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The condition of Polish economy in the first years after regaining independence. Political and legal outline

Stan polskiej gospodarki w pierwszych latach po odzyskaniu niepodległości. Zarys polityczny i prawny

Streszczenie:

Celem artykułu jest analiza idei społeczno-gospodarczych reprezentowanych w pierwszych latach po odzyskaniu przez Polskę niepodległości. Koncepcje, tendencje i plany gospodarcze zmierzały wtedy do zmiany istniejącego układu stosunków społeczno-gospodarczych. Oceniając dorobek gospodarczy II Rzeczypospolitej w pierwszych latach po odzyskaniu niepodległości uwzględniono trzy elementy mające decydujący wpływ na tę ocenę. Po pierwsze, stan w jakim znalazła się Polska w dniu 11 listopada 1918 r. po blisko półtora wiekowej niewoli i zniszczeniach wojennych lat 1914 – 1918. Po drugie, czas w jakim zmiany zostały dokonane. Po trzecie, środki materialne jakie Polska miała do dyspozycji, a w szczególności czy wchodziła w grę i w jakiej wysokości pomoc z zewnątrz, w tym w postaci pożyczek zagranicznych.

Słowa kluczowe: II Rzeczpospolita, gospodarka, prawo, ekonomia, finanse państwa

Summary:

The goal of this thesis was to synthetically present social and economic ideas in the first years after regaining independence by Poland. Economic concepts, tendencies and plans treated in general lines undoubtedly aimed at changing existing social and economic relations. Three elements must be taken into consideration while assessing economic achievements of the Second Polish Republic in the first years after regaining independence: firstly, the condition of Poland on November 11, 1918, after one hundred and twenty-three years of bondage and damage caused by the First World War; secondly, the time in which changes were made, and thirdly, financial means that Poland possessed, particularly external aid – especially in a form of foreign loans.

Keywords: The Second Polish Republic, economic, law, economy, financial situation

1. Introductory remarks

The partitions of Poland had a significant influence on Polish lands in the field of economics. This led to their exclusion from the influence of the 19th century exerted on the economic life of Europe and the world – it was a period of tremendous economic development and industrialization of many countries, period of development of large cities, „period of steam and electricity”¹, and period of political growth of many countries. At that time Polish lands were annexed to the political and economic organism of the three partitioning states, which led to the weakening and destruction of Polish economic potential². The state of road and rail communications, which was adapted only to the needs of the partitioning states, was also a negative consequence of this period. Industry of the former Congress Poland was in complete ruin. The coal, metallurgical and steel industries were crippled. Large oil losses were also reported in the south-eastern part of the country. General losses of the Polish industry were estimated at 10 billion gold francs against the total national wealth of 80 billion gold francs³.

Poland also inherited a completely disorganized monetary system from the partitioning states. In November 1918, the following currencies were in force in the Polish State: Austrian crowns, Russian rubles, German marks, Polish marks and the so-called ostmarks and ostrubles issued by the Germans during the occupation⁴. It is important to stress that one of the most acute consequences of the period of partitions and war destruction was the big impoverishment of society, which was reflected in a very low social income⁵. Moreover, the lack of Polish financial policy was the reason for relying on foreign financial institutions in economic work⁶. The opportunities for development and significance of different countries in the national economy were determined by the natural conditions occurring in the given country, its natural resources and capital resources, population density, economic growth rate, population growth rate

¹ E. Kwiatkowski, *Przełomowe momenty w nowoczesnej historii gospodarczej świata*, Kraków 1947, p. 5 – 7; 44 – 58.

² R. Górecki, *Gospodarczy dorobek Polski w latach 1918 – 1938*, b.m.w., 1946, p. 7.

³ Reforms of the period under the reign of Stanislas Augustus did not manage to save the Polish state; simultaneously with its political collapse, the homogeneous social and economic policies on Polish lands ended: the partitioning of these lands bounded them with the conditions and interests of the partitioning states, within whose orbit they remained until the emergence of the Reborn Poland, constantly fighting for their fundamental rights and interests; Cz. Klarner, *Przemysł i handel w pierwszym dziesięcioleciu niepodległości Polski*, vol. 4, Warszawa 1929, p. 25.

⁴ R. Górecki, *Gospodarczy dorobek Polski w latach 1918 – 1938*, b.m.w., 1946, p. 8-9.

⁵ Tamże, p. 9.

⁶ H. Mianowski, *W obronie polskiego przemysłu i handlu*, część I, Kraków 1912, p. 34; tenże, *Przemysł krajowy a krajowe instytucje dla popierania przemysłu*, Kraków 1912, p. 47 i n.

and the essential characteristics of its population⁷. Because of the lack of the Polish State Bank, the body that regulated Polish financial and economic policy naturally had to be a domestic bank whose issuance, investment, industrial and land policy had to be supported by all banks and national funds⁸.

The districts of Poland were slowly and gradually unified in administrative terms; the currency was unified – in the former Prussian district, the German marks were replaced by the Polish marks at parity⁹. In Galicia, the crowns were replaced by marks at an exchange rate of 70 Polish marks for 100 crowns – the currency reform, if it was to be fundamental, it had to be divided into 2 parts. *Primo*, it had to embrace the so-called technical reform, that is conversion depending on legislative factors and conversion of all mark, ruble and crown liabilities into zlotys¹⁰. *Secundo*, the reform had to cover all economic moments that could have had a positive impact on the exchange rate of the Polish currency and its internal value¹¹. On July 10, 1919, the Sejm passed a law on agricultural reform within the whole country; on July 11, it abolished the customs line between the former Prussian part of Poland and the rest of Poland, and on November 4, a uniform customs tariff was issued throughout the country; by Act of 13 February 1920, the Sejm granted the government a loan of up to 1 billion marks¹².

2. The economic situation after regaining the Independence

On the 10th anniversary of the May Coup, Czesław Klarner, the President of the Polish Association of Chambers of Commerce and Industry, wrote: „The lack of confidence in relations in Poland clearly impacted the economic and social situation in the first years of our country’s independence. This situation radically changed in the period after May when the real power and full initiative in internal and economic policy was permanently found in the hands of Marshal Piłsudski and his government.”¹³ Many representatives of economic life¹⁴, even being in

⁷ R. Górecki, p. 9.

⁸ H. Mianowski, p. 36.

⁹ Zob. szerzej T. Lulek, *Sprawa walutowa w Polsce*, Kraków 1919, p. 3 i n.

¹⁰ T. Adamczewski, *Reforma walutowa w Polsce*, Poznań 1919, p. 9.

¹¹ Tamże

¹² A. Wierzbicki, *Wspomnienia i dokumenty (1877-1920)*, Warszawa 1957, p. 505.

¹³ J. Rakowski, *Ideologia gospodarcza epoki Józefa Piłsudskiego*, Odbitka z „Niepodległości” Czasopisma poświęconego najnowszym dziejom Polski, Londyn 1948, p. 4.

¹⁴ In the opinion of Piotr Drzewiecki, the foundations of security, property, freedom of work, legal order, monetary system, communication and exchange, which were the basis and condition for the development of industry and society, should have been determined first. In Poland, following the example of the western states, there

opposition to Pilsudski's followers, confirmed this view. On December 12, 1928, at a conference on statism, Andrzej Wierzbicki, the chief executive of the Central Association of Polish Industry, Mining and Finance, stated that „Poland has entered an extremely interesting period of great economic interest.”¹⁵ Particular attention was drawn to the issue of budget balance and currency stabilization.

Treaty of Versailles of June 28, 1919, was not the first to contain commercial and political provisions.¹⁶ They are also found in the Treaty of Vienna of 1815 and Treaty of Frankfurt of 1871, but in none of them did commercial and political matters occupy so much space and none of them did regulate these matters with such accuracy as the Treaty of Versailles¹⁷. Articles 264 to 267 of the Treaty obliged Germany to treat all 27 states of coalition, including Poland, equally with the most favored nations in terms of both imports and exports¹⁸. These provisions resembled the trade and political clause contained in the Frankfurt Treaty between France and Germany and obliged both parties to treat each other equally with England, Belgium, the Netherlands, Switzerland, Austria and Russia in terms of customs duties and other import, export and transit charges¹⁹.

The state reborn after 1918 faced unspeakable difficulties, which were not removed totally during the interwar period – a long period of captivity, world war, Bolshevik war, world economic crises, especially the most powerful in years 1929 – 1935, which undermined the world superpowers – these are the factors that can not be disregarded when discussing the economic situation of Poland between 1918 and 1939²⁰. Poland was hit hard by the war; according to statistics, 1,864,000 buildings were destroyed, along with movables, food supplies, installations, tools, dead stock, craft workshops – their sum amounted to about 30% of total damage; 56% of bridges, 63% of railway stations, 51% of warehouses, 81% of water towers and 22% of residential buildings were destroyed in the area of the former Russian partition. Similar losses were made in Galicia²¹. In the Kingdom of Poland, 40% of the roads, 2000 telegraphic and

should exist industrial freedom regulated by law and limited only by the overriding interests of the state, security and health of the population, P. Drzewiecki, *Drogi utrwalenia przemysłu w Polsce*, Warszawa 1925, p. 4 – 12.

¹⁵ J. Rakowski, p. 4.

¹⁶ T. Lulek, *Główne zagadnienia polityki handlowej w Polsce*, Kraków 1922, p. 97.

¹⁷ Tamże; Vide: Sweden-Poland. Treaty of Commerce and Navigation of 1924; Netherlands-Poland. Treaty of Commerce and Navigation of 1924; Norway-Poland. Treaty of Commerce and Navigation of 1926; Latvia-Poland. Treaty of Commerce and Navigation of 1929; France-Poland. Treaty of Commerce and Navigation of 1937.

¹⁸ T. Lulek, p. 97.

¹⁹ Tamże, p. 99 i n.

²⁰ J. Rakowski, *Linie rozwojowe gospodarstwa polskiego*, Warszawa 1938, p. 8.

²¹ Tamże, p. 9-10.

postal stations as well as bridges with the total length of more than 100 kilometers were also destroyed; the main objects of war losses were also waterways, among them canals: Augustowski, Ogiński and Królewski; in the territory of the Kingdom of Poland, 4,525,000 meters of electrical installations and 37,500 machines were destroyed, and in Galicia losses were at least twice as many²². The Commonwealth was destroyed not only in the form of physical capital but also financially – the existing capitalization reserves in Poland in the form of bank deposits, insurance companies' funds and working capital were plundered by the partitioning states²³.

During this period, in order to organize the state administration and continue the war, there was no means of covering expenses other than printing the money – unfortunately, it took way too long time, from 1918 to April 1924²⁴. For the first time, inflation was stopped for a short time by Minister of Treasury Jerzy Michalski at the turn of 1921-1922; a further limitation of money printing took place during Sikorski's cabinet in 1923, when Władysław Grabski, with insufficient tax receipts, obtained funds from an internal loan on gold-based bills, thus protecting the savings capital from the effects of a decline of marks²⁵.

It should be added that the characteristic factors of that period included the natural population increase with the inhibition of emigration – at the same time, the number of residential buildings, especially single and double-room, was constantly decreasing²⁶. In addition, the census of 1921 showed the extremely difficult situation of housing in Poland, both in terms of number of dwellings and their condition; in a collective paper titled „Construction in Poland”, issued in 1927, the Trade Union of Construction Industrialists in the Kingdom of Poland calculated the total value of buildings destroyed in Poland during the war at half a billion in gold²⁷.

The Polish government, when assessing the seriousness of the housing famine, introduced the relevant provisions – the first act of practical importance in this respect was the Act of 26 September 1922 concerning the expansion of cities as the Act of 1 August 1919 on the establishment of a state fund was not

²² Tamże; J. Zdzichowski, *Skarb i pieniądz 1919 – 1939*, Londyn 1955, p. 5.

²³ Cz. Klarner, *Przemysł i handel w pierwszym dziesięcioleciu niepodległości Polski*, tom 4, Warszawa 1929, p. 25; Vide: J. Rakowski, *Linie rozwojowe gospodarstwa...*, p. 11.

²⁴ J. Zdzichowski, *Skarb i pieniądz 1919 – 1939*, Londyn 1955, p. 5.

²⁵ Tamże, p. 6.

²⁶ Cz. Klarner, *Zagadnienie mieszkaniowe w niepodległej Polsce*, Warszawa 1928, p. 8; vide: J. Rakowski, *Linie rozwojowe gospodarstwa...*, p. 11.

²⁷ Cz. Klarner, *O popieraniu budowy tanich mieszkań w Polsce i zagranicą*, Warszawa – Kraków – Lublin – Łódź – Poznań – Wilno 1929, p. 61.

practical²⁸. The Act of 1922 placed the housing issue on the broad social platform and thus became the starting point for the next laws on this subject²⁹. On April 29, 1925, the provisions of the Act on urban development entered into force, retaining in their content the basic obligation to undertake a construction action by municipalities³⁰. The act defined the liability of the State Treasury for a guarantee for pledged bonds and bonds up to the sum of PLN 500,000,000 and established the State Fund for Urban Development – the provisions of the Act aimed at reconstructing the financial base and then stimulating the private initiative to take up construction action in cities.

Although Poland suffered a great deal of damage, it did not receive any compensation under the Treaty of Versailles – it did not receive any sums owed to it under the Treaty of Riga from Soviet Russia³¹. For this reason, it was necessary to start to create own currency and own issuing institution; the nation – on its own initiative, began collecting gold in the form of gifts to establish an issue reserve for the Bank of Poland – especially in the period 1926-1927. Not until the end of 1927 did Poland receive a stabilization loan, which greatly strengthened the reserves of the Bank of Poland³².

Andrzej Wierzbicki emphasized that without the organization of state finances in order to create a budgetary balance and stop further inflation as well as without boosting productivity in order to reduce imports and increase exports – simply put: „without putting the greatest possible effort and the greatest energy, Poland could not expect to correct its situation”³³. Reborn Poland had to „pay the price of its independence”, but also to safeguard its independence for the future³⁴.

3. Concepts of the ruling camp

Józef Piłsudski³⁵ rarely expressed his opinions on business matters and, in everything he said and wrote, he pointed out the lack of special interest in eco-

²⁸ Cz. Klarnier, *Zagadnienie mieszkaniowe...*, p. 12.

²⁹ Tamże, p. 13.

³⁰ Tamże.

³¹ R. Górecki, *Gospodarczy dorobek Polski w latach 1918 – 1938*, b.m.w., 1946, p. 148.

³² Tamże.

³³ A. Wierzbicki, *Wspomnienia i dokumenty (1877-1920)*, Warszawa 1957, p. 580.

³⁴ J. Rakowski, *Linie rozwojowe gospodarstwa...*, p. 12.

³⁵ Zob. szerzej: H. Cepnik, *Twórca niepodległego Państwa Polskiego. Zarys życia i działalności*, Warszawa 1933; M. Lepecki, *Pamiętnik Adiutanta Marszałka Piłsudskiego*, Warszawa 1988; W. Jędrzejewicz, *Rola Józefa Piłsud-*

nomic issues³⁶. Pilsudski³⁷, however, exerted an unquestionable influence on the ideas and economic policy of his camp through three things: firstly, his actions, which determined the framework for socio-political activity, and thus also for economic policy; secondly, in-depth perception of issues which he was not directly interested in and he did not deal with; thirdly, his thoughts and general principles that he proclaimed regarding the activities of the whole state – some of them can be stated undoubtedly: Pilsudski was a supporter of the primacy of the interests of the state over the individual's interests – he said in an interview for *Kurier Poranny* on May 23, 1926, „I was outraged by the absolute impunity of all abuses in the State and ever increasing dependence of the state on all the „nouveau-riche”³⁸, who, on equal terms with me and many people, came to the Polish state poor and at the expense of the state and at the expense of all citizens managed to become potentates in a few short years”³⁹. In social and economic matters, Pilsudski was against extreme solutions and represented the concept of moderation and middle-way policy in the game of interests and ideas⁴⁰. Pilsudski was a spokesman for real plans in every field, and therefore also in the field of economy⁴¹. Generally speaking, for Marshal Pilsudski, economic prosperity depended on a well organized and strong state⁴². The only economic issue that Pilsudski referred to (especially when he was the Minister of Military Affairs) was the issue of the budgetary economy since as the minister he had to spend a lot of time developing and implementing the military budget⁴³.

skiego w odbudowie i umacnianiu Państwa Polskiego. Skrypt wykładów w Instytucie J. Piłsudskiego w Ameryce w latach 1981 – 1981, Nowy Jork, b.r.w.

³⁶ Zob. szerzej: J. Łukasiewicz, *Polska w Europie w polityce Józefa Piłsudskiego*, Londyn 1944, p. 2 – 15.

³⁷ Defining the concept of the „Pilsudski era” was not easy – the individuality of this man influenced the development of Polish thought, Polish politics, fight and Polish creative endeavors both far back before November 11, 1918, and long after his death; J. Rakowski, *Ideologia gospodarcza epoki...*, p. 3.

³⁸ Zob. szerzej: W. Jędrzejewicz, *Rola Józefa Piłsudskiego w odbudowie i umacnianiu Państwa Polskiego. Skrypt wykładów w Instytucie J. Piłsudskiego w Ameryce w latach 1981 – 1982*, Nowy Jork, b.r.w.; *Co dobrego przyniosły Polsce rządy Józefa Piłsudskiego*, Kraków 1930.

³⁸ *Mocny Człowiek (wywiady prasowe z Marszałkiem Piłsudskim w maju 1926 r.)*, seria III, Warszawa 1926, p. 7 – 11; 14 – 16; W. Lipiński, *Wielki Marszałek (1867 – 1935)*, Warszawa 1936, p. 123 – 179.

³⁹ J. Piłsudski, *Pisma zbiorowe*, tom IX, Warszawa 1937, p. 14; J. Rakowski, *Ideologia gospodarcza...*, p. 4; In a speech to representatives of the parliamentary parties of 29 May 1936, this thought was repeated: „...above everything else, in Poland, the interests of the individual and the party as well as impunity for all abuses and crimes has prevailed”, J. Piłsudski, *Pisma zbiorowe...*, p. 31; *Co dobrego przyniosły Polsce Rządy Józefa Piłsudskiego*, Kraków 1930; J. Bilkowski, *Co zyskał robotnik pod rządami Marszałka Piłsudskiego*, Warszawa b.r.w, s. 11 – 20; J. Łódzia, *Józef Piłsudski*, Kraków 1934, p. 3 – 16; S. Chudyba, *Styl wielkości*, Grodno 1930.

⁴⁰ J. Piłsudski, *Pisma zbiorowe*, tom IX, Warszawa 1937, p. 14.

⁴¹ J. Beck, *Przemówienia, deklaracje, wywiady – 1931 – 1937*, Warszawa 1938; J. Rakowski, *Ideologia gospodarcza...*, p. 6; W. Baranowski, *Rozmowy z Piłsudskim 1916-1931*, Warszawa 1938, p. 197 i n.

⁴² Obviously, this was no economic program, but a strong starting point for the economic ideologists of the camp.

⁴³ J. Rakowski, *Ideologia gospodarcza...*, p. 5 – 6.

The Dawes Plan⁴⁴, which provided that the basis for German war reparations was the previous financial, currency and economic recovery, was also important in the perspective of the Polish economy⁴⁵. Hence, the request for a loan for German recovery and the exemption of Germany within the first two years from all repatriation obligations, apart from strictly defined material supplies, was put forward⁴⁶. The implementation of the plan led to the strengthening of Germany's competitive capacity in the early years, which resulted from the very essence and construction of the plan. It was aimed at lowering internal consumption by placing the main burden of compensation in the sphere of taxes and indirect fees⁴⁷.

Until the mid-year 1921, the situation of the Polish economy was improving primarily due to the large demand in the internal market – from the second half of this year, the situation changed slightly as the growing inflation started to cause initially slow and then faster decline in wages⁴⁸. In the second half of 1923, inflation was transformed into hyperinflation – after a period of declining unemployment, production increase and progressive reconstruction of war damage, a rapid decline in the exchange rate of Polish mark occurred, which caused a sharp decline in the real value of wages⁴⁹. Tadeusz Adamczewski emphasized that the most important during this period was currency reforms – as the main factors of the „good currency”, he considered: favorable balance of payments, confidence in government and society, balancing the budget and covering the zloty⁵⁰. Poland was therefore in an extremely difficult economic period – at all costs, it had to increase its industry's competitiveness to a level that would allow it to maintain itself on foreign markets and maintain its internal market⁵¹. At the beginning of October 1922, an English financial mission led by a Member of Parliament Hilton Young, who was one of Lloyd Georg's assistants, arrived in Warsaw⁵². It was supposed to carry out research

⁴⁴ Vide: *Belgium - Final Protocol, Agreement on the Experts' Plan and Protocol concerning the Contributions to be made from the German Budget and the Institution of Control over certain Revenue and Taxes*, signed at London, August 9 and 16, 1924 [1925].

⁴⁵ W. Fabierkiewicz, *O konsekwencjach gospodarczych planu Dawesa*, Warszawa 1925, p. 14.

⁴⁶ Tamże.

⁴⁷ Tamże, s. 22.

⁴⁸ Z. Landau, J. Tomaszewski, *Trudna Niepodległość. Rozważania o gospodarce Polski 1918-1939*, Warszawa 1968, p. 52.

⁴⁹ Tamże, p. 53.

⁵⁰ T. Adamczewski, *Uwagi o położeniu finansowym Polski*, Poznań 1923, p. 26.

⁵¹ W. Fabierkiewicz, p. 30.

⁵² F. Tommasini, *Odrodzenie Polski*, Warszawa 1928, p. 79.

on Poland's financial and economic situation and then work out government proposals that could help reform the Polish economy⁵³.

On December 19, 1923, Władysław Grabski⁵⁴ became the Prime Minister and at the same time the Minister of Treasury, and his program provided for a rapid elimination of the budget deficit by significantly increasing state revenues, taking external and internal state loans and making savings on the development side of the budget⁵⁵. The success of the whole plan was largely dependent on providing the government with the possibility of an operative action – Grabski therefore requested the Sejm to authorize the President for a period of one year to issue regulations governing Treasury and currency recovery⁵⁶. The Sejm in the State Treasury and Currency Reform Act of January 11, 1924⁵⁷ authorized the President to issue regulations, limiting the duration of the powers of attorney to 6 months⁵⁸. Both the government's treasury actions and foreign relations gave hope that the recovery of the Treasury and currency would lead to positive results – it seemed that after a lot of effort made by the society towards recovery and after persuasion of the rest of the world about its durability, it was possible to obtain foreign loans that would strengthen the zloty and facilitate Poland's economic development⁵⁹. Looking for foreign loans for Poland, among the four main sources of income – London, Paris, New York⁶⁰ and the Financial Committee of the League of Nations in early 1925, only one could be taken into account – Paris was seeking help itself; London did not propose a loan; the League of Nations demanded control over the economy of its debtor; thus, only the US market⁶¹ remained opened for Poland after the war debt consolidation in November 1924⁶². In 1923, Leo Pazwolski, delegated by the Bureau of Economics in Washington, stayed in Warsaw and drew the attention of the Polish government to dangers within recovery and balancing the

⁵³ Tamże.

⁵⁴ Z. Landau, J. Tomaszewski, *Gospodarka Drugiej Rzeczypospolitej*, Warszawa 1991, p. 23 – 35.

⁵⁵ Z. Landau, *Władysław Grabski a pożyczki zagraniczne*, odcisk z „Kwartalnik Historyczny” r. LXVI, nr 4, 1959, p. 1.

⁵⁶ Tamże, p. 2 i n.; Władysław Grabski, in his expose in November, expressed his reluctance to recognize the decisive role of foreign loans in the government's business activities, not denying their importance, and recommending great caution in their taking.

⁵⁷ Dz. U. Nr 4, poz. 2.

⁵⁸ Z. Landau, *Władysław Grabski a pożyczki zagraniczne...*, p. 2.

⁵⁹ Tamże.

⁶⁰ Vide: S. Arct. *Projekt odbudowy Polski przy pomocy amerykańskiej*, Warszawa 1920, p. 7 – 22, [rękopis].

⁶¹ A project called Reconstruction of Poland. American-Polish Corporation was created, whose task was to rebuild Poland by joint efforts of Poland and America, taking full advantage of Polish resources, capital, employees and technical resources; zob. S. Arct. *Projekt odbudowy Polski przy pomocy...*, p. 7 i n.

⁶² Z. Landau, *Władysław Grabski a pożyczki zagraniczne...*, p. 12 – 13.

budget, and thus, the possibility of creating a negative balance of payments⁶³. It is worth emphasizing that only two institutions – the Bank of England and the Federal Reserve Bank – were the only financial institutions in the world at that time, and their interest was to stabilize the world economic relations as well as economic and political relations after the armistice in 1918⁶⁴.

In 1922, Poland regained some territories of Upper Silesia and in this way, in the economy, according to Czesław Klarner, there should have been a shift to the export of the surplus of this raw material – in line with Art. 224 of the Geneva Convention of 1922⁶⁵. Adam Wierzbicki, referring to Upper Silesia, presented the following conclusions: securing the supply of Polish ores to Upper Silesian steelworks should have occurred even after the creation of an independent Polish state; after the introduction of common mining freedom in Poland, Upper Silesian steelworks should use the right to acquire mining property on equal terms with Polish citizens⁶⁶. In the well-understood interest of the entire state was not only the maintenance of the Upper Silesian industry but also striving for developing its full potential and activity⁶⁷.

The discussion on the situation of the economy at that time was also centered around two elements – the internal overload caused not only by the lack of cash, but above all lack of sales and social insolvency, that is the so-called passive balance of payments⁶⁸. Stefan Schmidt believed that the overall Poland's economic policy had to subject itself to the interests of agriculture, but not in a private-economic sense, but in a real socio-economic sense⁶⁹. In view of this situation, from the point of view of the economy, two issues were relevant: foreign loans and internal credit policy⁷⁰. At the same time, at the basis of the concept of reforming the agricultural system was, at that time, striving for improving economic efficiency and achieving economic, social and political stability in the state in this way – the starting point of the legislator was the conviction that the way to achieve this was to create an agricultural system based on the „strong, healthy, and capable of intensive production peasant farms based on the principle of pri-

⁶³ S. Arct, *Szkice do programu gospodarczego*, Warszawa 1926, p. 12.

⁶⁴ Tamże, p. 22.

⁶⁵ Cz. Klarner, *O nowe rynki zbytu dla węgla polskiego*, b.m.w., 1925, p. 5-6.

⁶⁶ J. Grabiec, *Jak odzyskałyśmy wolną ojczyznę i jak obroniłyśmy ją przed wrogiem. I mowa posła A. Wierzbickiego*, Warszawa 1921, p. 85.

⁶⁷ Tamże, p. 95.

⁶⁸ S. Schmidt, *Rolnictwo a obecna sytuacja gospodarcza (odczyt wygłoszony w Klubie Społecznym w Krakowie, dnia 15 października 1925 r.)*, Kraków 1925, p. 3 – 4.

⁶⁹ Tamże, p. 21.

⁷⁰ Tamże, p. 22.

vate property of various types and sizes” – such was the formulation of this issue in the fundamental section of the first resolution of the Legislative Sejm of July 10, 1919. The provisions of the Act of December 28, 1925⁷¹, on the implementation of the agricultural reform stipulated similar issues – Art. 1 sec. 1 stated that: „Agricultural system of the Republic of Poland will be based on strong, healthy and capable of effective production farms of all types and sizes, which are the private property of their owners”⁷². The December Act was supposed to lead to the creation of a network of farms of all types and sizes corresponding to the requirements of strength, health and effective production capability by: mentioned in art. 2, sec. 1 (a), (b), (c), and (d) liquidation of state-owned lands and reduction of the area of ownership larger than the standards recognized by the law as sufficient to provide these farms with the capacity for strength, health, etc.⁷³. This reform, as Władysław Leopold Jaworski stated, was, in relation to the previous state of the law, „a step forward, but not a decisive one”⁷⁴. The years 1920 – 1924 were characterized by the widening gap between farm prices and the prices of agricultural products in the retail trade, and the decline in purchasing power of agricultural products, as measured by the overall price index, which reached its peak in the years 1923 – 1924⁷⁵; the situation in Poland at this time is also characterized by the following elements in economic policy: slower adjustment of prices of agricultural products to the changing value of money, shift in the prices between different districts⁷⁶, and unequal shift in purchasing power and sales of agricultural products for individual districts⁷⁷. Relations in the field of international trade between Central and Eastern Europe also emphasized the possibility of unfavorable bidding for agricultural products; nevertheless, the factors influencing the conditions under which the domestic exchange of benefits took place played an important role in this bidding⁷⁸. In this case, Stefan Schmidt presented the idea demonstrating that rebuilding the economic life should aim at abolishing the monopolistic conditions that followed the war and inflation,

⁷¹ Dz.U. Nr 1692, poz. 1.

⁷² W. Konderski, *Problem sfinansowania reformy rolnej*, Warszawa 1928, p. 9.

⁷³ Tamże, p. 10.

⁷⁴ Tamże, p. 38; zob. Tenże, *Konjunktury światowe a nasza polityka gospodarcza (mowa wygłoszona na inauguracyjnym zebraniu Bielskiego Oddz. Towarzystwa Ekonomicznego w Krakowie w dniu 24 – tego stycznia 1927 roku)*, Kraków 1927, p. 3 – 28.

⁷⁵ Zob. szerzej: A. Kobyłański, *Oświecenie do programu gospodarczego i zmiany ustroju rolnego w Polsce. Z przedmową prof. Władysława Leopolda Jaworskiego*, Kraków 1927.

⁷⁶ S. Schmidt, *Stan i kierunki rozwoju rolnictwa w Polsce*, Kraków 1928, p. 58.

⁷⁷ S. Schmidt, *Kryzys rolny*, Kraków 1930, p. 18.

⁷⁸ Tamże, p. 29.

that is restoring the conditions of free competition and directing credit policies towards trade recovery⁷⁹. Characterizing briefly the features of Polish agriculture in the period under discussion, it should be stated that, in comparison with industrial Europe, it was generally characterized by production directed at satisfying the needs of the farmer themselves⁸⁰.

4. Final remarks

In conclusion, I would like to point out that the guidelines of the economic program were formed throughout the entire period of the Second Polish Republic, the first guideline was a decisive action of industrialization of the country and its urbanization. This must be emphasized strongly because before 1918, there was not enough care for industrial expansion, which led to the fact that, from the first months of Independence, there were disputes on whether Poland was to be an agricultural or industrial country⁸¹. Placing emphasis on the industrialization of the country, the work done so far in the area of reconstruction and development of the agricultural system could not be neglected, because, as the statistics at that time showed, the ratio of the urban population to the rural population was 1: 3 (72% of the inhabitants lived in rural areas and only 18% of them in the cities); the third program guideline can be called an „enlightened autarky”, that is the self-sufficiency policy that was imposed by the development of political and social relations in the world – going in that direction, Poland had to be fully aware that the policy of such an autarky was not a matter of doctrine for it but the necessity resulting from the current conditions, thus it was necessary to expand international cooperation on the basis of bilateral agreements with individual countries⁸². It was also necessary to strive to strengthen Poland’s capability in the economic life – there were areas of the economy to which it was not only possible to attract foreign capital but it was highly desirable for strengthening the pace of development of Poland. The policy pursued in this direction was particularly evident when the Pilsudski’s followers came to power.

⁷⁹ Solutions of Polish economic policy undoubtedly gave only temporary results to mitigate bad economic situation, Tamże, p. 30.

⁸⁰ S. Schmidt, *Stan i kierunki rozwoju...*, p. 85.

⁸¹ J. Rakowski, *Linie rozwojowe gospodarstwa...*, p. 45 – 46.

⁸² Tamże, s. 48.

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