1 dollar – 5,18 zł.

³⁴ PAĆZEK, A. op. cit., p. 20.

³⁵ APL, MWiKL, archive ref. no. 1, § 4 of the Agreement; LANDAU, Z. *Pożyczki ulen'owskie... [The Ulen loans]*, p. 137; KIEREK, A. op. cit., p. 110.; *W rok po zawarciu pożyczki ulen'owskiej... [A year after granting the Ulen loan]*, p. 120.

³⁶ APL, MWiKL, archive ref. no. 1, § 4 of the Agreement, p. 5; The technical agreement involved the following expenses borne by the Ulen Association: costs and expenditures of executive authorities and officials of the Association borne in connection with construction works, general expenses and officials' duties, a detailed examination of the accounts performed by the treasurer and Cashier Department, services by the chief engineer, expenditures incurred in connection with preparation and printing of bonds obtained from the Bank of National Economy, lawyers' fees, execution of plans, specifications and cost calculations. Ref. *W rok po zawarciu pożyczki ulen'owskiej... [A year after granting the Ulen loan]*, p. 120.

by another USD 428.700³⁷. Thereby, the construction capital amounted to USD 200.600 deducted by 12% for the incurred administrative expenses³⁸. Despite a real reduction of funds provided for construction capital, the city paid 8% from the total amount of USD 2.858.000 per annum. As a consequence, the real value of the objects at the time of commencing the construction works amounted to USD 1.500.000, while the direct financial obligation resulting from the Ulen loan was about USD 6.000.000.³⁹

City	Amount of borrowed capital
Lublin	2 858 thousand dollars
Piotrków	1 714 thousand dollars
Częstochowa	2 571 thousand dollars
Radom	2 571 thousand dollars

Tab. 1. The amount of loans received by the 1st tranche cities from the Ulen and Company Association.

The greatest interpretative doubts were raised by the issue of the Association's liability for the condition of the construction investments, or even more by the lack of appropriate provisions related to this liability in the agreement. By incorporating appropriate provisions into the technical agreement, the Association effectively managed to free itself from the liability for failure to perform or for improper performance of the planned construction works. First of all, according to § 1 of technical agreement, the investment works performed by the Association were meant to be conducted not for the account of the Association, but the city⁴⁰. This solution turned out to be very unfavourable for the city. First of all, the Ulen Company, having a guarantee of predetermined profit in the form of percentage from the nominal value of the loan, was not willing to cut the investment costs⁴¹. Additionally, it was convenient for the Association to postpone the deadlines of the investment works performance, as the cities were obliged to bear administrative expenses together with the costs of maintaining offices and employing overseas workers throughout the whole agreement duration. It seems that this argument and not the technical reasons prejudged on the investments which were planned for four years' period in case of 1st tranche cities. Unfortunately, this solution generated financial losses as it froze immense capital making it impossible for the cities to gain profits from incomplete investments.

By virtue of the contract provisions, the Association transferred the liability for the contract performance onto the local government. The technical agreement included

provisions under which all claims made by local authorities and private parties resulting from the contract performance were seen as directed against the local government⁴². In case of claims, it was the local government that was made responsible for dealing with them and bearing all the costs⁴³. Additionally, in accordance with paragraph 9 of the agreement, the local government was entitled to conduct surveillance over the performed works executed by appropriately selected inspectors who received their remuneration from the local government, irrespective of fees paid to the Association members⁴⁴. All bills submitted by the Association were controlled by the local government. Based on the provisions of the agreement, the local government had the right to report errors in calculations within 30 days from the day when the Ulen Company presented the bills. If the error had not been notified within that time, it was declared non-existent and the local government was obliged to settle the bill⁴⁵. This contractual provision only seemingly secured the cities' businesses as neither Lublin nor other cities could afford to provide systematic controls of incurred costs or check the condition of the Ulen investments. Thus, proper controls were not being implemented and as a result the Association was not held responsible for the performed works⁴⁶.

Another provision of the agreement which was particularly inconvenient for the Polish party was the one related to the maturities of loans which had to be repaid as early as on 1 January 1925, only a month after the agreement was signed⁴⁷. In this situation, a rational solution would be to postpone the deadlines until the investments were completed and put into service. It would enable expenses intended for the loan service to be transferred to financing new facilities and enterprises without overburdening the city's budget⁴⁸. The fact of excluding from the agreement the right for early repayment of the loan was also very disadvantageous for the city.⁴⁹

Timely repayment of both capital and interest were guaranteed jointly by three entities, i.e. The Bank of National Economy, the Treasury of the Republic of Poland

³⁷ APL, MWiKL, archive ref. no 1, § 4 of the Agreement..., p. 5; PAŃCZEK, A. op. cit., p. 20.

³⁸ APL, MWiKL, archive ref. no 1, § 4 of the Agreement..., p. 5.

³⁹ PAŃCZEK, A. op. cit., p. 20.

⁴⁰ APL, MWiKL, archive ref. no 1, § 1 of the Agreement, pp. 2–3.

⁴¹ LANDAU, Z. *Pożyczki ulen'owskie... [The Ulen loans]*, pp. 135–136.

⁴² APL, MWiKL, archive ref. no 1, § 20 of the Agreement, p. 15.

⁴³ Ibidem. The aforementioned regulation provided for the Association's liability in an exhaustive list of cases, such as cases of negligence by officials or direct representatives of the Association as well as their acts committed against instructions or directions of the local government.

⁴⁴ APL, MWiKL, archive ref. no. 1, § 9 of the Agreement, p. 9.

⁴⁵ Ibidem.

⁴⁶ APL, Aml 1918–1939, archive ref. no. 44, Protokół nr 19 posiedzenia Rady Miejskiej z 11 grudnia 1924 r. [Record no 19 from the session of Municipal Council in Lublin held on 11 December 1924], pp. 218–219.

⁴⁷ LANDAU, Z. *Pożyczki ulen'owskie... [The Ulen loans]*, p. 135.

⁴⁸ ZAWADZKI, A. op. cit., p. 133.

⁴⁹ APL, MWiKL, archive ref. no. 1, § 7 of the Agreement, pp. 7–8; LANDAU, Z. *Pożyczki ulen'owskie... [The Ulen loans]*, p. 135.

and the city of Lublin⁵⁰. Apart from signing a general-term security required by the Bank of National Economy, the city undertook to create a mortgage with first option on all its properties and gave the Bank of National Economy the right to seize income from the collected tax revenue if the city failed to pay its debts⁵¹. Another type of security was a special kind of guarantee declaration (General Security Bonds) issued by the cities in which they jointly and severally undertook to clear arrears to the Creditor in case of getting into arrears by the Bank of National Economy⁵². In the meanwhile, the State Treasury guaranteed bonds as a security that the Bank of National Economy fulfilled its obligations resulting from agreements and repaid the debt in a timely manner⁵³.

III. The investment performance

In accordance with § 1 of the agreement, the borrowed capital was to be used for the completion of four investments in the form public utility enterprises, i.e. water conduit, sewers, a slaughterhouse and a market hall⁵⁴. However, in the course of negotiations between the municipal office and the representatives of the Ulen Company, it was finally decided to abandon the idea of market hall to a power plant as an investment especially needed by the city, although not included in the agreement⁵⁵. The biggest Ulen enterprise was building the water supply facilities and sewage system, which consumed 55% of the total amount of the loan appropriated for the whole investment⁵⁶. Since 1899 the city had used private waterworks belonging to a franchisee, Adolf Weisblat, but their technical condition and their efficiency left a lot to be desired⁵⁷. Noneconomic water pumps used

immense quantities of steam and fuel (about 5 tonnes of coal per day)⁵⁸. Old pipes, cracking in winter, and dirty wells supplying water with high content of calcium and iron could not satisfy the needs of the Lublin citizens or manufacturing plants.⁵⁹ In 1921, the Municipal Office took a legal action to buy the waterworks from the franchisee and since then the judicial management was established⁶⁰. Under judgement by Supreme Court of 30 September 1929, the Weisblat waterworks were appropriated by the city and incorporated into the new waterworks and sewage system built by the Ulen Company⁶¹.

Another investment built out of the Ulen loan was a city slaughterhouse. In that time, there was only one municipal slaughterhouse located in the Bronowice district, which similarly to the other municipal facilities, did not satisfy the needs of the citizens⁶². The new slaughterhouse was situated in the north-eastern part of the city, in the Tatory district, in the lower reaches of the Bystrzyca River. According to the project assumption, it was supposed to be a modern enterprise built in compliance with the requirements of new technologies, and was meant to produce meat for export, mainly to England⁶³. The investment was partly delivered by the Ulen Company in November 1928, and taken over by the city in an unfinished state on 30 January 1930.⁶⁴

The investment which was originally not included in the agreement, but managed to be implemented due to saved financial resources, was a municipal power plant⁶⁵. In the first years after Poland regained independence, the city of Lublin had no municipal power plant, therefore electricity was supplied by twenty private enterprises⁶⁶. Due to the fact that these private enterprises could not satisfy the needs of the citizens as referred to electrical power supply, the Municipal Council passed a resolution

⁵⁰ *W rok po zawarciu pożyczki ulen'owskiej...* [A year after granting the Ulen loan], pp. 122–123.

⁵¹ LANDAU, Z. *Pożyczki ulenowskie...* [The Ulen loans], p. 132; *W rok po zawarciu pożyczki ulen'owskiej...* [A year after granting the Ulen loan], pp. 122–124.

⁵² *W rok po zawarciu pożyczki ulen'owskiej...* [A year after granting the Ulen loan], p. 123.

⁵³ LANDAU, Z. *Pożyczki ulenowskie...* [The ulen loans], p. 132.

⁵⁴ APL, MWiKL, archive refer. no. 1, § 1 of the Agreement, pp. 1–2.

⁵⁵ APL, AmL 1918–1939, archive ref. no. 47, Protokół z posiedzenia Rady Miejskiej z 10 marca 1927 r. [Record from the session of Municipal Council held on 10 March 1927], pp. 9–11; MARCZUK, J. *Inwestycje komunalne miasta Lublina w latach 1925–1939* [Municipal investments of the city of Lublin in years 1925–1939] [in:] *Rocznik Lubelski 2–24* [The Lublin Yearbook], 1981–1982, p. 144.

⁵⁶ MARCZUK, J. *Inwestycje komunalne miasta Lublina ...* [Municipal investments of the city of Lublin...], p. 146.

⁵⁷ APL, AmL 1918–1939, archive ref. no. 42, Protokół nr 8 posiedzenia Rady Miejskiej m. Lublina z 9 marca 1922 [Record no 8 from the session of Municipal Council in Lublin held on 9 March 1922], p. 86; The condition of municipal waterworks is explicitly described in the speech given by town councillor Borkowski who during one of the sessions stated that: „There are days in Lublin when it's easier to get medicine than a glass of water.”

⁵⁸ APL, AmL 1918–1939, archive ref. no. 44, Protokół posiedzenia Rady Miejskiej nr 2 z 7 lutego 1924 r. [Record no 2 from the session of Municipal Council held on 7 February], pp. 13–14.

⁵⁹ *Ibidem*.

⁶⁰ *Dziennik Zarządu m. Lublina z nr 9 i 10 20 października 1930 r.* [Log Book no 9 & 10 of the Supervisory Board for the city of Lublin of 21 October 1930], *Miejskie Wodociągi i Kanalizacja w Lublinie* [Municipal waterworks and sewage system in the city of Lublin], pp. 797–798.

⁶¹ MARCZUK, J. *Inwestycje komunalne miasta Lublina ...* [Municipal investments of the city of Lublin], p. 146.

⁶² KIEREK, A. op. cit., p. 94; MARCZUK, J. *Rada Miejska i Magistrat...* [Municipal Council and Magistracy], pp. 155–156.

⁶³ BREZA, B. *Budowa rzeźni miejskiej w Lublinie* [Construction of Municipal Slaughterhouse], [in:] „Samorząd Miejski” [Municipal Self-government] January 1928 r., pp. 31–32.

⁶⁴ DOMINKO, A. *Zarys przemysłowo-handlowy Rzeźni Miejskiej w Lublinie* [Industrial and commercial outline of the Municipal Slaughterhouse in Lublin] [in:] „Technik Lubelski” [The Lublin Technician], no 2–3, 1930, p. 9; KIEREK, A. op. cit., p. 94.

⁶⁵ PĄCZEK, A. op. cit., pp. 11–12.

⁶⁶ MARCZUK, J. *Rada Miejska i Magistrat...* [Municipal Council and Magistracy], p. 160.

during a session held on 10 March 1927 and decided to transfer money in the amount of USD 400.000 (i.e. about PLN 2.072.000) economised at the investment of waterworks, sewage system or slaughterhouse and to allocate it to another investment, i.e., a municipal power plant⁶⁷. The construction of power plant was started by the Ulen Association on general terms of technical agreement in October 1927 and from March 1928 was continued by the Municipal Office, which decided to set up the Office for the Construction of Municipal Power Plant.⁶⁸ The construction works took only 13 months. On 11 November 1928 the facility was completed and on 25 November put into operation.⁶⁹ Thanks to additional financial resources obtained from the Ulen loan and a decrease in the value of the Polish zloty in relation to US dollar in 1925, the city authorities decided to expand on the investment plans by modernising the gas plant and financing partial development of the power plant⁷⁰. Unfortunately, as a result of unwise expenditure of the financial surplus, there was not enough money for finishing the investment and the Ulen Company gave it to the city in an incomplete state. So, the newly built municipal slaughterhouse was delivered without doors, windows, interior plaster or gutters⁷¹. Also the power plant was handed in to the city in an incomplete state.

Moreover, due to the fact that the technical agreement lacked appropriate provisions that would guarantee proper performance of the construction works and that no

sanctions were projected for undue or untimely performance of investment works, the city received a number of objects with numerous defects. The report prepared by the Commission of Municipal Enterprises appointed by the Municipal Council, stated that: “When it came to the condition of buildings, the Commission defined it as disrepair. A brick of poor quality was used for the construction works. The walls were peeling and the roofs were leaking”. It would have been advisable to conduct a partial renovation each year not to lead to such negligence.”⁷². The municipal waterworks and sewers were in a similar condition. The state of this investment is revealed in the following description of devices and fittings: „waterpipes stuck with lead wads did not supply water into slaughter halls, the drains were continuously getting stuck, etc”⁷³. Therefore, making these facilities suitable for use required further financial investments. In this situation, The Bank of National Economy extended other loans for that purpose: PLN 1.800.000 for the construction of power plant (paid in three instalments amounting, respectively, to PLN 400.000, 600.000 and 800.000) and PLN 300.000 for the purpose of making the waterworks, sewers or slaughterhouse usable again (but not finished to the condition implied in the project)⁷⁴.

During the investment performance a lot of problems appeared related to the issue of cooperation with the executive personnel brought by the Association from the United States, who was constantly ignoring the Municipal Office and the inspectorate. A particularly negative impact was made by engineer Hartigan- a branch manager representing Ulen and the Company in Lublin, whose actions could even be described as prejudicial to the interests of the city⁷⁵. Due to the intransigence of current President of Lublin, Antoni Pączek, the engineer was removed from his office, which enabled the technical inspection to work more effectively and force the pace of the performed works⁷⁶.

Based on the decision issued on 14 October 1932 by the Head of Municipal Council in Lublin, Józef Piechota, in accordance with §3 of the Decree of the President of Republic of Poland of 30 December 1924, public utility

⁶⁷ APL, Aml 1918–1939, archive ref. no. 47, Protokół posiedzenia Rady Miejskiej nr 6 odbytego w dniu 10 marca 1927 r. [Record no 6 from the session of Municipal Council held on 10 March 1927], pp. 9–11; MARCZUK, J. *Inwestycje komunalne... [Municipal investments]*, p. 154.

⁶⁸ Dziennik Zarządu m. Lublina nr 9–10 z 21 października 1930 [Log book no 9–10 of the Supervisory Board for the city of Lublin of 21 October 1930], *Elektrownia Miejska w Lublinie [Municipal power plant in Lublin]*, p. 796.

⁶⁹ On this day the power plant was also given a solemn blessing. Ref. Dziennik Zarządu m. Lublina nr 44 z 15 grudnia 1928 r. [Log Book no 44 of the Supervisory Board for the city of Lublin of 15 December 1928], Zarządzenie nr 272 Prezydenta m. Lublina A. Pączka z dnia 26 listopada 1928 r. [Decree no 272 of the President of Lublin, A. Pączek, of 26 November 1928], p. 591; „Ziemia Lubelska” [The Lublin Region] of 26 November 1928, no 327, p. 3, *Wczorajsza uroczystość poświęcenia elektrowni Miejskiej [Yesterday’s ceremony of the consecration of municipal power plant]*.

⁷⁰ LANDAU, Z. *Pożyczki ulenowskie... [The Ulen loans]*, p. 141, Zawadzki, op. cit., p. 134. Other cities of the first tranche also undertook to build new investment objects. E.g. in Piotrków a new bridge was built on the Strawa River, but the city also got a new market place. In Radom- a gas plant, a market place and a school were built. In Częstochowa additional financial resources were allocated for the construction of a storm drain, a concrete pipes factory and administrative building.

⁷¹ Dziennik Zarządu m. Lublina nr 15 z 31 grudnia 1930 r. [Log Book no 15 of the Supervisory Board for the city of Lublin of 31 December 1930], *Rzeźnia miejska w Lublinie [Municipal slaughterhouse in Lublin]*, p. 856.

⁷² Dziennik Zarządu m. Lublina nr 15 z 31 grudnia 1935 r. [Log Book no 15 of the Supervisory Board for the city of Lublin of 31 December 1935], Protokół posiedzenia nr 24 Rady Miejskiej m. Lublina odbytego w dniu 29 października 1935 r. [Record no 24 from the session of Municipal Council in Lublin held on 29 October 1935], p. 1500.

⁷³ Dziennik Zarządu m. Lublina nr 15 z 31 grudnia 1930 r. [Log Book no 15 of the Supervisory Board for the city of Lublin of 31 December 1930], *Rzeźnia miejska... [Municipal slaughterhouse]*, p. 856.

⁷⁴ PĄCZEK, A. op. cit., p. 7.

⁷⁵ Ziemia Lubelska z 29 czerwca 1927 r. [The Lublin Region of 29 June 1927], no 176, p. 3, „Ulenowskie ryby. Bajeczka prawdziwa”. [The Ulen fish. A true story].

⁷⁶ MARCZUK, J. *Prezydenci miasta Lublina 1918–1939 [The Presidents of Lublin 1918–1939]*, Lublin 1994, p. 42; PĄCZEK, A. op. cit., p. 5.

enterprises were declared municipal enterprises, with a separate statute, budget and governing authorities in the form of management board and the board of directors.⁷⁷

IV. The loan repayment

Due to extremely unfavourable terms of the concluded agreement, the repayment of the Ulen loan exceeded the city's capacity to pay⁷⁸. The city's tax revenue and the incomes obtained from municipal enterprises were insufficient for timely payments. In order to provide at least partial support to the city budgets which could no longer cope with the Ulen loan, the Ministry of Treasury, in keeping with its former obligations, gave a consent to yield to the cities part of its property tax revenue in the form of loans and at the same time let the property tax be levied in an amount raised by 100%⁷⁹. The cities were granted the tax revenues in the period between 1925 and 1928, and in 1929 the repayment started. All in all, the State Treasury remitted the cities' debt, which by that time in case of Lublin reached the amount of 1 million zloty⁸⁰.

This, however, did not improve the critical situation of Lublin. Due to the fact that the city failed to pay off the instalment and interest rates of the Ulen loan at the time when the investments were being implemented, enormous arrears occurred, which together with interest relating to late payments amounted on 31 December 1928 to the sum of over PLN 8.000.000.⁸¹ Thus, in order to give the city a financial support, the Bank of National Economy granted the city of Lublin the so-called „sanation loan”⁸². The „sanation loan” in the amount of PLN 13.900.000 was granted to the municipality of Lublin under the resolution of the supervisory board of the Bank of

National Economy on 13 December 1928.⁸³ While granting the „sanation” loan to the city, the Bank of National Economy made concessions by lowering default interest from 12 to 9%. Thus the indebtedness of the city resulting from interest on arrears diminished by 80 thousand dollars⁸⁴. What is more, the loan raised for finishing the construction of power plant was converted from a short-term into a long-term loan⁸⁵. Thus, the new „sanation” loan in the amount of PLN 2.400.000 was used to provide most needed fittings and devices for the newly built enterprises, i.e. the power plant, gas plant or slaughterhouse.

The city freed itself from the harsh terms of the Ulen loan in 1936 when a new foreign currency policy was introduced by the government and created new conditions for repaying the loan and lowering the loan rate from 8 to 3%. It also extended the repayment period to 42 years with the possibility to suspend the loan repayment for 3 years⁸⁶.

V. Summary

In order to evaluate the purposefulness and legitimacy of concluding the agreement with the Ulen Company in the perspective of financial and economic effects for the interwar Lublin, one must answer two basic questions.

First of all, if those investments were really necessary and second of all, if there was any possibility to negotiate the agreement on terms more beneficial to the cities⁸⁷. While answering the first question, one must strongly point out to the fact that the implemented investments were part of a wider action of rebuilding the Polish cities and providing them with modern civilisation facilities⁸⁸. As resulted from the economic situation presented above, after regaining independence, the city had at its disposal very primitive facilities, which could not satisfy the most basic needs of its citizens.

When it comes to answering the second question, the fact is that the terms of the agreement could have been more favourable to the city, like the ones offered e.g. to the Ministry of Industry and Trade. In 1927 it was granted a loan for conducting works in the port of Gdynia (as the third tranche) and offered by the Ulen Company a fee at

⁷⁷ Dziennik Zarządu m. Lublina nr 11 z 2 grudnia 1932 [Log Book no 11 of the Supervisory Board for the city of Lublin of 2 December 1932], p. 1105, Postanowienie Kierownika Zarządu Miejskiego Józefa Piechoty z 14 października 1932 [Decision of the Head of the Municipal Board, Józef Piechota, of 14 October 1932]; Dziennik Zarządu m. Lublina nr 11 z 25 lutego 1933 [Log Book no 11 of the Supervisory Board for the city of Lublin of 25 February 1933], p. 1118; Rozporządzenie Rządowe Wojewody Lubelskiego z 25 stycznia 1933 r. [Governmental Order of the Voivode of the Lublin region of 25 January 1933], L. S. B. IV. I b.

⁷⁸ KIERSKI, A. op. cit., p. 111.

⁷⁹ LANDAU, Z. *Pożyczki ulenowskie... [The Ulen loans]*, p. 147; Zawadzki, A. op. cit.; TATAR, A. *System dochodów jednostek samorządu terytorialnego z tytułu podatków i opłat lokalnych w II oraz w III Rzeczypospolitej. Zarys problemu [The system of local governments' revenues from taxes and local fees in the Second and the Third Republic of Poland. Outline of the problem]* [in:] 20 lat samorządu terytorialnego w II i III Rzeczypospolitej [20 years of municipal government in the Second and the Third Republic of Poland], ed. KORCZAK, J. Wrocław: 2010, p. 41.

⁸⁰ PAŃCZEK, A. op. cit., p. 24.

⁸¹ Ibidem, p. 22.

⁸² Ibidem.

⁸³ APL, AmL 1918–1939, archive ref. no. 97, p. 10, Odpis pisma BGK do MSW z 22 lutego 1929 r. [A copy of a letter from BGK to MSW of 22 February 1929], L. 2561/DKD/II.

⁸⁴ PAŃCZEK, A. op. cit., p. 23.

⁸⁵ Ibidem.

⁸⁶ LANDAU, Z. *Pożyczki ulen'owskie... [The Ulen loans]*, p. 134, Dziennik Zarządu m. Lublina nr 8 z 15 lipca 1937 [Log Book no 8 of the Supervisory Board for the city of Lublin of 15 July 1937], Protokół nr 59 posiedzenia Rady Miejskiej m. Lublina, odbytego w dniu 3 czerwca 1937 r. [Record no 59 from the session of Municipal Council in Lublin held on 3 June 1937], p. 1871.

⁸⁷ *W rok po zawarciu pożyczki ulen'owskiej... [A year after granting the Ulen loan]*, p. 118.

⁸⁸ Ibidem.

the height of 8%, not 15%. If that was the case with Lublin, it could have brought the city savings in the amount of 220 thousand dollars, i.e. 2 million zloty⁸⁹. The savings amount could have been even bigger if the administrative expenses were diminished and if the agreement included appropriate provisions concerning the company's liability for the performed investments, a shorter deadline for completing the works and deferred

instalment payment. On the other hand, it needs to be pointed out that the Polish party needed this agreement to be concluded, as they did not receive a better offer, and that subsequently resulted in concluding other agreements with the cities of the second tranche. To sum up, it must be clearly stated, with no demagogic elements, that the investments implemented in Lublin were purposeful. But we also need to bear in mind the extremely detrimental effects of the terms of the concluded agreement.

⁸⁹ PĄCZEK, A. op. cit., p. 21.