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TAX EVASION IN POST-IMPERIAL SILESIA: THE PLESS ADMINISTRATION VS THE POLISH GOVERNMENT

Zarys treści: W 1931 r. rodzina Hochbergów, jedna z najbogatszych rodzin arystokratycznych w Europie, złożyła do Ligi Narodów skargę na rząd polski, zarzucając, że polskie urzędy skarbowe nieuczciwie naliczają należne pieniądze w celu przejęcia i „polonizacji” należących do Hochbergów przedsiębiorstw, znanych pod wspólną nazwą „administracji Pless”. Przedsiębiorstwa te działały zarówno w Polsce, jak i w Niemczech. W wyniku powojennych zmian granic administracja Pless stała się przedsięwzięciem wielonarodowym, stojącym w obliczu nowych, skomplikowanych praw krajowych i międzynarodowych. W niniejszym artykule pokazuję, że celem rządu polskiego nie było bynajmniej wymuszone przejęcie przedsiębiorstw Hochbergów, a zabiegi o utrzymanie ich funkcjonowania i produktywności w czasach wielkiego kryzysu. Polscy urzędnicy rządowi dostrzegali ekonomiczne korzyści płynące ze wspierania administracji Pless i zapewnienia w ten sposób płynnych wypłat tysiącom pracowników. Skandal związany z uchylaniem się od płacenia podatków daje nowe spojrzenie na złożone relacje międzywojennej Polski z zagranicznymi inwestycjami kapitałowymi i wnosi cenny wkład w historię biznesu, wprowadzając interesującą korektę do historii międzynarodowego zarządzania podatkami. Twierdzę, że wielonarodowe przedsiębiorstwa – ze względu na swój rozdrobniony charakter – mają przewagę nad państwami, które próbują czerpać korzyści z ich działalności handlowej.

Content outline: In 1931, the von Hochberg family, one of the wealthiest aristocratic families in Europe, filed a discrimination complaint against the Polish government at the League of Nations. At the heart of their petition was the accusation that tax authorities unfairly calculated monies owed in a bid to take over and ‘Polonise’ the von Hochberg-owned businesses, collectively called ‘the Pless administration’. However, these ventures operated both in Poland and in Germany. The Pless administration became a multinational enterprise under postwar border settlements and new convoluted domestic and international legal environments. This article shows that the Polish government, far from trying to force a takeover, was trying hard to keep the von Hochberg businesses



functioning and productive during the depths of the Great Depression. Polish government officials understood the economic value of supporting the Pless administration and ensuring that von Hochberg would continue to pay his thousands of employees. This tax evasion scandal reveals a new understanding of interwar Poland's complex relationship to foreign capital investment and – in a broader contribution to business history – adds a revealing corrective to the history of international tax governance. Moreover, I argue that multinational enterprises – because of their fractured nature – possess advantages over the states that attempt to benefit from their commercial activities.

Słowa kluczowe: historia biznesu, Górny Śląsk, Liga Narodów, przedsiębiorstwo wielonarodowe

Keywords: business history, Upper Silesia, League of Nations, multinational enterprise

Introduction

Hans Heinrich XV von Hochberg (1861–1938) owned a small country – forests, nine mines, several grand palaces, smelting plants, and over 500 square kilometres of land – more than the total area of Andorra. After a drawn-out battle between Poland and Germany to control Silesia, von Hochberg's holdings became bisected by an international border. In Poland lay some of his most profitable possessions in Pless/Pszczyna, and in Germany, the magnificent Fürstenstein/Książ castle along with coal mines in Waldenburg/Wałbrzych. In 1931, von Hochberg filed a discrimination claim against Poland with the League of Nations. The crux of von Hochberg's complaint was that the Polish government actively discriminated against him and his businesses because he was German, not by citizenship but by nationality. Namely, he claimed that Polish authorities required a "Polonization" of his employees and personnel, and since he did not follow through, he received a massive – and allegedly unwarranted – tax bill for the years 1925–1930.¹ As the case progressed, von Hochberg – also referred to as von Pless, Prince of Pless or Pleß – refused to pay the back taxes and fines, and Polish tax authorities continually took possession of more of his movable and immovable property.

Over four years, the League of Nations investigated the matter thoroughly, as is evidenced by this petition's massive archival footprint.

¹ League of Nations Archives, Geneva [hereinafter: LoNA], C.52.1935.I, Fond R2114.4.352.32019, "Protection of Minorities. Application of Part III of the German-Polish Convention of May 15th, 1922, Concerning Upper Silesia".

Ultimately, the internal conclusion was that while the League could not make any judgement on the execution of Polish law in von Hochberg's case, he had failed to prove that there was any evidence of discrimination based on his national origin. A League official wrote,

The petitioner alleges that at one of his interviews, he became convinced that the Polish authorities had decided to take coercive action against him. This objection is based on a deliberate distortion of the facts: all the interviews between the Voivod of Silesia and the Prince concerned the question of taxes imposed equally on all citizens, and there was no ground for the statement that the attitude of the authorities towards the Prince depended on the success of their alleged "Polonising" efforts.²

However, this did not mean that there were no changes in the national identity of von Hochberg's employees from before and after the First World War. Indeed, changes did take place. As the League official continued,

Obviously in consequence of the change of sovereignty, a certain ~~rearrangement~~ redistribution of the officials in the Upper Silesian industrial concerns was inevitable and natural. The plain necessity of such ~~rearrangement~~ redistribution was spontaneously admitted in 1924 by M. Geisenheimer, General Manager of the Mining and Metallurgical Union (to which the Prince of Pless's establishments also belong), when, even according to the petition, the authorities could not be accused of exerting any pressure in that direction.³

The management at von Hochberg's businesses, for the purpose of tax evasion, wanted the world to believe that this was a nationalities issue. And the Polish public likely saw it that way, as the Polish-language press covered the case as a "German" fighting against the Polish government. German-language newspapers in Poland and Germany also presented von Hochberg's complaint as justified, an instance of discrimination based on national background. The German discourse emphasised a David versus Goliath battle, with von Hochberg as the underdog. In fact, this was a battle between two Goliaths, where von Hochberg was advantaged over the state because of his ability to move profits across borders where Poland had no jurisdiction.

² Ibid., C.52.1932. Fond R2114.4.352.32019, English translation of correspondence between the Council and von Hochberg's son, Hans Heinrich XVII von Hochberg, 16 October 1932, Letter from the Council to von Hochberg.

³ Ibid., C.52.1932, Fond R2114.4.352.32019.

The von Hochberg businesses became a multinational enterprise by virtue of the postwar border settlements and new domestic and international legal environments. Monstrous business endeavours and their cross-border activities were not an invention of the twentieth century. In the nineteenth century, colonial and post-colonial arrangements led to mostly uneven relationships between multinational firms and the countries where they operated.⁴ Multinationals have organisational advantages over governments, allowing them to hide their profits and avoid responsibility, especially with the help of friendly governments acting as tax havens. The Wilsonian postwar order, however, created theoretical equality among states.⁵ As Quinn Slobodian put it, “The early end of empire in Central Europe after the First World War also required [economists] to contemplate strategies for balancing state power with economic interdependence”.⁶ More importantly, the breakup of empires created far more businesses operating across borders, beholden to multiple legal jurisdictions simultaneously. Experts and observers understood the need for a new international economic legal order, but clear rules were slow to come into focus. During the years before the Second World War, through conflicts such as the one between the Polish government and the von Hochberg family businesses, governments and international organisations began to deal with the realities of cross-border profits and international investment.⁷

I argue that this case is a window into the biggest questions of foreign investment in developing countries and the postcolonial problems of what to do with the assets of the “coloniser” after the transition. The “in-between” status of the von Hochberg holdings as domestic and foreign allows us to understand what it meant to operate cross-border assets and investments. This case study shows how governments and international organisations settled questions of jurisdiction over expenses, profits and capital across boundaries.⁸ Ultimately, every developing country has dealt with similar dilemmas, offering favourable tax

⁴ W. Goetzmann, *Money Changes Everything: How Finance Made Civilization Possible*, Princeton, 2016, p. 508; J. Osterhammel, *Die Verwandlung der Welt: Eine Geschichte des 19. Jahrhunderts*, München, 2009, Chap. 9.

⁵ L.V. Smith, *Sovereignty at the Paris Peace Conference of 1919*, Oxford, 2018, pp. 6–7.

⁶ Q. Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism*, Cambridge (MA), 2018, p. 9.

⁷ S. Picciotto, *International Business Taxation: A Study in the Internationalization of Business Regulation*, Cambridge, 2013 [1992], p. 1.

⁸ Corporate income tax and property tax are always levies on capital; see B. Salanié, *The Economics of Taxation: Second Edition*, Cambridge, 2011.

conditions to attract investment in the hope that the jobs created will help spur overall economic activity, resulting in a positive development cycle. One of the primary methods for drawing benefits from foreign investment is, of course, taxation. However, governments the world over must walk a fine line between promoting investment and exploitation while simultaneously struggling against economic nationalism encouraging protectionism on the one hand and internationalist neo-liberalism that promotes uninhibited foreign investment on the other.

A deep dive into the (boring) details – von Hochberg’s cross-border business relationships, how they settled his back taxes, what they told his lawyers and representatives, and what actions the tax authorities took – shows the Polish government was actually trying hard to keep the von Hochberg businesses functioning and productive during the depths of the Great Depression.⁹ Far from wanting to dispossess and destroy von Hochberg, Polish government officials understood the economic value of supporting him and ensuring that he would continue to pay his thousands of employees, regardless of their language of everyday use. The role that national categories played in decision-making was overstated at the time.

However, von Hochberg’s complaints were not invented whole cloth; there was a distinct reason why he and his administration may have genuinely believed they were subject to discrimination. For many Polish elites, the fact that “foreigners” (especially Jews and Germans) held economic power meant that “foreign-owned” businesses would never benefit the Polish national interest.¹⁰ Viewed through the lens of nationalism, these industries would not serve the greater good of employing Poles, bringing wealth into Poland, or providing tax revenue for the treasury. The solution to this problem would be the so-called nostrification or “Polonisation” of industry, especially the valuable sector of heavy industry in Upper Silesia. Nostrification, or “making ours” from the Latin *noster*, was a European-wide phenomenon in the years following

⁹ This was part of a larger pattern of state policy to prop up flagging businesses. Some businesses were even punished for slowing or stopping production; see E. Majcher-Ociosa, *Interwencjonizm państwowy w przemyśle Drugiej Rzeczypospolitej w latach 1930–1939*, Kielce, 2019, p. 260.

¹⁰ This was part of a much longer discourse on the future of a “Polish” economy that began in the nineteenth century. See J. Jedlicki, *Jakiej cywilizacji Polacy potrzebują: Studia z dziejów idei i wyobraźni XIX wieku*, Warszawa, 1988 (published in English as *A Suburb of Europe*). On Silesian foreign capital in particular, see Z. Daszyńska-Golińska, *Śląsk dla Polski: odczyt wypowiedziany w d. 14/IX w Puławach, Komitet „Obrony Śląska”*, Lublin, 1919.

the First World War. Article 297 of the Versailles Treaty explicitly gave the successor states of East Central Europe the right to dispossess German and Austrian nationals.¹¹ In the post-imperial era, hundreds of businesses faced the challenges of being split between states, across borders, and with new (sometimes hostile) governments.¹² However, they could not simply steal property; the controlling interest in firms had to be purchased at market rates. With larger companies, the government had to come up with cash to buy mass amounts of stock. In Czechoslovakia, Romania and Yugoslavia, this process, which proceeded in the early 1920s, brought moderate results. However, Poland did not marshal enough government resources or convince individual Poles to invest in the area.¹³ Though there was some success, with the help of French and American capital to wrest away German assets, the dominance of German-connected owners in mining and metallurgy continued mostly unabated.¹⁴ The Polish government, therefore, had to find another lever of control for Upper Silesia. The prevailing consensus of the time was committed to neoclassical economics limiting state intervention in the free market, and thus taxation was one of the most invasive ways that the state could be involved in the economy, either through tariff policy, the meting out of relief, or outsized tax burdens.¹⁵

As is true everywhere else, the interwar Polish government had a complex relationship to “foreign capital”. On the one hand, officials

¹¹ J. Kofman, “Nacjonalizm ekonomiczny w Europie Środkowo-Wschodniej w okresie międzywojennym – instrumenty i skutki”, *Studia z Dziejów ZSRR i Europy Środkowej*, 26, 1988, pp. 25–26. The Treaty of Versailles applied to Poland, Czechoslovakia, and Romania; the conduct of Hungary and Austria was governed by the Treaty of Trianon and Saint-Germain-en-Laye, respectively.

¹² See, for example, Z. Doleshal, *In the Kingdom of Shoes: Bata, Zlín, Globalization, 1894–1945*, Toronto, 2021; M. Rigó, *Capitalism in Chaos: How the Business Elites of Europe Prospered in the Era of the Great War*, Ithaca, 2022; J. Łazor, “A Colony of Alien Capital: French Investments, Polish Identity, and a Story of Murder in 1930s Warsaw”, *Slavic Review*, 81 (1), 2022, pp. 122–141.

¹³ A. Teichova, “East-central and south-east Europe, 1919–39”, in *Cambridge Economic History of Europe from the Decline of the Roman Empire*, vol. 8: *The Industrial Economies: The Development of Economic and Social Policies*, ed. P. Mathias, S. Pollard, Cambridge, 1989, pp. 905–906.

¹⁴ On some of these successes, see Z. Szmidtke, *‘Skarboferm’ 1922–1939: związki polityki z gospodarką*, Opole, 2005; J. Łazor, “Broń dyplomatyczna pierwszej rangi? Powstanie Polsko-Francuskiego Banku Śląskiego SA po I wojnie światowej”, *Roczniki Dziejów Społecznych i Gospodarczych*, 81, 2020, pp. 289–320.

¹⁵ It should be noted, however, that nostrification was carried out on a large scale for the landed estates of Germans in Western Poland, especially those who opted to leave Poland.

hoped to attract investment from abroad; on the other hand, they feared losing sovereignty in the process.¹⁶ The First World War and its aftermath destroyed much of the human and physical capital that could have provided for Polish economic development. Machines, fertilisers, and new technologies had to be imported using dollars and pounds sterling. Troubled assets needed investment, but there were no domestic investors. The need for foreign investment was obvious.

However, the Polish government viewed some investors with suspicion. During most of the 1920s and 1930s, Polish elites regarded French and American capital as safe. While the relationship with France was sometimes tense, an American consortium bought up valuable assets in Silesia and never became the target of attacks.¹⁷ The opposite could be said of German capital investments and German ownership. From 1918 onward, the Polish economy was sharply entangled with German business. Germany was Poland's number-one trading partner until 1930, accounting for about one-third of its imports and exports in monetary terms.¹⁸ By 1935, 21.53% of all joint stock companies were majority foreign-owned. Among these companies, most investors were French (25.6%), American (21.9%), German (19.8%), or Belgian (10.5%). French banks and capital groups put their money into mining, metallurgy, oil, and textiles. Metallurgy, in particular, was dominated by foreign investors, with 84.4% of the industry owned by capital groups from abroad.¹⁹ German investments were heavily focused on Silesian mining and metallurgy.²⁰ The von Hochberg holdings provide an in-between case, somewhat foreign and somewhat domestic. The family scion took Polish citizenship, but he remained in the insular

¹⁶ V. Ogle, "State's Rights Against Private Capital: The 'New International Economic Order' and the Struggle Over Trade, Aid and Foreign Investment, 1962–1981", *Humanity: An International Journal of Human Rights, Humanitarianism, and Development*, 5 (2), 2014, pp. 211–234; D. Schneiderman, *Constitutionalizing Economic Globalization: Investment Rules and Democracy's Promise*, Cambridge, 2008.

¹⁷ J. Łazor, "Kapitał francuski w Polsce międzywojennej. Stan badań i postulaty badawcze", *UR Journal of Humanities and Social Sciences*, 10 (1), 2019, pp. 29–52.

¹⁸ *Rocznik Statystyki Rzeczypospolitej Polskiej 1924*, Warszawa, 1925, p. 88; *Rocznik Statystyki Rzeczypospolitej Polskiej 1930*, Warszawa, 1931, p. 166. After 1930, a stronger trade relationship with Great Britain and access to the sea through the port of Gdynia drastically shifted trade away from Germany, but their western neighbour only dropped to number two on the list of trading partners.

¹⁹ This number is from 1933; Z. Landau, J. Tomaszewski, *Kapitały Obce w Polsce, 1918–1939: Materiały i Dokumenty*, Warszawa, 1964, p. 49.

²⁰ J. Kożuchowski, "Kapitał zagraniczny w spółkach akcyjnych w Polsce", *Ruch Prawniczy, Ekonomiczny i Socjologiczny*, 16 (1), 1936, p. 57.

German community, and many Polish commentators viewed him and his businesses as a foreign entity.

Foreign investment brought new corporate structures and the added issue of how profits and capital could be taxed. To this day, the issue of taxing multinational enterprises spurs particularly thorny debate in international organisations and bilateral relations.²¹ Tax avoidance by multinational corporations is a fact of our past and present, but the von Hochberg case provides an early example of governments and business elites adapting to radical change in international and domestic legal environments after empire. The von Hochberg business interests, before 1918, belonged within a single tariff and currency system, but suddenly, they were cut off from transportation networks, currency, credit, and so much else.

Silesia's Place in Poland

After the fall of the German Empire, Upper Silesia became a flashpoint between Germans and Poles, leading to a protracted conflict with three uprisings and a plebiscite between 1919 and 1921.²² In 1922, an international commission decided to split Upper Silesia between Poland and Germany, but Poland received the better part of the deal since most of the steel, lead, and coal industries, as well as all zinc and silver mines ended up in Poland.²³ The League of Nations experts framing the treaties understood well the potential for certain disadvantaged groups to be completely dispossessed. This violation of property

²¹ A prime example is the Base Erosion and Profit Shifting (BEPS) project led by the Organization for Economic Cooperation and Development (OECD). Since 2013, the project has attempted to develop baseline policies that would even the playing field and “ensure that multinational enterprises could be taxed ‘where economic activities take place and where value is created’, and that developing countries should also be able to benefit”. Global Alliance for Tax Justice, “GATJ Evaluation of the G20/OECD BEPS Project”, <https://www.taxjustice.net/wp-content/uploads/2015/09/GATJ-BEPS-2015.pdf> [Accessed: 5 Oct. 2024].

²² J.E. Bjork, *Neither German nor Pole: Catholicism and National Indifference in a Central European Borderland, 1890–1922*, Ann Arbor, 2008; T. Hunt Tooley, *National Identity and Weimar Germany: Upper Silesia and the Eastern Border, 1918–22*, Lincoln (NE) – London, 1997; T.K. Wilson, “The Polish-German Ethnic Dispute in Upper Silesia, 1918–1922: A Reply to Tooley”, *Canadian Review of Studies in Nationalism*, 32, 2005, pp. 1–26; P. Polak-Springer, *Recovered Territory: A German-Polish Conflict over Land and Culture, 1919–1989*, New York, 2015.

²³ A. Sulik, “Przemysł”, in *Województwo śląskie: 1922–1939: Zarys monograficzny*, ed. F. Serafin, Katowice, 1996, p. 216.

rights was anathema to their liberal worldview, and mechanisms were built to protect the privileges of certain groups – German industrialists in Poland particularly. The German-speaking aristocrats did little to endear themselves to Poland either. In 1918, von Hochberg supported the movement to create a Free State of Silesia to protect his properties. During the three uprisings in Silesia, von Hochberg financially supported the German side and even sent his son out to fight during the Third Uprising. After the accession of a part of Upper Silesia to Poland in July 1922, however, he accepted a Polish passport while also maintaining his German citizenship.²⁴

The German community of Upper Silesia suffered an immense shock. After the Western Allies decided to award the eastern part of the area to Poland, Germans went from being masters of their fiefdoms to foreigners in their own homes. This was an unexpected turn of events, especially since the plebiscite had shown that joining Poland was deeply unpopular even outside the salons of wealthy industrialists.²⁵ Many people, whether identifying as German or not, left Poland for the relative safety and security of a country they knew instead of a country they did not.²⁶ However, large businesses could not simply be packed up and moved, and industrialists were left in Poland to try to understand their new situation. Around the time the international treaty settled the issue, the leading Polish politician from the region, Wojciech Korfanty, held a meeting at von Hochberg's palace with the German magnate families of Silesia to convince them that the new Polish state represented an economic opportunity for them.²⁷ With the new borders, their coal mines, metals and chemical industries could access new markets in the east that were previously closed to them because of imperial borders.

²⁴ Archiwum Państwowe w Katowicach (State Archives in Katowice) [hereinafter: APK], Archiwum Książąt Pszczyńskich w Pszczynie (Archives of the Dukes of Pszczyna at Pszczyna) [hereinafter: AKPwP] 3115, ref. no. 1003, Fond 2.13.1, "Passe, Waffen und Jagdscheine".

²⁵ Voter turnout was very high, and about 60% of the vote went for remaining in Germany; support for joining Poland was found mostly in villages. For example, the outskirts of Racibórz were relatively evenly split, while the city was 91% for remaining in Germany; J. Tomaszewski, *Rzeczpospolita wielu narodów*, Warszawa, 1985, p. 208.

²⁶ It is quite difficult to estimate how many people left. According to the 1921 census, around 320,000 people in Silesia (28% of the population) identified as being of German nationality. In the next census, nationality was no longer a question, but the number of "German speakers" dropped to 90,600 in 1931 (7% of the population); J. Tomaszewski, *Rzeczpospolita...*, p. 213.

²⁷ *Wojciech Korfanty przed Sądem Marszałkowskim: dokumenty*, ed. Z. Landau, B. Skrzyszewska, Katowice, 1964, p. 139.

As it turned out, the massive infrastructures built around delivering to one set of markets could not be simply turned around to serve another. Nor was the demand for coal, steel and chemicals within the new Polish state the same as the demand for those items in Imperial Germany before 1914. Cut off from supplies, clients and transportation – all necessary ingredients to turn their natural resources into profits – the big businesses of Upper Silesia struggled to return to normalcy after 1922.

Polish statesmen regarded the resources and capacities of Upper Silesia as an essential element to maintain the stability and independence of Poland. Its natural resources and manufacturing capabilities in metals and chemicals were key to producing weapons and ammunition. Steel, nitrogen and zinc were all necessary for munitions, and since Poland was geographically cut off from friendly factories in France or the United States, Upper Silesia would provide the best opportunity to supply their defence industry. In addition, Polish elites expected that sales of coal and other products abroad would bring incomes to be taxed for the benefit of the Polish treasury.²⁸ With these valuable assets, one could expect that the region would be a net contributor to the state's budget, but the region actually became a drag.²⁹ Initial government investments in the form of loans were quickly wiped away with currency devaluation.

Like several other European countries in the post-First World War period, Poland suffered from a hyperinflation crisis. Governments everywhere funded the postwar recovery by issuing large loans without proper coverage or collateral. Business owners took credits from the state, and then the period of hyperinflation wiped out the value of these loans, leaving the central bank on the hook. In Poland, an agrarian economist and relatively neutral politician Władysław Grabski led a massive currency and tax policy overhaul implemented between 1923 and 1925. Grabski began to enact his solution during his second term as finance minister (January–July 1923) when he introduced a sweeping short-term tax on property. The 11 August 1923 property tax was the first major attempt to impose a compulsory contribution on Polish

²⁸ E. Kwiatkowski, *Znaczenie górnośląskiego przemysłu przetwórczo-węglowego dla Polski*, Lwów, 1920.

²⁹ Moreover, Silesia did not pay its taxes directly to the central government in Warsaw, but rather collected its own tax and made proportional contributions to the treasury, as per their semi-autonomous status; “Ustawa o statucie organicznym województwa śląskiego”, *Sprawozdanie stenograficzne ze 164 posiedzenia Sejmu Ustawodawczego z dnia 15 lipca 1920 r.*, pp. 15–16 <https://bc.umcs.pl/dlibra/publication/edition/7256/content> [Accessed: 5 Oct. 2024].

citizens. Physical and legal persons were required to pay a percentage of the value of their real estate, share capital, and working capital in six payments over two years.³⁰ This was expected to raise an enormous sum – nearly half the annual budget – and fell hardest on large businesses with valuable assets.³¹

In April 1924, Grabski also introduced a new Polish currency, the złoty, valued at parity with the Swiss Franc and backed by gold.³² This drastic measure caused a crunch on resources in Upper Silesia as credit dried up and production became more expensive. The concurrent rise in prices on the international market made Polish coal less competitive against cheaper alternatives from Wales and northern England. As a result, former clients in Czechoslovakia, Italy and Austria began buying British fuel.³³ In the context of this economic downturn, the Ministry of Finance began pressuring for the collection of the massive levy on property which was intended to prop up the new currency with an influx of revenue.

The property tax demanded comparatively large contributions from individuals and businesses based on the value of real estate, share capital, and working capital.³⁴ Owing to the high value of the mining and heavy manufacturing industry in Upper Silesia, 54% of the income of 1 billion gold francs was expected to come from that small region of Poland.³⁵ And unlike other taxes collected for the Silesian provincial treasury, this property tax was to be sent to the central treasury in Warsaw.

Both individuals and corporations were required to make their first monthly contributions from the property tax in February 1924. Assessment commissions (*komisje szacunkowe*) composed of local elites were charged with the task of ascertaining the value of individuals' property and sticking them with a bill. On the other hand, legal persons were required to submit public declarations to local tax authorities, who would then be responsible for following up and possibly auditing the business.³⁶

³⁰ "Ustawa z dnia 11 sierpnia 1923 r. o podatku majątkowym", *Dziennik Ustaw Rzeczypospolitej Polskiej*, 1923, no. 94, poz. 746.

³¹ For a clear explanation of the property tax, see A. Żabicki, "Podatek majątkowy w Polsce", *Przegląd Gospodarczy*, 4 (20), 15 Oct. 1923, pp. 708–711.

³² C. Leszczyńska, *Polska polityka pieniężna i walutowa w latach 1924–1936*, Warszawa, 2013.

³³ A. Sulik, "Przemysł"..., p. 228.

³⁴ "Ustawa z dnia 11 sierpnia 1923 r. o podatku majątkowym"...

³⁵ Biblioteka Sejmowa, print no. 1210, *Sprawozdanie Generalne o preliminarzu budżetowym na rok 1924–1925*, p. 7.

³⁶ A. Żabicki, "Podatek majątkowy w Polsce (dokończenie)", *Przegląd Gospodarczy*, 4 (22), 15 Nov. 1923, pp. 700–792.

The most powerful industry group in the region, the *Oberschlesischer Berg- und Hüttenmännischer Verein* (Upper Silesian Mining and Metallurgical Association) was already set against the law and Grabski's reforms more generally. The *Verein*, as it was called, brought together industrialists of mostly German origin, who continued to have strong ties across the border and proved to be a powerful opponent for the Polish government. The group began operating in Silesia in 1854 and had won protection against French and British competition in the coal market.³⁷ After a piece of Upper Silesia became a province of Poland, the *Verein* split into Polish and German sections. The Polish-German industrialists allied themselves with the German People's Party (DVP) in Berlin, a conservative-liberal party with nationalist and monarchist leanings. In Poland, they supported the openly anti-Polish German Peoples' Alliance for Polish Upper Silesia (DVB)³⁸, popularly referred to as the *Volksbund*. Their political goals were to keep workers' rights in check and maintain low taxes.³⁹

The issue of double taxation in particular was top of mind for the *Verein* and *Volksbund* and they lobbied on both sides of the border to regulate competing authorities. On 21 March 1923, Polish and German delegates signed a temporary agreement in Dresden. The treaty clearly states that negotiations might go on indefinitely, so they must sign something quickly, but as it turned out, this was the only bilateral regulation of cross-border taxation between the two countries. According to its provisions, each government would give their finance ministries identical instructions, respecting reciprocity. The agreement was written in the shadow of the upcoming Polish property tax, with German owners concerned that their interests in Poland would be subject to tax in both jurisdictions. The two sides agreed to residency requirements for the purpose of assessing where the tax should be paid. In the event that a business operated in both states, only the profits realised in each state could be taxed. However, this "provisional" agreement heavily favoured German interests and allowed wealthy German landowners with interests in Poland to avoid paying tax there altogether.⁴⁰

³⁷ F. Biały, *Górnośląski Związek Przemysłowców Górniczo-Hutniczych, 1854–1914. Z dziejów kapitalizmu monopolistycznego na Śląsku*, Katowice, 1963.

³⁸ *Der Deutsche Volksbund für Polnisch-Schlesien*.

³⁹ F. Biały, *Górnośląski Związek Przemysłowców Górniczo-Hutniczych, 1914–1932*, Wrocław, 1967, p. 123.

⁴⁰ LoNA, S613/43/48, "Allemagne et Pologne: Convention relate à la suppression provisoire des double impositions avec Annexe, signée à Dresde le 21 mars 1923".

When the first payments for the property tax came due at the start of 1924, the *Verein* initially responded with begging and pleading. Industrialists used the *Verein* to lodge a formal complaint with the government in Warsaw in the summer of 1924. In June, the *Verein* complained of the catastrophic state of the metallurgy industry and requested relief from the property tax, more access to credit, along with the abolition of the eight-hour workday and the minimum wage. In July, big businesses lodged a similar claim regarding the coal industry.⁴¹ The actual production numbers tell a different story, as the mines produced at almost 90% of their pre-war levels, much higher than their counterparts in Germany, France or the United Kingdom.⁴² High commodity prices had led to unemployment in the region, and the *Verein* threatened the government with more layoffs. Still, the government did not offer tax relief at that time.

At the end of July, accountants from two of the largest coal companies in the region notified authorities that their employers were committing tax fraud. The Ministry of Finance quickly dispatched a group of auditors from their central office to investigate the matter. Aleksander Olszewski led the team entrusted with figuring out how these companies were able to avoid their legal responsibilities. The investigation yielded that these companies were avoiding the property tax and all kinds of other corporate and sales taxes levied on commercial activity. Falsified records undervalued these companies and their assets, so they paid much lower amounts on the property tax than they should have.

Over the following months, Olszewski continued his investigation, auditing the region's important firms, and discovered a much larger pattern. Along with Hohenlohe and Caesar Wollheim, audits showed that Królewska Huta (Königshütte), Giesches Erben, Gewerkschaft Graf Franz, Richterschacht Mine, the Wolfgang Consortium, and a half dozen others were engaged in similar tax evasion.⁴³ The companies devised an entire system to hide money and reroute profits among themselves, which was likely facilitated through the *Berg- und Hüttenmännischer Verein*.⁴⁴

⁴¹ U. Zagóra-Jonszta, *Etatyzm w polskiej myśli społeczno-ekonomicznej Górnego Śląska, 1922–1939*, Wrocław, 1996, p. 34; from the report filed in Warsaw: "Memoriał w sprawie krytycznej sytuacji w przemyśle żelaznym Górnego Śląsku", 1 June 1924.

⁴² J. Kramsztyk, "Przemysł węglowy na Górnym Śląsku od chwili przyłączenia Górnego Śląska do Polski", *Przegląd Gospodarczy*, 4 (12), 1923, pp. 415–419.

⁴³ Archiwum Akt Nowych (Central Archives of Modern Records) [hereinafter: AAN], Ministerstwo Skarbu (Ministry of Finance) [hereinafter: MS], ref. no. 5742, "Sprawozdanie nr 5 z dnia 11 października 1924 roku w sprawie sytuacji na Górnym Śląsku".

⁴⁴ M. Grzyb, *Narodowościowo-polityczne aspekty przemian stosunków własnościowych i kadrowych w górnośląskim przemyśle w latach 1922–1939*, Katowice, 1978.

Olszewski commented in his initial report that after the accession of Upper Silesia to Poland, few expected that the Germans would become loyal citizens of Poland, but they did expect that they would accept the new political reality. A stable state of affairs would be beneficial to everyone, after all. As Olszewski saw it, an ungrateful group of wealthy men took advantage of the autonomy agreement and abused easy credit from Polish banks with no intention of repaying. Despite the kindness of the Poles, Olszewski wrote, these Germans took on anti-Polish political views embodied in the *Volksbund* and the *Verein*. With access to the business correspondence of Caesar Wollheim and Hohenlohe, Olszewski and his associates noted a pattern of hateful epithets and disrespect directed toward Poles, such as the oft-used term “filthy Poles” (*dreckige Polen*).⁴⁵ These phrases appeared in their business correspondence, not necessarily in personal letters. Reading this, Polish civil servants concluded that German industrialists had no respect for Poles and the Polish state. One historian of the period claims that Germans in Poland did not believe that Poland would last, that it was merely a *Saisonstaat* (transitory state), thus speaking to the effectiveness of propaganda coming out of Germany.⁴⁶

Only 9% of the region’s expected tax revenue had come in by August 1924, and the firms did not pay back taxes or penalties.⁴⁷ As this tax evasion case shows, accounting strategies were able to outsmart Polish treasury officials, and, in the end, these firms did not suffer the wrath of a powerful state. This left a huge hole in the budget and torpedoed the reform program’s chances for success. The gaps in revenue would again lead to a budget deficit that could not be covered by loans. By the following year, state income shortfalls caused the public to lose faith in the new currency, and a second period of inflation began in mid-1925.⁴⁸ Grabski had to resign in disgrace.

As a result of the tax evasion scandal, few people faced consequences. Some arrests were made, and a warrant was put out for the arrest of Artur Jacob, general director of Hohenlohe, who had run off

⁴⁵ AAN, MS, ref. no. 5742, “Sprawozdanie nr 1”.

⁴⁶ M. Grzyb, *Narodowościowo-polityczne aspekty...*, p. 46; P. Fischer, *Die deutsche Publizistik als Faktor der deutsch-polnischen Beziehungen 1919–1939*, Wiesbaden, 1991.

⁴⁷ AAN, MS, ref. no. 5742, “Sprawozdanie delegacji rządu polskiego do zbadania sprawy nadużyć podatkowych w przedsiębiorstwach śląskich A. Olszewskiego z pobytu na Górnym Śląsku w dniach od 9 do 14 sierpnia 1924”.

⁴⁸ E. Taylor, *Druga inflacja polska: Przyczyny, przebieg, środki zaradcze*, Poznań, 1926. A deeper analysis of this second period of inflation is available in CX. Leszczyńska, *Polska polityka pieniężna...*, pp. 212–216.

to Germany. Prosecutors decided to try only a single businessman for his role in the tax avoidance scheme. The director of Caesar Wollheim was held in prison for only a short time before high-profile politicians intervened to have him released.⁴⁹ This can be reasonably contrasted with the aggressive public campaign against a supposed “anti-tax psychosis” among Jewish merchants, who complied with their tax obligations at much higher rates than German industrialists.⁵⁰

The Petition to the League

Polish courts and treasury officials also applied a relatively light touch with von Hochberg when his cases began in 1930. That was the year that the Polish tax authority began to pursue unpaid back taxes, including those for the property tax from 1924. The Ministry of Finance held meetings with leading experts to try to devise an appropriate punishment, but they shied away from large fines and decided not to hold any individuals personally responsible.⁵¹ The reason why the Polish authorities tread lightly is evident when we look at how many people were employed in these industries and what would happen to the economy of Upper Silesia if suddenly all of its business owners faced huge fines or had their management placed in jail.

In 1930, the Polish tax authorities brought an administrative case against von Hochberg’s holding company, the Pless Administration, for non-payment of taxes, returning to the one-time levy, Grabski’s massive 1924 property tax. Understandably, the management of the Pless businesses, led by mining engineer Edwin Pistorius, fought back and challenged the enormous tax bill in court. The decision from the administrative judge sided with the tax authorities. At that point, von Hochberg and his advisors decided to petition the League of Nations.

The initial complaint to the League laid out a case concerning three points in particular. Firstly, that the Polish government had attempted to implement a policy of “Polonising” the Pless holdings, by ordering that both white and blue-collar workers be Polish-speaking. According to one accounting, 82% of the blue-collar workers were Polish

⁴⁹ F. Biały, *Górnośląski Związek Przemysłowców, 1914–1932...*, p. 195. Wojciech Korfanty and Zygmunt Seyda were the politicians in question.

⁵⁰ See Z. Mazur, “The Grabski Tax Reform and Jewish Merchants: State Building in Interwar Poland”, *East European Politics and Societies*, 36 (2), 2022, pp. 626–643.

⁵¹ AAN, MS, ref. no. 5742, “Sprawozdanie Nr 4 z dnia 27 września 1924 r. ze stanu spraw górnośląskich”.

anyway.⁵² Secondly, that the tax authorities had levied an unwarranted income tax bill. And thirdly, that the government had forced the Pless mines to deliver coal to the state-owned railways at unfair prices. While the League investigated these claims, negotiations continued behind the scenes between the Pless administration and the Polish government.

Throughout 1931, the Pless lead accountant met numerous times with Senator Józef Targowski, a former minister and well-connected member of the ruling political party. In correspondence between them, Targowski claimed that he was happy to bring down the tax bill and even issue a loan to the Pless businesses.⁵³ By the end of 1932, this budding relationship had already brought results, though publicly von Hochberg claimed it was thanks to pressure from the League of Nations complaint.

Meanwhile, von Hochberg and his lawyers continued to fight at the League of Nations and even at the Permanent Court of International Justice at the Hague. In May 1932, the German government instituted proceedings against Poland on behalf of von Hochberg for violations of the Geneva Convention. German lawyers argued the next year – after Adolf Hitler came to power – that Poland should cease to take any actions before the decision of the international court. This may have had a freezing effect on the Polish tax administration since it coincided with slowing procedures to take control of Pless assets. A few months later, in October 1933, Germany withdrew from the League of Nations, and the German side in the case communicated to the Hague that they would not proceed with the case.⁵⁴

The Silesian tax administration issued a decision in December 1932, lowering von Hochberg's tax bill by 5.65 million zloty or about one-third. Over the previous year, they had reviewed everything again and interviewed witnesses to establish the actual value of certain taxable items. For example, there was a difference of opinion over how much von Hochberg's prized horses were worth. The tax authorities also found ways to discount certain incomes because they came from favoured contracts with state-owned businesses. At the same time, however, the decision rejected multiple claims from the von Hochberg estate that could not be counted as business expenses. The younger Hans Heinrich XVII von Hochberg, who was living in Paris at the time, attempted to claim that

⁵² LoNA, R2114.4.352.32019, Observations of the Polish Government, Geneva, 6 Jan. 1932, F. Sokal, Minister Plenipotentiary, Delegate to the League of Nations.

⁵³ APK, AKPwP 3115, ref. no. 1263, Fond 2.13.7, Letter from Targowski to Zbigniew Ślesiński, 14 Jan. 1932.

⁵⁴ M. Hudson, "The Twelfth Year of the Permanent Court of International Justice", *American Journal of International Law*, 28 (1), 1934, pp. 2–4.

all his living expenses abroad were for business purposes. The family had sunk millions into the repair and upkeep of their palaces; these, too, could not be counted against their taxable income.⁵⁵

During this same period, the Pless administration generally paid its taxes in Germany without incident. The archival record shows a more respectful relationship between the German tax authorities and the managers of von Hochberg's businesses. Moreover, a policy shift in 1935 allowed for a reduction of taxes paid in Germany as they were separated entirely from Pless activities in Poland.⁵⁶

German Workers, Polish Employment

By October 1933, the Supreme Administrative Tribunal (NTA) in Warsaw also ruled on Pless back taxes from 1925 to 1929. The judges decided once again to lower the tax bill.⁵⁷ And once again, von Hochberg and his lawyers claimed that the Poles had bowed to international pressure from the League of Nations. However, the decision coincided with another scandal of the local variety. During this period, the Polish press continually reported on the fact that the Pless mines mistreated its "Polish" employees.

In Katowice, German- and Polish-language newspapers traded barbs and nationalist appeals throughout the early 1930s. The von Hochberg family published an open letter claiming that the government aimed to remove all German-speaking employees from the Pless administration businesses in Polish Silesia.⁵⁸ Polish journalists responded with a scoff. They asked rhetorically, how dare a wealthy family complain while masses of Poles are suffering from underemployment or unemployment?⁵⁹ The years of the Depression were completely unpredictable for many workers as industries expanded and contracted their

⁵⁵ APK, AKPwP 3115, Fond 2.13.7, ref. no. 1268, Urząd Wojewódzki Śląski, Wydział Skarbowy, 31 Dec. 1932.

⁵⁶ Ibid., ref. no. 1294, "Deutsche Einkommensteuer S.D. des Fuersten [1935]".

⁵⁷ Ibid., ref. no. 1271, Wyrok Najwyższego Trybunału Administracyjnego, 18 Oct. 1933. Władysław Józef Szatensztejn was the defense lawyer for Pless. Szatensztejn was a Jew, he emigrated via Vilnius and the USSR to Japan and then made it to Hawaii in 1940. The Szatensztejns changed their name to Shatton, his son Alexander Shatton served in the US Army and then was a CIA officer; <https://collections.ushmm.org/search/catalog/irn524290> [Accessed: 5 Oct. 2024].

⁵⁸ *Volkswille* (Kattowitz), 15 June 1932.

⁵⁹ "Groźby volksbundowe i apele 'księcia pana' na tle nędzy mas polskich", *Polska Zachodnia*, 16 June 1932.

workforces. Many managers at the time were obsessed with avoiding “overproduction”, which was thought to be the cause of the drop in prices and the continued pressure of the Depression. The result was stiff competition for too few jobs. Some Poles assumed that since the business owners were mainly German speakers, then German-speaking workers were shown some kind of favouritism.⁶⁰ The unions of Polish workers in Silesia responded by declaring, “On Polish land, employment should go first and foremost to Poles”.⁶¹ Adding “the German won’t spit in our faces” indicating that the actions of German business owners should be interpreted as an insult to Polish readers.

Conflicts over who maintained employment in the Silesian province began soon after the settlement between Germany and Poland in 1922. The elite discourse around this issue flattened out the residents of Silesia into a simple binary: Polish or German. However, even cursory knowledge of the region undermines such an understanding of identity or everyday language use. Therefore, it is exceedingly difficult to say precisely who was Polish or German within Silesia and how many workers were Polish or German at any given time. These identities operated outside and for outsiders, but not for Silesians themselves.⁶² Michał Grażyński, the governor of Silesia from 1926 onward, was such an outsider who felt that his mission was to defend the region’s “Polishness”. Grażyński had personally stirred up the ire of residents for supposedly ensuring that more “Poles” would replace “Germans” among Silesia’s working men and women. Since working-class urbanites had somewhat fluid identities (and indeed spoke German), the mass of labourers could not easily be changed. Instead, where Grażyński had leverage, or the government had control, efforts were made to bring in engineers and white-collar workers from other parts of Poland.⁶³

For anyone in the 1930s, regardless of national identity, stable employment and pay were exceedingly rare. In 1933, workers raised their voices to publicly decry the Pless businesses for not paying their wages. The von Hochberg family, their defenders claimed, could make no payments to anyone because their assets had been seized due to the ongoing disputes over taxes. The Pless administration blamed the Polish

⁶⁰ “Robotnik polski winien mieć pierwszeństwo do pracy na ziemi polskiej”, *Polska Zachodnia*, 18 June 1932.

⁶¹ “Na polskiej ziemi praca należy się przedewszystkiem Polakowi”, *Polska Zachodnia*, 16 June 1932.

⁶² See P. Polak-Springer, *Recovered Territory...*, pp. 22–25.

⁶³ W. Musialik, *Michał Grażyński (1890–1960). Biografia polityczna*, Opole, 1989, pp. 226, 234.

government for freezing their assets before tax cases were resolved, thus hampering their ability to conduct business. However, it is necessary to note that despite several concessions made by the Polish courts, the von Hochberg family had not made any of the agreed-upon payments. Behind the scenes, the Pless administration requested that their bank accounts be unfrozen so they could at least provide remuneration to their employees. The Polish government was quite amenable to such agreements to avoid civil unrest where mines were the lifeblood of the local economy. Soon after, monies became available to the Pless administration; however, they continued to misuse the cash. As the newspaper *Polska Zachodnia* reported,

The authorities have always released and placed at the disposal of the Pless Administration any sums for which it made application with a view to the payment of workers' wages; this is, however, entirely useless if the money is employed for other purposes. Recently, for example, the Voivode of Silesia released 830,000 zloty for the payment of workers' wages. The Fürst von Pless [von Hochberg], however, transferred the whole sum to Gleiwitz [in Germany], and the workers were thus cheated of their due.⁶⁴

As it turned out, much of the money released from the family's Polish bank accounts went to maintain the lavish lifestyle the von Hochbergs had become used to. Conflicting narratives continued to play out in the press, with German-language newspapers coming to the defence of the Pless administration and Polish-language periodicals calling for heads to roll. One editor even called for the aristocrat himself and his manager – Pistorius – to be sent to the concentration camp at Bereza Kartuska “for a little exercise”.⁶⁵ A Silesian prosecutor issued an arrest warrant for Pistorius for fraud, but he went across the border to Germany to evade jail time. His replacement, Trenczak, was not so sly and ended up in prison for hiding coal and beer meant to be seized by Polish tax authorities.⁶⁶

⁶⁴ LoNA, C.373.1934.I, Translation of press clippings in League of Nations files, *Polska Zachodnia*, no. 216, 9 Aug. 1934.

⁶⁵ *Polska Zachodnia*, no. 216, 9 Aug. 1934.

⁶⁶ LoNA, C.536.1934.I, 8 Dec. 1934, “M. Trenczak withdrew from seizure certain quantities of coal and beer and sold them for 1,131,194 zloty and 332,480 zloty respectively”.

Creative Destruction

In the summer of 1934, von Hochberg's lawyers presented a new theory to the League of Nations: that all these coercive actions were meant to bankrupt his businesses so the government could buy them cheaply. As the League reporter wrote,

in the event of bankruptcy, the only possible purchaser... is the State, which would, in this way, be enabled to become the owner of an industrial undertaking of the first importance at a ridiculously low price since there is no capital powerful enough or sufficiently interested in the matter, to invest under present circumstances in industry in Polish Upper Silesia.⁶⁷

In the public campaign to find support, von Hochberg and his surrogates continued to present this issue as one of nationality. In this narrative, the supposed "attack" launched against the Pless administration was actually an attack on the whole German minority in Poland, and on the political left and right, this narrative was generally successful. However, when another scandal involving von Hochberg's business interests came forward, the German-speaking working class turned on the prince.⁶⁸

In August 1934, the Swiss firm Hydronitro filed a claim against the Pless administration in a Polish court. The Swiss representatives presented evidence that a Pless-owned chemical company, Amonium A.G., had accepted contracts to deliver materials that never appeared. As it became clear through an investigation, Amonium A.G. was nothing more than a piece of paper; no company provided the agreed-upon goods. Apparently, the same strategy had come into public view in Germany a couple of years prior concerning a fictional munitions company called Stiwag.⁶⁹ The same issues were also brought to the fore in Geneva, as the Polish delegation wrote to the League of Nations Council:

The petitioner's methods in endeavouring to evade his obligations are paralleled by numerous lawsuits initiated by his undertakings in Germany and Switzerland as well as in Poland, and it is here that should be sought the key to the steps he has taken in the international sphere in connection with taxation.⁷⁰

⁶⁷ LoNA, C.421.1934.I, Geneva, 21 Sep. 1934.

⁶⁸ APK, AKPwP 3115, ref. no. 1521, Case file for Amonium A.G. [1935].

⁶⁹ "Uczciwy głos niemiecki o aferach von Plessa", *Polska Zachodnia*, 31 Aug. 1934; "Von Pless w roli oszukańczego aferzysty", *Polska Zachodnia*, 31 Aug. 1934.

⁷⁰ LoNA, C.381.1934.I, File S386-51-2, "Response of the Polish delegation", 5 Sep. 1934.

At this time, when his foreign scandals came forth, the Polish courts took off the kid gloves and forced a takeover of the Pless administration.

As punishments and appeals were applied from 1930 onward, Polish authorities moved continually toward more coercive actions. At first, this meant freezing bank accounts, then the seizure and auctioning of private movable property, and finally, a complete takeover of the Pless administration businesses. Each of the extreme steps to force the Pless administration to pay its tax bill was ineffective, and Polish judges interpreted this fact as ill will on the side of von Hochberg. The final step instituted a “compulsory administration” run by the Silesian tax authority.⁷¹

Many Polish observers greeted the measure with jubilation, but others argued the punishment was too extreme. Across Germany, newspapers reprinted similar stories condemning the Polish government for “illegally” taking control of von Hochberg’s property.⁷² The lawyers for the Pless administration laid out a concrete argument that Polish law did not allow for what the court had ordered.⁷³ Beyond these pleas, which may have been difficult to assess for the League of Nations, von Hochberg also tried to appeal to emotion, speaking of the considerable uncertainty affecting thousands of people connected to Pless businesses. One complaint filed very soon after the compulsory administration took over claimed that the pension fund had been ransacked and retirees in Poland and Germany had become destitute.⁷⁴ A month later, the Pless lawyers wrote:

The Mines Direction had been under observation and supervision by agents of the criminal police for some time before the institution of the compulsory administration. The employees are much disturbed by these measures and others, such as anonymous or mysterious telephone calls. The arrest of Herr Trenczak, head of the General Direction and representative of the debtor in relation to the compulsory administration, has much increased their uncertainty and anxiety.⁷⁵

But this was not the only perspective on the events. As a Polish newspaper summed it up, the white-collar workers were worried, and the blue-collar workers were celebrating. One union even took credit

⁷¹ English translation of the court order for the takeover of admin from August 1934, see in greater detail: APK, AKPwP 3115, C.388.1934.I, ref. no. 1135, 14 Sep. 1934.

⁷² See Deutsches Zeitungsportal (deutsche-digitale-bibliothek.de), for example: “Die Pleßischen Güter unter polnischer Zwangsverwaltung”, *Bergische Wacht*, 29 Aug. 1934.

⁷³ LoNA, C.499.1934.I, Fond S386.51.2, [Oct. 1934].

⁷⁴ Ibid., C.433.1934.I, Fond S386.51.2, 27 Sep. 1934.

⁷⁵ LoNA, C.499.1934.I, Fond S386.51.2, [Oct. 1934].

for this move by the court, thanks to a brief they had submitted earlier in the year claiming that this was the only way to resolve the Pless issue.⁷⁶ The white-collar workers, especially the German-speaking ones, assumed they would be summarily fired. Only nineteen people had lost their jobs a few months after the takeover, and ten had been planned redundancies before the government controlled the companies.⁷⁷

Conclusion

Over the next three years, until 1937, the Polish courts continually tried to force von Hochberg to pay, but he did not. The government then imposed the sale of much of the Pless empire, including its land and valuable mines. As von Hochberg's lawyers predicted, the state was the only entity with the resources to buy most of the expensive assets. In 1937, the treaty governing the division of Upper Silesia expired, allowing the state to take a much more aggressive approach.⁷⁸ By that same year, over half of von Hochberg's land in Poland became state-owned, and most of his assets were seized and auctioned off. A year later, Hans Heinrich von Hochberg XI was dead, and the Gestapo pursued his sons and their assets.⁷⁹

The League of Nations experts concluded in their investigation of von Hochberg's petition that Poland's government gave every opportunity to make things right. Still, the aristocrat just refused to do so. As one report from 1935 wrote, "The Polish authorities have displayed the greatest friendliness towards the Prince of Pless; the order issued by the Minister of Finance has opened a new remedial procedure with a view to the re-examination of the assessment of the tax".⁸⁰ This was when a new cycle of court proceedings began again after the seizures of 1934.

From the perspective of the Polish government, there were two essential goals: first, that the industries be properly taxed; second, that the employment potential of these industries bring benefits for Polish workers. These considerations extended beyond Silesia. Throughout the Great Depression, the government resolved to prop up large companies rather

⁷⁶ "Echa postanowienia o zarządzie przymusowym w przedsiębiorstwach von Pless", *Polska Zachodnia*, 29 Aug. 1934.

⁷⁷ LoNA, C.52.1935.I, Fond S386.51.2, 17 Jan. 1935.

⁷⁸ German-Polish Convention regarding Upper Silesia, 15 May 1922; K. Błahut, *Polsko-niemieckie stosunki gospodarcze w latach 1918–1939*, Wrocław, 1975.

⁷⁹ "Das Haus Pleß unter Gestapokontrolle", *Die Stunde*, 1938.

⁸⁰ LoNA, C.52.1935.I, "Protection of Minorities".

than risk the consequences of failure. The primary vehicle for this process was the State Development Bank (BGK), directly controlled by the Ministry of Finance. After the May Coup, General Roman Górecki, a close Piłsudski associate, served as the bank's director from 1927 to 1939. Górecki's policy was to invest in companies that produced items useful for defence or served the country's overall economy. When businesses faced bankruptcy, BGK offered to buy those companies out. In this way, the state treasury came to own or control a vast number of businesses.⁸¹

Even during this period of relative slowdown in production and deflationary pressure on prices, the industries of Upper Silesia were an indispensable part of the overall Polish economy. Over 700,000 people worked in mines, steel plants and chemical factories. Coal, chemical industries and metals were some of the only products Poland could export abroad to bring in valuable foreign currency. By 1936, production had returned to pre-depression levels.⁸² As officials in Warsaw understood well, if Poland could continue to function, then the Pless administration businesses also needed to function. Recently, the European Union has given large businesses a pass on their transgressions and looked the other way at shady dealings for similar reasons.⁸³ Even though voters are often unhappy with the light touch reserved for mega-corporations such as Amazon, Apple or Alphabet, governing elites still tend to choose economic considerations over political ones. The same can be said for the Polish reaction to the Pless administration's obstinance.

The von Hochberg case also shows a fundamental weakness of the interwar Polish state. Tax authorities did not have the administrative capacity to battle large multinational enterprises such as the Pless administration. As Margaret Levi has shown, taxation always involves measures of both consent and coercion.⁸⁴ The largest taxes by revenue – personal and corporate income tax – result from self-reporting. Without some measure of administrative might behind its threats, neither consent nor coercion can be effective. In the case of the von Hochberg family businesses, they had neither trust and loyalty to the Polish state for voluntary compliance nor fear of the administration's total capacity to be coerced.

⁸¹ J. Gołębiowski, *Sektor państwowy w gospodarce Polski międzywojennej*, Warszawa, 1985, pp. 153–154.

⁸² *Mały rocznik statystyczny 1938*, Warszawa, 1938, pp. 117–119.

⁸³ “A Digital Dust-up: The fight against tax avoidance advances, in starts and fits”, *Economist*, 28 Jan. 2016.

⁸⁴ M. Levi, “A State of Trust”, in *Trust and Governance*, ed. V.A. Braithwaite, M. Levi, New York, 1998.

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Zachary Mazur

Tax Evasion in Post-Imperial Silesia: the Pless Administration vs the Polish Government

(Summary)

This article focuses on a drawn-out fight over unpaid taxes between a wealthy aristocratic family and the Polish government. The context for this conflict was the division of Upper Silesia between Germany and Poland after the First World War. In that particularly industrialised and valuable area, many businesses maintained German ownership after the change of administration. Mutual antagonism among businesses and government took on a national tinge in this peculiar time. The growth of income and property taxes in the new Polish state created a situation where the administration needed to grow its capacity and skills but could do little to stop tax avoidance. In the 1930s, the Polish government issued a hefty bill for back taxes to the von Hochberg family and in response, the family sent a discrimination complaint to the League of Nations. The sizeable archival record left behind in Upper Silesia and Geneva shows that the businesses had huge advantages over the government. As a multinational enterprise, von Hochberg's interests could avoid paying taxes and drag out appeals for years. However, the Polish government ultimately opted for a more permanent solution and repossessed von Hochberg's property in lieu of payment for debts.

Uchylenie się od płacenia podatków na postimperialnym Śląsku: dyrekcja
ks. Pszczyńskiego kontra rząd Polski

(Streszczenie)

Niniejszy artykuł koncentruje się na długotrwałej walce o zaległe podatki między zamożną rodziną arystokratyczną Hochbergów a polskim rządem. Tłem konfliktu był Górny Śląsk podzielony po I wojnie światowej między Niemcy i Polskę. W tym szczególnie uprzemysłowionym i cennym regionie po zmianie administracji wiele firm zachowało niemiecką własność. Antagonizm między przedsiębiorstwami a rządem nabrał w tym szczególnym czasie zabarwienia narodowego. Wzrost podatków dochodowych i majątkowych doprowadził w nowym państwie polskim do sytuacji, gdy administracja musiała zwiększyć swoje możliwości i umiejętności, ale dysponowała ograniczonymi narzędziami, aby powstrzymać unikanie płacenia podatków. W latach trzydziestych XX w. rząd polski wystawił rodzinie Hochbergów wysoki rachunek za zaległe podatki, w odpowiedzi na co Hochbergowie złożyli skargę do Ligi Narodów, oskarżając rząd polski o dyskryminację. Pokażna dokumentacja archiwalna pozostawiona na Górnym Śląsku i w Genewie pokazuje, że niemieckie przedsiębiorstwa miały

ogromną przewagę nad rządem polskim. Hochbergowie, przedsiębiorstwo międzynarodowe, mogli unikać płacenia podatków i przeciagać apelacje przez lata. Ostatecznie jednak rząd polski zdecydował się na trwalsze rozwiązanie i przejął majątek Hochbergów w zamian za spłatę długów.

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