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USEFUL OR HARMFUL? MONEY USURY LAW IN THE SECOND REPUBLIC OF POLAND

INTRODUCTION

Money usury (called “costly credit”) constituted one of the serious problems of the money market in the Second Republic of Poland (the name used for Poland in the period between the World Wars, i.e. in the years 1918-1939), especially in the early 20s. That economic and social phenomenon by some people was seen as exploitation of the weak by the strong, by others – as an effect of lacking stability on the credit market. In the opinion of the first group it should be fought in every judicial way available, while the second group didn’t think that type of activity could have been successful in the situation of a permanent surplus of credit demand over its supply. Facing that situation, in 1924 – within the reforms stabilizing the state financial system – a money usury law was introduced indicating the permissible level of interest rates. The law had passed for the sake of both the economic – striving to lower the credit price as well as political and social reasons – the protection of the weaker social groups against usury practices.¹

The problem of usury in the second Republic of Poland hasn’t been so far of interest among historians. In a *Bibliography of an economic history of the Second Republic of Poland*² published in 1996 we can find one study concerning usury law and two studies dedicated to the interest rates.³ They were published in the 30s of the 20th century.

¹ C. Leszczyńska, Ł. Lisiecka, *Działania Grabskiego na rzecz taniego kredytu* [Grabski’s actions for the cheap credits, in: 80’s anniversary of the reforms by the Prof. Grabski’s government 1924-2004, Wrocław 1991, pp. 100-115.

² *Bibliografia historii gospodarczej Drugiej Rzeczypospolitej* [A bibliography of an economic history of the 2nd Republic of Poland], W. Morawski, ed., SGH, Warszawa 1996.

³ D. Fajgenberg, *Lichwa* [Usury], Warszawa 1932; M. Breit, *Stopa procentowa w Polsce* [Interest rate in Poland], Kraków 1933, T. Sołowij, *Rynek pieniężny i stopa procentowa w Polsce* [Financial market and interest rate in Poland], Warszawa 1939.

In this study we bring up a few problems. We show how the usury law had been influencing the level of interest rate, both the credit (short-term) and deposit ones. We analyze its connection with the discount policy of the Bank Polski joint-stock company and the level of interest rates used by banks. We describe its influence on the formation of an illegal credit market. At the end we present a discussion on these subjects, in which the representatives of economic and banking groups, publicists and economists had taken part.

MONEY USURY LAW

A Presidential decree on money usury was published on 29th of June 1924 and was meant to be compulsory for one year. "It forbade to have any pecuniary profits from credit activity in a form of interest rate or any other form that exceeding 24% a year". Not abiding by the law had its consequences in up to 4 week imprisonment and 5 thousand zloty fine or one of these. The Minister of the Treasury had been appointed to control the law observation.⁴

A statutory regulation of interest rate was one of the ways to lower the price of credit, which – after the period of hyperinflation – reached hundreds percent. It is presented in Table nr 1.

Table 1. Interest rates of the emission bank and on the private market 1919-1924

Period Value at the end of a period	PKKP and Bank Polski (bill discount)	Private banks ^a		Private discount ^a
		Bill discount	Open account	
1919	6	8	9	10
1920	6	10	10	15
1921	7	15	15	48
1922	7,5	60	80	360
1923	72	500	3000	.
1924	I	72	1000	720
	IV	12	200	720
	VI	12	80	100	220

^a In literature a bit different data from these in the table above may be found.

Source: M. Breit, *Stopy [Interest rate]*, p. 100-101; H. Nowak, *Bankowość w Polsce [Banking in Poland]*, Warszawa 1932, vol. 1, p. 258.

The data presented show that the process of financial market stabilization, started in January 1924, did lower the interest rates, but still their level was very high. Comparing to them, the interest rate of emission bank stood

⁴ DzURP 1924 [Official Journal], No. 56, p. 574.

out significantly below. Credits from this institution however were available only to chosen business entities and banks.

Money Usury Law, regulating the statutory level of credit interest rate, enabled the Minister of the Treasury to introduce a separate interest rate for the banks. This allowed the two maximum interest rates to be present on the market: one general and the other exclusively for the banks only. Until the mid of 1926 they were equal; in the next years the second one was a bit lower. It should also be mentioned that the banks had a right to charge extra payment due to own costs resulting from rendering specific banking activities.⁵ Their level equalled to 12% per year in the whole period between the two world wars.⁶

The usury law, though planned to have a short-term character, was successively extended by act of law on 1st July 1925 for the next year, and on 30th June 1926 – for undetermined time.⁷ It could have been cancelled only by the regulation of the Cabinet, which – as the future has proved it – did not make use of it. The setting up of maximum bank interest rate (since 1932 – also the general interest rate⁸ fell within the competences of the Minister of the Treasury. Their level in the period between the two world wars is presented in table No. 2:

Table 2. Level of maximum interest rate in the years 1924-1939

Maximum interest rate ^a			
General		Bank	
29 June 1924	24	29 June 1924	24
		1 August 1924 ^b	24
30 June 1926	20	30 June 1926	18
		7 September 1926	16
		16 December 1926	15
		28 February 1927	14
		9 April 1927	13
10 June 1927	15	30 May 1927	12
		25 April 1929	13
		11 February 1930	12
		15 July 1930	11
20 October 1932	12	7 November 1932	9,5

^a The date of acts of law is cited. ^b This is the date of a regulation, where Minister of Treasury set up the level of the banking interest rate equal to the general interest rate dated 29 June 1924.

Source: Dzienniki Ustaw RP [Official Journal from the years]: 1924, No. 56, p. 574, No. 70, p. 684; 1926, No. 62, p. 372; No. 64, p. 381; No. 95, p. 556; No. 127, p. 746; 1927, No. 22, p. 173; No. 40, p. 359; No. 53, p. 469; No. 54, p. 474; 1929, No. 28, p. 282; 1930, No. 10, p. 70; No. 50, p. 424; 1932, No. 90, p. 759; No. 98, p. 841.

⁵ Banks were obliged to report to the treasure authorities all the costs born while executing almost all banking activities. DzURP [Official Journal] 1924, No. 84, p. 808.

⁶ DzURP [Official Journal] 1924, No. 70, p. 684.

⁷ DzURP [Official Journal] 1925, No. 65, p. 453.

⁸ Rozporządzenie Prezydenta [President Decree] from 23rd August 1932, DzURP [Official Journal] 1932, No. 72, p. 656.

First reductions of interest rates were made in June 1926, when Czesław Klarner was the Minister of the Treasury. It was thought to begin a process of a systematic cutting the excessively high banking interest rate. In the same time the government had expected adequate decisions both from the Bank Polski and the private banks.⁹

The interest rate reduction had been continued by Gabriel Czechowicz. Similarly to Klarner also he was of the opinion that high credit price negatively affects the price level.¹⁰ Interest rates fixed at the level of 12% during his term of office hadn't been changed until April 1929, when for the first time they were raised. This decision was a reaction to the rise from 8% to 9% of a discount interest rate of the Bank Polski joint-stock company.¹¹

In the 30s three insignificant interest rate reductions had taken place, the last in November 1932. It was then when the acceptable level of interest rates had been agreed upon a level of 10% distinctly for the credit cooperatives and the communal savings banks (the latter in the eastern regions of the country). The then introduced level of interest rates was valid until 1939.

THE SYSTEM OF INTEREST RATES ON THE MARKET

Many entities of different legal and ownership status had been involved in a credit activity in the Second Republic of Poland. In general they could be divided into two groups: registered entities acting in accordance with the law (private stock banks and banking houses, communal saving banks, credit cooperatives, state banks) and so called private discounters operating on the off-bank market. Of special status was the Bank Polski joint stock Co. which played the role of a central bank and executed a number of operations typical for commercial banking.

The scheme drawn out above had been reflected in a multilevel interest rates system, where the upper level was marked out by the money usury bill. It was valid also in case of the central bank. The banks could of course have applied interest rates below the maximum, but as it was shown in the praxis of the Second Republic of Poland, such a policy was consequently

⁹ Cz. Klarner: *Na drogach sanacji gospodarczej* [On the roads of economic reform], „Przemysł i Handel” [“Industry and Trade”] 1926, vol. 39, p. 1152; *Szlakami naszej polityki finansowej* [Along the trails of our financial policy], *ibid.*, vol. 41, p. 1222; „Gazeta Bankowa” [„Journal of Banking”] 1926, No.13-14, p. 301.

¹⁰ *Exposé Ministra Skarbu G. Czechowicza na posiedzeniu Sejmu w dniu 13 XI 1926 r.* [Exposé by the Minister of Treasure, Mr. G. Czechowicz on the session of the Parliament on 13th November 1926], Warszawa 1926.

¹¹ „Przemysł i Handel” [“Industry and Trade”] 1929, vol. 18, p. 780.

run by the Bank Polski joint stock Co. only, throughout all the period between the two world wars.

The discount interest rate of the Bank Polski joint stock Co. was the lowest among other interest rates on the market, and its level stemmed from purposely maintained credit price decrease policy.¹² In the conditions of a normally functioning money market the interest rate of the central bank as the last credit source ought to be the highest. In Poland this function had been performed by the statutory set up maximum interest rate. It's worth remembering that the Bank interest rate concerned both the credits given directly to the economic entities (in this role Bank Polski became a competitor to other banks) as well as rediscount credits.

In the policy describing the level of the maximum interest rate and the Bank Polski interest rate a clear decision coordination is seen, in the first case – decisions made by the government, in the second case – decisions made by the formally independent Bank Council (as it is shown in table No. 3). Let's add that even earlier, in the times of the Prime Minister Mr. Grabski, it was under great influence of the government, demanding a decrease of interest rates, which had eventually happened (November 1924).¹³ The interventions did also take place in the following years. For example, Minister Klarner "suggested" to the Council a decrease of interest rates from 12% to 10%, while the government lowered "its" interest rate so that the difference between the two interest rates was not greater than 6%.¹⁴

Table 3. Changes of the discount interest rate of the Bank Polski and the maximum interest rate

Discount interest rate of the Bank Polski joint stock Co.		The maximum bank interest rate ^a		
Board decision	Level of interest rate	Decree date	Effective date	Level of interest rate
28 April 1924	12	29 June 1924	30 June 1924	24
28 November 1924	10			
12 August 1925	12			
7 July 1926	10	30 June 1926	7 July 1926	18
		7 September 1926	21 September 1926	16

¹² Even though the lowest in Poland, the interest rate of the Bank Polski was one of the highest in Europe. At the end of 1924 r. Bank of England interest rate was 4%, Bank of Belgium 3,5%, Bank of France 7%. In the years 1927-1929 interest rates among central banks in England, Belgium, France, Holland, Switzerland, Sweden and USA were between 3,5%-4,5%, in Austria, Czechoslovakia, Finland, Germany and Gdańsk – between 5-7,5%. Compare: „Gazeta Bankowa” [„Journal of Banking”]: 1924, No. 21, p. 405; No. 23, p. 440; No. 24, p. 483; 1927, No. 7, p. 200; 1928, No. 5, p. 101; 1929, No. 9, p. 237-238.

¹³ AAN, Bank Polski S.A., Set 291, sign. 20, p. 112.

¹⁴ *ibid*, p. 36.

Table 3 contd.

Discount interest rate of the Bank Polski joint stock Co.		The maximum bank interest rate ^a		
Board decision	Level of interest rate	Decree date	Effective date	Level of interest rate
13 Dec. 1926	9,5	16 Dec. 1926	2 Jan. 1927	15
11 Feb. 1927	9	28 Feb. 1927	11 March 1927	14
11 March 1927	8,5	9 April 1927	14 April 1927	13
13 May 1927	8	30 May 1927	15 June 1927	12
19 April 1929	9	25 April 1929	30 April 1929	13
15 Nov. 1929	8,5			
31 Jan. 1930	8	11 Feb. 1930	19 Feb. 1930	12
14 March 1930	7			
13 June 1930	6,5	15 July 1930	16 July 1930	11
3 October 1930	7,5			
21 October 1932	6	7 Nov. 1932	9 Nov. 1932	9,5
26 October 1933	5			
18 Dec. 1937	4,5			

^a With the commission included, without the trade costs

Source: like in the Table 2, and T. Sotowij, *Rynek i Market*, p. 84-88.

The decrease of interest rates began, as it is stated above, from the mid 1926. As the table shows, from December on, every change in the maximum interest rate was preceded by the decision by the Bank Polski Council to decrease the bank interest rate. Thus in principle a constant difference of 4-4,5% between the two interest rates – the central bank interest rate and the one actually used by banks had been maintained.

A process of significant decrease of interest rates in the years 1926-1927 resulted mainly due to foreign capital influx. Its further reduction was stopped in 1928, even though the interest rates level in Poland was one of the highest in Europe. Both the government and the Bank Polski began to rely their future decisions on a change in approach of private banks, which so far were clinging to the maximum interest rate.¹⁵ When in 1928 a Union of Banks in Poland (ZBwP = Związek Banków w Polsce) applied to the Bank Polski for further reduction of interest rate, they received a negative answer due to, according to the opinion of the Bank authorities, too high credit price on the market.¹⁶ When in turn in 1929 the Bank Polski did lower its interest rate down to 8.5%, the private banks did not react and kept the allowed maximum 13%. As it was stated in the *The Gazeta Bankowa*: "[...] a reduction in a discount interest rate by private banks depends on a decree by the Minister of Treasury [...]"¹⁷

¹⁵ L. Süßwein, *Bankowość polska w roku 1927* [Polish banking in 1927], „Gazeta Bankowa” [„Journal of Banking”] 1928, No. 11, p. 248.

¹⁶ „Gazeta Bankowa” [„Journal of Banking”] 1928, No. 2, p. 37.

¹⁷ J. Jaskólski, *Doniesie zdarzenia w bankowości polskiej* [Momentous events in the Polish banking], „Gazeta Bankowa” 1929, No. 9, p. 237-238; E. Spät, *Podwyższenie stopy Banku Polskiego* [Bank Polski interest rates rise], „Gazeta Bankowa” 1929, No. 10, p. 261-262; No. 23, p. 591

The beginning of a world crisis resulted in a decrease of the maximum interest rate (in 1930 by 2%) as well as that of the Bank Polski (by 1.5%). When in autumn 1930 the Bank Polski raised its interest rate, the government did not react. Not until October 1932 did both the "centers" lower the interest rates by 1.5%. It was the last reduction of the maximum interest rate, while the Bank Polski repeated that action twice later on.

In 1934, recapitulating the tenth anniversary of achievements of the Bank Polski, its director Mr. Leon Barański said that the interest rate decrease policy was the bank's success – since it had managed to reduce the interest rate from 12% to 5%, that is to the level by a few points higher only than in western Europe. It was possible, in his opinion, only thanks to a conscious and excellently harmonized cooperation with the government. In spite of that, Poland remained a country with an "exceptionally high" credit costs, first of all because of the costly off-bank credit.¹⁸

This cost concerned first of all the usury credit. Private discounters, against the law, used higher interest rates than the allowed ones, by some called the market interest rates, by others – the usury interest rates (street rates, café rates). They concerned the black credit market operations, which took place between the two world wars, both in the city and in the rural areas. Credit price offered was strongly diversified and depended on the type of transaction, the country region, local conditions, risk factor etc. Illegal character of such transactions resulted in an uncertain and incomplete information about the scale of the phenomenon. We have continuous data – for the period 1924-1930 – only from the Łódź town market, maliciously described by E. Spät as "[...] being so far tolerated by the governmental institute of economic situations, that its interest rate was officially registered, while it should rather be noted in the crime registers".¹⁹ We know little about the market situation in the rural areas since the information comes from individual reports and a bit wider look gives the 1927 poll. It showed a wide range of interest rates in regional distribution – from 1.5% to 14% a month. The best situation observed was in the region of Pomerania, the worst in the eastern regions, especially in the region of Volhynia where the interest rates were collected like in the nineteenth century – both in money and in natural goods.²⁰

During the great crisis, the off-bank credit price increased (especially in the rural areas) to 30% (for comparison: The State Agricultural Bank [PBR = Państwowy Bank Rolny] interest rate was 11%, while that of the coopera-

¹⁸ L. Barański, *Dziesięciolecie Banku Polskiego* [Tenth anniversary of the Bank Polski], „Gazeta Bankowa” [“Journal of Banking”] 1934, No.9, p. 194-195.

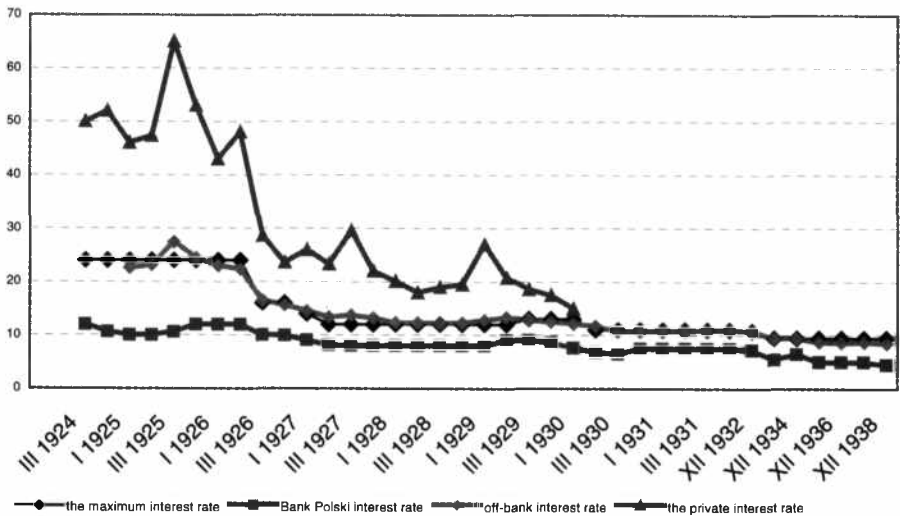
¹⁹ E. Spät, *Podwyższenie stopy Banku Polskiego* [Bank Polski interest rate rise], „Gazeta Bankowa” 1929, No. 10, p. 263.

²⁰ T. Zakrzewski, *Lichwa na wsi* [Usury in the rural areas], Lwów 1927, p. 29.

tive institutions 15%).²¹ Fajgenberg had noticed: "It is widely known that 3% interest monthly rate is the one agreed in trade discount [...] private loans from private individuals or smaller banker companies differ from 2% to 3% monthly; 3-4% loans also happen."²²

A summary of the above considerations is presented in Diagram 1.

Diagram 1. Discount interest rates in the years 1924-1938 (end of quarter data)^a



^a share bank interest rate is an average from the biggest banks interest rates. Private interest rate outside the bank concerns first note discount on the Łódź market; the 30s lack data

Source: *Koniunktura Gospodarcza. Miesięczne tablice statystyczne wydawane przez Instytut Badania Koniunktur Gospodarczych i Cen. Zeszyt specjalny 1925-1932* [Economic situation. Monthly statistical tables published by the Institute of Economic Situation and Prices. Special volume 1925-1932], Warszawa 1932, p. 3; M. Breit, *Stopa* [Interest Rate], p. 130-131. *Mały Rocznik Statystyczny 1939* [A Little Statistical Yearbook 1939], Warszawa 1939, p. 215.

The above diagram shows, that there were three main interest rates between the two World Wars: the maximum interest rate (at the same time share banks interest rate), Bank Polski interest rate (lower than the previous one) and off-bank interest rate, much greater than the maximum interest rate. For the lack of complete data we do not show interest rates of national banks, communal saving banks and credit cooperatives.²³

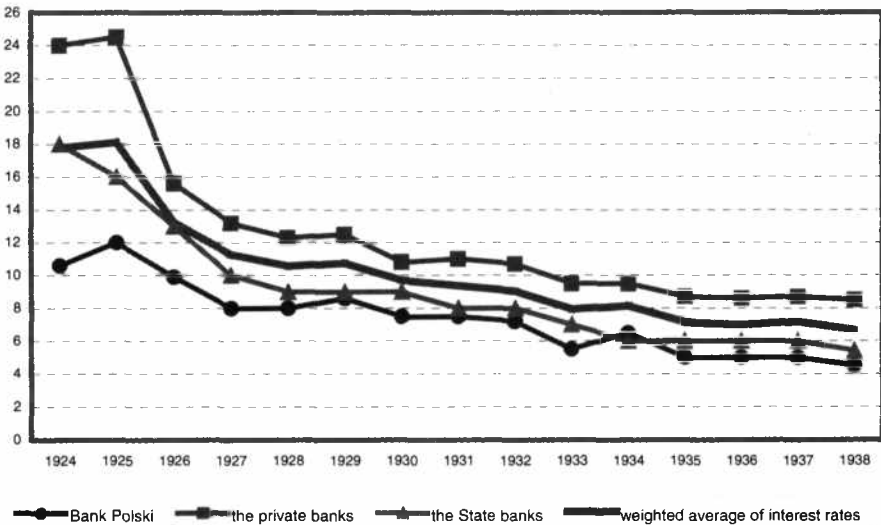
²¹ J. Ciepiewski, *Wieś polska w latach wielkiego kryzysu 1929-1935, Materiały i dokumenty* [Polish rural areas in the years of the great crisis 1929-1935, Papers and documents], Warszawa 1965, p. 30; *Dzieje wsi wielkopolskiej* [History of rural areas in the region of Great Poland], edit. W. Rusiński, Poznań 1959, p. 309.

²² D. Fajgenberg, *Lichwa* [Usury], p. 152.

²³ The interest rates of these institutions in majority were found in between the maximum interest rate and the discount rate of the Bank Polski. E. Lipiński, S. Pszczółkowski, L.

Simultaneous existence of different interest rates, characteristic for different institution groups, resulted in largely varied credit prices. Straight answer to a question – what the short-term credit price in the Second Republic of Poland was – is therefore impossible. In our opinion only weighted mean value of these interest rates may give a general picture. Results of calculations²⁴ performed by us are presented in Diagram No. 2.

Diagram 2. Mean interest rate in the years 1924-1938



Source: Drawing based on own calculation data.

Landau, J. Wiśniewski, *Koniunktura gospodarcza w Polsce 1924-1927* [Economic situation in Poland 1924-1927], Warszawa 1928, p. 31-44; *Rocznik Ministerstwa Skarbu 1927-1930* [A Ministry of Treasure Yearbook 1927-1930], Warszawa 1931.

²⁴ Calculation of interest rate have been done by us using weighted mean value of the following rates: the discount rate of the Bank Polski, the yearly mean rates of the share banks and the rate of the BGK Bank. The last one was treated as a representative one for the State banks. The weights were assumed based on the share of the Bank Polski, the private banks and the public banks in the general quota of the short term credit. It should also be mentioned that the credit data concerning credits by individual institutions did differ depending on their source. That could results in different shares calculations based on them. That is why we suggest to treat the calculated by us mean interest rate rather as rough only. The calculation have been performed based on *Mały Rocznik Statystyczny 1939* [The Little Statistical Yearbook 1939], Warszawa 1939, p. 226-227; T. Sołowij, *Rynek* [The Market], p. 84-95; W. Morawski, *Bankowość prywatna w II Rzeczypospolitej* [Private banking in the 2nd Republic of Poland], SGH Warszawa 1996, p. 129; W. Malinowski, *Struktura rozdziału kredytów bankowych w Polsce* [Structure of banking credits distribution in Poland], „Kwartalnik Statystyczny” [“Statistical Quarterly”] 1934, vol. 2, p. 205 and the „Gazeta Bankowa” from the years 1924-1938.

As the above diagram shows, the direction of the average interest rate change is described by the incorporated banks interest rates. Its level lay almost in the middle between the Bank Polski interest rate and the private interest rate, connected with the maximum interest rate. This average would have been higher if we took the usury credit into account.

CREDIT AND DEPOSIT INTEREST RATES

Maximum credit interest rates evidently influenced the level of debit interest rates. In the period of the first two years of stabilization, when the maximum interest rate level was high (24%), the range of different interest rate values was wide. The situation began to change in 1926, when a significant reduction of maximum interest rate made the banks decrease their debit interest rates. The banks were afraid of a mutual competition and a "fight for customers" by diversifying debit interest rates.²⁵ To avoid this, the Union of the Banks in Poland (ZBwP) and the Ministry of the Treasury decided to create a bank cartel regulating the maximum interest rates paid per deposit. The agreement became effective starting from 1st January 1927 in Warsaw and concerned banks belonging to the Union. The Minister of Treasury agreed to make the national banks interest rates below those of the private banks.²⁶

In 1929, the Minister of the Treasury was presented by the cooperation with a creation of "credit cartel" instead of the current usury law in force. This demand – even though repeated in the next years – did not earn a positive government reaction.

The Union of the Banks in Poland (ZBwP) tried to extend the cartel agreement for deposits also for saving institutions, especially the communal banks and the Pocztowa Kasa Oszczędności (PKO) [Saving Bank].²⁷ The latter had been accused by the Union of the Banks in Poland (ZBwP) that they compete with private banks by using higher interest rates on in-

²⁵ S. Skonieczny, *Sytuacja banków w 1926 r.* [Banks situation], „Gazeta Bankowa” 1926, No. 24, p. 573.

²⁶ *Sprawozdanie Związku Banków w Polsce za rok 1926* [Union of the Banks in Poland Report for the year 1926], Warszawa 1927, p. 26-27. .

²⁷ E. Schmidt, *Pożądane zmiany przepisów w Kom. Kasach Oszczędn.* [Desirable regulations changes in the Communal Savings Banks], „Gazeta Bankowa” [„Journal of Banking”] 1931, No. 11, p. 150; W. M., *Obniżka stopy procentowej od wkładów* [Reduction of the deposits interest rate], „Gazeta Bankowa” [„Journal of Banking”] 1932, No. 7, p. 155-156, 161; *Sprawozdanie Związku Banków w Polsce za rok 1930* [Union of the Banks in Poland Report for the year 1930], Warszawa 1931, p. 18.

put/contribution/deposit, thus rising the credit price.²⁸ This odd – in the opinion of ZBwP – or “abnormal” situation was a result of the savings banks endeavor to increase their profit and that is why their interest rates belonged to the highest in Europe.²⁹

A formation of a national debit cartel did not happen, but in December 1934 new regulations came into force, describing the maximum interest rate on input/contribution/deposit in the communal saving banks and cooperatives.³⁰ Private banks were not satisfied. In their opinion only significant decrease of debit interest rates level in public banks can make the depositaries put their savings onto private banks accounts.³¹ Debit interest rates level in the hole analyzed period is shown in Table nr 4.

Table 4. Interest rates of the zloty deposits in the banks members of the Deposit Cartel, in the Bank PKO and in the communal saving banks (level at the end of a year)

Bank	1926 ^a	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Private banks:													
à vista	7.0	6.0	6.0	6.5	5.0	5.0	4.25	3.75	3.75	3.75	3.75	3.25	3.0
monthly	8.0	7.0	7.0	8.0	6.0	6.0	5.25	4.75	4.75	4.75	4.75	4.0	3.75
three month	10.0	8.0	8.0	9.0	7.25	7.25	6.0	5.5	5.5	5.5	5.5	5.0	4.5
six month	12.0	10.0	10.0	10.0	8.0	8.0	7.0	6.5	6.5	6.5	6.5	5.5	5.0
savings books	-	9.0	9.0	-	7.0	-	6.0	5.5	5.5	5.5	5.5	4.5	4.0
PKO – savings books^b	..	7.0	6.0	7.0	7.0	7.0	6.0	5.0	4.0	4.0	4.0	3.8	3.0
Communal savings banks - savings, savings deposits	.	.	.	.	.	.	6.0-7.0	6.0-7.0	5.5-6.5	5.5-6.5	5.5-6.5	5.0-5.5	4.5-5.0

^a Level on 1st January 1927. ^b In general the same interest rate was used by other state banks.

Source: W. Morawski, *Bankowość [Banking]*, p. 87; *Maly Rocznik Statystyczny 1939 [A Little Yearbook 1939]*, p. 215; “Gazeta Bankowa” [“Journal of Banking”]: 1930, No. 5, p. 111; 1932, No. 23, p. 544; 1933, No. 23, p. 529; No. 24, p. 549; *Sprawozdania Zwiqzku Banków w Polsce: za rok 1926, 1927, 1929, 1930 [Union of the Banks in Poland Report for the years 1926, 1927, 1929, 1930]*.

Data above are not precise enough to explicitly tell that the savings interest rate in the public banks was significantly different from the one in the private banks. The comparable data are observed only for savings books in the 30s. Deposit interest rate in national banks was lower than in private

²⁸ E. Schmidt, *Poządane [Desired]*, p. 150.

²⁹ Examples of states had been recalled, where the interest rates of the savings banks were subject to regulations were ca. 4% -5% (s. b.) *Oprocentowanie wkładów [Deposits interest rates]*, „Bank” 1935, No. 6, p. 471-473.

³⁰ It was supposed to be from 5,5% to 6,5% (DzURP [Official Journal of the Republic of Poland] No. 94, p. 734), in July 1937 it was lowered to 5-5,5% (DzURP nr 50, p. 387), and in December to 4,5-5% (DzURP No. 87, p. 626).

³¹ R. Niklewski, *O potrzebie ogólnej obniżki stopy procentowej [On a general need to lower the interest rates]*, „Bank” 1935, No. 3, p. 246-247

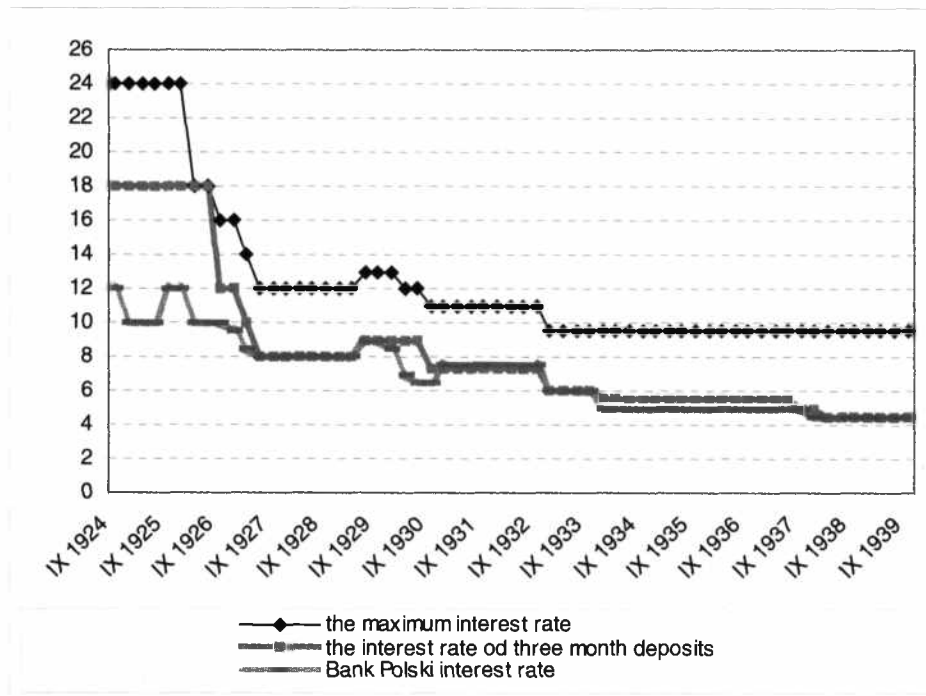


banks, but not when compared to the communal saving banks. From January 1st 1938 the deposit interest rates were as follows:

- Union of the Banks in Poland (ZBWP): a vista 3-3.5%, deposit 3.75-4.5%,
- national banks: a vista of the local banks 1%, deposit 2.75-4.25%,
- Polish Savings Bank (PKO): check accounts 0.48%, deposit 3-3.25%,
- communal savings banks: current and check accounts 3%, deposit 3.25-4.5%.³²

The decisions of the Bank Cartel, defining the level of debit interest rate until 1933, strictly followed the changes of the central bank interest rates and the maximum interest rate. From 1933 sign mark of Cartel decisions was only the discount interest rate of the Bank Polski, because the government relinquished further reduction of "its" interest rate. This can well be observed in Diagram nr 3 presented below:

Diagram. 3. The maximum and discount interest rate of the Bank Polski compared with the bank cartel deposit interest rate^a



^a In the years 1924-1926 the highest interest rates of the 7 biggest share banks, from 1927 Debit Cartel.

Source: Drawn based on: T. Solowij, *Rynek* [The Market], p. 84-88.

³² The level was observed starting from 1st January 1938. T. Solowij, *Rynek* [The Market], p. 71.

In general every change in the maximum interest rate and the Bank Polski interest rate tied to it resulted in an adequate change in the deposit interest rate. Thus from 1927 on almost constant differences between the maximum and the cartel deposit interest rate were managed to be maintained. What is even more interesting, the latter was as a rule equal to the Bank Polski discount interest rate. Therefore the price of savings obtained by the banks was the same as that of the central bank credit price.

USEFUL OR HARMFUL – DISCUSSION OF THE MONEY USURY LAW

Before the money usury regulation was issued a meeting, where the representatives of the banking and economic circles were present had been held in the ministry of treasury, dedicated to law being prepared by the government. As we know from the "Economic Review", after a long discussion "[...] a prevailing was the opinion that there is an expediency to issue that act of law even though the troubles with the law obeying that may appear.³³ An author describing the discussion in the "Gazeta Bankowa", stated that the representatives of the Union of the Banks in Poland (ZBwP) mostly were of the opinion that the money usury law would lead to even greater credit disorganization and its higher price.³⁴

Money usury law from the very beginning became the reason for controversy, reflected in several articles in the economic press. Some of them presented the view point of the economic organizations, including the Union of the Banks in Poland (ZBwP). The economic communities were skeptic about the government beliefs that imposing a ban could lower the credit price: "The interest rate decrease can actually happen by rebuilding the capital market, and not by the use of artificial technical means" – ZBwP stated.³⁵ The government did not fight its opinion, we can rather guess it treated the usury law as a necessary evil only.³⁶

Criticism of the anti-usury law had been concentrated mainly on its negative consequences. According to E. Spät it had remained a "dead letter"

³³ E. Spät, *O lichwie pieniężnej* [On the money usury], „Przegląd Gospodarczy” [„Economic Review”] 1924, vol. 15-16, p. 684-686. „Gazeta Bankowa” [„Journal of Banking”] 1924, No. 11-12, p. 226.

³⁴ E. Spät, *Reglamentacja stopy procentowej* [Interest rate rationing], „Gazeta Bankowa” [„Journal of Banking”] 1924, No. 11-12, p. 201-203.

³⁵ *Sprawozdanie Związku Banków w Polsce za rok 1924* [Union of the Banks in Poland Report for the year 1924], Warszawa 1925, p. 32.

³⁶ W. Grabski, *Nowy budżet po reformie walutowej* [New budget after the currency reform], Warszawa 1924, p. 18; J. Piekalkiewicz, *Nasz rynek pieniężny* [Our money market], „Przemysł i Handel” [„Industry and Trade”] 1924, vol. 34, p. 909.

and helped a “black credit market” to emerge. He prophesied that this law would scare off the foreign capital “not used to these types of regulations”, and it would make it harder for the banks to collect savings.³⁷ In his opinion it could have been useful only if the money usury cases “had to do with wasteful, easy minded, retarded etc. people.”³⁸ He called the government decision as “missed or even dangerous”, “being an example of a widely understood State control”. Other authors, criticizing the money usury law, generally repeated the above stated opinions.³⁹

As a direct consequence of the critics there appeared demands, addressed to the government, to lift the maximum interest rates law. Prime Minister Grabski remained relentless and, as it had been published in the “Polish Monitor”: “Economic Committee of the Ministers [...], during a meeting on the 20th of this month (January 1925), unanimously decided not to agree with a motion to abolish the money usury law”.⁴⁰ Unfortunately, we do not know the authors of the motion. We can only guess it came from the banks community. Because when in June 1926 the Minister of the Treasury Cz. Klarner asked the economic community (Central Union of Polish Industry, Mining, Trade and Finance “Leviatan”) for opinion about the further need for usury law to be valid, they backed its prolongation. (Together with this they brought up a proposal the maximum interest rate be twice as high as the emission bank interest rate.⁴¹)

Anti-usury law criticism diminished in the second half of the 20s, when because of a good general economic situation, banks’ condition had improved to such a good shape that the usury law did no longer matter for their profits.

From 1929 the situation started changing. A main “blow” to renew the discussion was the decision of the Bank Polski from April 1929 to raise the discount interest rate, not accompanied by simultaneous – practiced since

³⁷ E. Spät, *Reglamentacja*, p. 201-203.

³⁸ E. Spät, *O lichwie* [On the usury], p. 684-686.

³⁹ J. Piekalkiewicz, *Nasz rynek* [Our market], p. 909; E. Rose, *W sprawie pożyczki zagranicznej* [About the foreign loans], „Przegląd Gospodarczy” [„Economic Review”] 1924, vol. 22, p. 937; W. Wiślicki, *Kilka uwag z powodu Ustaw o zwalczaniu lichwy* [Some remarks to the Acts of Law fighting the usury], „Przegląd Gospodarczy” [“Economic Review”] 1925, vol. 10, p. 670-671; M. Szarski, *Bankowość Polska* [Polish Banking], „Przemysł i Handel” [“Industry and Trade”] 1918-1928”, Warszawa 1928, p. 88.

⁴⁰ „Monitor Polski” 1925, No. 16, p. 3.

⁴¹ „Przegląd Gospodarczy” [“Economic Review”] 1926, vol. 12, p. 608; *Synteza roku ubiegłego* Dyrektora A. Wierzbickiego na Walnym Zgromadzeniu Centralnego Związku w dn. 2 VI 1927 r.) [Last year synthesis (Exposé by Director A. Wierzbicki at the General Assembly of the Central Union on 2nd June 1927)], „Przegląd Gospodarczy” [“Economic Review”] 1927, vol. 12, p. 493.

1926 – change in the maximum interest rate.⁴² A campaign for the interest rate rationing lift was started by the Union of the Banks in Poland (ZBwP). It proposed to replace the usury law by a joint cooperation between the banks and the Ministry of the Treasury similar to the deposit cartel. Its argument was that only “on the way of a tight cooperation it would be possible to put in order the question of credits relations in Poland”.⁴³ The government did not agree to this proposal, what caused a more harsh criticism of current situation. There was an opinion that “controlling the interest rate level by means of the police regulations disorganizes the financial market [and] disturbs the inner capitalization process”, it was a sign of “rather demagogic than economic thinking”⁴⁴ in the government’s policy. Leviatan had also added up to the criticism. In its opinion the anti-usury laws led to the formation of a “multilevel” credit market. In the best situation were clients of the Bank Polski and the great private banks, in much worse – clients of the off-bank market.⁴⁵ Especially it concerned rural areas, where the money usury jumped out of any possible calculation.⁴⁶ Conclusion was that rationing of “credit sales field” is unreasonable and ought to be, “in the opinion of financial and economic circles, lifted as soon as possible”.⁴⁷

During the next years the discussion of the need of keeping the maximum interest rate was evolving. In the office of the Society of Journalists and Economic Publicists a meeting on this subject had even taken place, as you could read in the papers. In the opinion of its participants, the examples of other countries and own experiences showed that it is necessary to reform, if not abandon, the money usury law.⁴⁸ “Gazeta Bankowa” printed most of the critical articles. Its authors based their texts on a wide range of arguments. They pointed out the solutions introduced in other countries, where the maximum interest rate level was bound with central bank interest rate.⁴⁹ Their opinion was that rationing does not allow the banks to make

⁴² „Gazeta Bankowa” [„Journal of Banking”] 1929, No. 22, p. 561.

⁴³ R., *Związek Banków w Polsce w r. 1930* [Union of the Banks in Poland in 1930], „Gazeta Bankowa” [„Journal of Banking”] 1931, No. 13-14, p. 220-221.

⁴⁴ *Sprawozdanie Związku Banków w Polsce za rok 1930* [Union of the Banks in Poland Report for the year 1930], Warszawa 1931, p. 18.

⁴⁵ *Sprawozdaniu CZPPGHiF z działalności w roku 1929* [CZPPGiHoF activity report in 1929], „Przegląd Gospodarczy” [„Economic Review” 1930, vol. 10 (encl.), pp. 8-9.

⁴⁶ „Przegląd Gospodarczy” [„Economic Review”] 1931, vol. 11 (encl.), p. 8.

⁴⁷ „Gazeta Bankowa” [„Journal of Banking”] 1930, No. 15-16, p. 363.

⁴⁸ *Wpływ reglamentacji stopy procentowej na życie gospodarcze* [Influence of the interest rate rationing on economic life], „Gazeta Bankowa” 1931, No. 6, p. 141.

⁴⁹ Examples had been shown of Romania („Gazeta Bankowa [„Journal of Banking”] 1931, No. 10, p. 131, No. 11, p. 154), Free Town Gdańsk („Gazeta Bankowa” 1932, No. 23, p. 544), Yugoslavia („Gazeta Bankowa” 1934, No. 19-20, p. 370-371).

client segmentation by the credibility/reliability level, where greater risk means higher interest rate or commission.⁵⁰

In the 30s, apart from the commentary texts, deeper economic analyses began to appear. At first there were articles, whose authors, being in favor of liberal solutions, were trying to prove that the market mechanism is the most effective instrument of allocation and use of capital resources and savings. Their argumentation included general economic matters, such as effectiveness, ability of capitalization increase, profitability of economic deals etc.⁵¹

Arguments representing this community, we can find in works by E. Taylor and M. Breit. They concerned generally three matters: 1) negative consequences of a policy describing the maximum interest rate for credit development, 2) its negative influence on interest rate and savings level, 3) incorrect policy of maintaining the Bank Polski discount interest rate on the level lower than the bank interest rates.

According to Taylor both the government and the Bank Polski policy "[...] does not stand for criticism from the theoretic-economic point of view. [...] If one wants to increase the Polish social income and capitalization of Poland [...] then it is advised to quit with both the administrative rationing of credit interest rate, and with the Bank Polski artificial discount policy. The reform should start with the first, which is a condition to the other."⁵² In his opinion interest rate controlled administratively, by nature lower than market interest rate, makes banks lower the deposit interest rates and thus decreases their "inner capitalization". Taylor did not fear, that abolition of an anti-usury law will cause a sudden increase of interest rates. He assumed that in a crisis situation, banks would not raise credit price because this would lead to clients insolvency. In a longer perspective however the interest rate would have to rise, but due to the lack of rates rationing loss, the interest rates would become "flexible".⁵³

What stems from Taylor's reasoning is that the interest rate level in Poland was understated, which had been caused by government's policy of lowering the already "artificially low" maximum interest rate.

⁵⁰ S. Batog, *Reglamentacja odsetek* [Interest rates rationing], „Gazeta Bankowa” [„Journal of Banking”] 1932, No. 19, p. 439-442; *ibid*, *Skutki reglamentacji stopy procentowej* [Interest rates rationing effects], „Gazeta Bankowa” 1932, No. 22, p. 511-514.

⁵¹ M. Manteuffel, *Bankowość w Polsce* [Banking in Poland], Warszawa 1930; E. Taylor, *Uwagi o polskiej polityce pieniężno-kredytowej* [Remarks to the Polish financial and credit policy], Poznań 1932, vol. 2; M. Breit *Stopa procentowa w Polsce* [Interest rate in Poland], Warszawa 1933.

⁵² E. Taylor, *Uwagi* [Remarks], p. 17,20.

⁵³ *Ibid.*, p. 21-22.

M. Breit also wrote about negative consequences of the usury law. He paid special attention to the formation of several levels of interest rates and few isolated from each other credit markets, making the capital supply and demand inflexible.⁵⁴ That was especially true in case of the off-bank market: "There are local centers of off-bank credit, there are also adequate local interest rates. [...] However no communication exists among the "local markets", no coordination, no levelling flows. Therefore, these varied interest rates show no tendency (in evolution) to get unified nor equalled".⁵⁵

Responsible for this was, in the opinion of Breit, not only the government but also the Bank Polski. In normal market economy conditions, central bank should be the last source of credit and should play the role of "credit reserve". Yet, having the lowest interest rate it had become the very first source of credits and being not able to satisfy credit demand it was forced to the rationing. Similar actions were taken by other banks. According to Breit the interest rate in Poland was not the market interest rate – its origin history could rather be found "[...] in socio-political questions rather than economic", and its level had appeared "[...] mostly a history of administrative acts history and a sign of overwhelming State control"⁵⁶

Radical opinions of Taylor and Breit urged to polemic. Among others also S. Buczkowski, W. Skrzywan and M. Smerek joined into. Breit's work became the main subject of criticism, which in the opinion of Buczkowski, was on the one hand, "theoretical formulation of assaults, made by the enemies of rates rationing long before", and on the other hand, "a source of much misunderstanding and false inspirations".⁵⁷

Interest rates system in Poland, Buczkowski wrote, was typical for economies with similar structural characteristics, where rationing became one of the means to fight usury, and not the "sign of some ideology, or even State control". In his opinion the statement that the statutory interest rate interferes in normal credit market had not been proved, because none of its critics did say what interest rate level should be taken as "natural" and that statutory interest rate for example is not the one. It is also hard to see a connection between interest rate rationing and deposit interest rate, which rather depended on central bank and investment deposit market interest rate.⁵⁸

⁵⁴ J. Jaskólski, *Doniosłe zdarzenia* [Momentous events], p. 237-238.

⁵⁵ M. Breit, *Stopa* [The rate], p. 177.

⁵⁶ *Ibid.*, p. 109.

⁵⁷ S. Buczkowski, *Reglamentacja stopy procentowej w Polsce* [Interest rate rationing in Poland], „Bank” 1935, No. 2, p. 108.

⁵⁸ *Ibid.*, p. 113-114.

As far as the credit price of the emission bank is mentioned then only in a few richest countries it is officially the most expensive; in most, and especially agricultural countries, it is the other way around – bank credit price is the highest. There is also a wide range of interest rates between low interest rate of the emission bank and high of private banks.⁵⁹ In conditions where real financial market is lacking, a demand to reduce the role of the emission bank only to a “credit resource” seems to be inappropriate. In capital “anemic” countries it is the emission bank which is the main source of credit and therefore a system of discount credit rationing is used. Situation in Poland, for the lack of financial market *sensu stricto*, in his opinion can not be uncritically compared with the situation in developed countries, and so the Polish with the foreign interest rates.

Buczowski was of an opinion, that the critics of the statutory interest rate law had not proved that law to be useless. Law abolition would not lead to evolution of a market, as Breit wished it, with homogenous interest rate and a bit higher emission bank interest rate. An obstacle for this type of change exists in, reminding a monopole, organization of Polish banking, creating separate credit markets: “There would be a few or more interest rates, higher and lower than the emission bank interest rate”.⁶⁰

Buczowski agreed that usury law did not much change the situation for the better and was even harmful. For him usury meant maintaining the high price of credit; maximum interest rate was “for many creditors a moral excuse for high interest rate”. Under such circumstances temporary usury can be explained by socio-economic reasons, whereas in long-term, while free capitals accumulate, usury should be abolished.⁶¹

As we can see Buczowski’s opinion on credit price is in principle different from that of Taylor. Taylor accused usury law of artificial lowering interest rates, while Buczowski of raising them.

W. Skrzywan also expressed his opinion in the discussion of statutory interest rate. His analysis is not very clear to us. It looks as if he wanted to draw our attention to the fact that the assumptions concerning the consequences of rationing abolishment depend on assumptions, stated at the beginning, about credit demand flexibility. Breit considered it as flexible, Buczowski – the opposite. If Breit was right, then banks aiming at maximum of profits should lower discount interest rate and increase credit supply, if Buczowski was right – interest rates should be raised and credits supply should be limited. In the first case, the maximum interest rate law should not matter, in the second – law abolishment would mean interest

⁵⁹ *Ibid.*, p. 111.

⁶⁰ *Ibid.*, p. 112.

⁶¹ *Ibid.*, s. 115.

rate increase. The above reasoning should be complemented by one more fact (to which everyone agreed) – banks created in Poland a quasi-monopolistic structure. This made credit price control possible by controlling its supply.

Skrzywan was of an opinion that in Poland “we have had and we used to have artificial lack of credits, not their surplus”, that means banks were acting in a direction to limit supply and thus to increase credit price. Saying so he agreed with Buczkowski, that banks excessively raised the interest rate – opposite to what Taylor and Breit wanted, that interest rate was too low and banks were running too liberal credit policy.⁶² In another paper, Skrzywan added that “current interest rate was a serious barrier for taking up private-economic industrial investment”, and its level resulted from a high interest rate of deposits. Because of that reason the difference between deposit interest rate and the Bank Polski interest rate was not big enough and emission bank could not “efficiently play its role as financial market reserve.” In his opinion only by lowering deposit interest rate can you after some time make the discount interest rate decreased.⁶³

T. Sołowij seems to have presented the most matter-of-fact analysis of interest rates. In his opinion the lower limit of short-term credit interest rates was conditioned by the lowest deposit interest rate and by rules of money reserves storage and remnants in the resources account in the emission bank (with no interest rate). The lower limit was also influenced by the existence (or lack) of alternative investment deposits, short-term securities, and also by profitability of economic enterprises financed with such credits. The maximum level of interest rate (generally rediscounted) depended on the interest rate of emission bank (it was not payable to borrow from the market as it was more expensive than borrowing directly from the emission bank).⁶⁴

There was a possibility of lowering the interest rate – in his opinion – only on a truly free and flexible market. Polish market did not fulfill these conditions. In such situation, abolition of usury law would have no influence on the interest rates level; however it would be necessary if such a market did emerge. When interbank market exists, “for a bank [...] it is even more convenient to borrow money only for one day at 12% p.a.” rather than using cheaper rediscount credit with longer payment time.⁶⁵

⁶² W. Skrzywan, *Warunki i skutki reglamentacji stopy procentowej w Polsce* [Interest rate rationing in Poland: conditions and effects], „Bank” 1935, No. 3, p. 184-187.

⁶³ W. Skrzywan, *O niżsżej stopy procentowej* [For decrease of interest rate], „Bank” 1935, No. 2, p. 90-92.

⁶⁴ T. Sołowij, *Rynek* [The Market], p. 56-58.

⁶⁵ *Ibid.*, p. 70.

Sołowij was of the opinion that, even though there were no open markets in Warsaw nor the notation of the international transaction, the mechanism itself of interest rates formulation was since 1926 similar to that in the western countries. Binding was the "rule to harmonize the deposit interest rates, and indirectly the whole system of the market interest rates of the discount interest rate of the bills issuing bank, which was a sign of equilibrium between credit based on bank deposits and a reserve credit of an issuing bank".⁶⁶

He did not share the opinion, that the maximum interest rate through the deposit interest rates negatively affected the deposits level. *À vista* deposits of the people, who had no other forms of saving, depended mainly on their "sense of saving", political and financial stability of the State and on the solvency of the institution. Influence of the maximum rate of interest on the level of deposits may be discussed only in case of deposits with time limits. Nevertheless even here a high firmness and liquidity of their keeping in the banks gave them advantage over other forms of deposits even when there was a difference in profitability. Several times a deposit drainage happened which resulted, in his opinion, from lack of confidence in the currency stability or in the condition of the private banks. He was of the opinion that it was a deposit firmness that counts for the depositaries, and the level of interest rate is less important.

Concluding the considerations concerning the significance of the money usury law, Sołowij stated, that it was a right decision to put that law in force in the year 1924. It was also supported by the behavior of the private discounters, but also by the banks which since the times of inflation got used to usury and the practices of a not very professional behavior in newly founded entities (the process called in Polish: *praktyki grynderskie* [Gründer practices], from German: *Gründer* = Founder). "That mental attitude had to be eliminated by all available means after introducing zloty on the market."⁶⁷

As soon as the process of reforming the banking system was over, there was no longer need to keep the money usury law in force, the more that the deposit cartel had been created and a sharper control over the credit services had been implemented. By that time the maximum interest rate was lowered following the falling tendency of the short-term credit price. Influence of the money usury law on the credit price appeared to be negligible, which resulted from filling the credit demand (unlike the situation with the

⁶⁶ *Ibid*, p. 70.

⁶⁷ *Ibid*, p. 82, 97, 109.

long term credits where the market was not yet balanced).⁶⁸ Lifting the rationing would probably result in the increase of frozen or doubtful credits interest rates, also their differentiation would increase. In case of usury as such – the only effective way to fight it could be to develop local small credits institutions.

SUMMARY

The Money Usury Law, though initially of a temporary character, appeared to become a permanent element of the financial system in the Second Republic of Poland. In spite of strong critics it was not lifted.

It is hard to objectively say whether it was more profitable or harmful. Its purpose was to make the creditors use the interest rates below the level accepted as proper by the government. We have no evidence that if it was not implemented the credits would not cost more. However, an analysis performed by us allows to assume that it could happen, especially in the 20s. We can therefore assume, that at least partially it fulfilled the expectations.

Apart from the positive results, that law had also many negative effects. It was limiting the market activities, and the interest rate was not controlled by the market demand and supply. Like every maximum interest rate, the statutory interest rate was fixed at the level below the price of equilibrium, causing that some not realized demand was satisfied on the black market. Also the banks accepted the attitude not to compete among themselves neither in credits nor in deposits. Eventually they created a so called deposit cartel, where the Union of the Banks of Poland (ZBwP) wanted to incorporate other entities into this structure. Their activities led to issuing a new law on maximum deposit interest rate in the communal savings banks and the credit cooperatives. On the other hand, the deposit interest rates in the State banks were controlled by the Minister of the Treasury.

The charges that the money usury law blocked the development of the “inner capitalization” does not seem to be true, as in fact it depends mainly on the level of people’s incomes and their inclination to saving.

Undoubtedly that law hampered the activity and possibility of growing of the private banks. In case of the off-banking activity it remained ineffective.

The law on maximum interest rate helped to create several markets with its own binding level of interest rate. They were: the market of the Bank Polski joint-stock Co.; market of private banks, market of State banks

⁶⁸ Sołowij, *Rynek [The Market]*, p. 118-119; S. Buczkowski, *Reglamentacja stopy dyskontowej [Interest rate rationing]*, „Gospodarka Narodowa” [„National Economy”] 1935, p. 15.

and the off-bank market. An average interest rate of the short term credits calculated by us was placed somewhere between the rates of the Bank Polski and the maximum interest rate, and the tendency of its changes was strictly correlated with that of the Bank Polski. This was the effect of the government's policy to correlate the interest rates of the Bank Polski with the maximum interest rate controlled by the government. It was breaking the rule that the Central Bank should be independent. Adding to this it was agreed as a rule, that these interest rates would be the lowest on the market. That was mentioned by Mr. Stanisław Karpiński in his first speech.⁶⁹

The Money Usury Law did not have dedicated defenders among the economists in the period between the two world wars. Also the supporters of the State control were skeptic to this sort of solutions. Even though all the subsequent governments considered to lift it and thus the money usury law was binding till the end of the period between the two world wars.

⁶⁹ AAN, Bank Polski S.A., Set 291, sign. 20, p. 159.