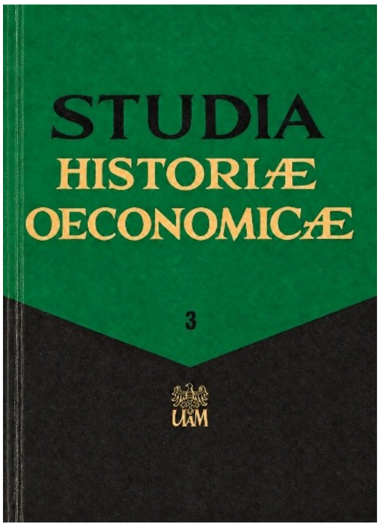

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THE MAIN FEATURES OF THE AGRICULTURAL CRISIS IN POLAND IN THE YEARS 1929—1935

In contemporary economic publications concerning agriculture in capitalist countries one finds a differentiation of two types of crisis, i. e. a chronic and a cyclical one. It is a matter of generally accepted opinion that the chronic crises were not a result of fluctuations in the economic conjuncture. It is generally accepted that they were above all a result of long-term disturbances in the tempo of changes in supply and demand in longer period of time and of the deterioration in the profitableness of agricultural output as compared to that of industry [1]. Such a crisis has a structural character and short-lived changes in economic conjuncture can only increase or diminish the difficulties of agriculture, but they fail to remove the sources of the crisis.

Cyclical crises in agriculture were in most cases connected with industrial ones. An industrial crisis always caused a fall in output and as a result a fall in employment and profits of town population. This in its turn caused a fall in demand for agricultural products. The demand of town population for agricultural products, as we know, is comparatively inflexible as compared to the demand for industrial products (which does not preclude structural changes), but we should remember that even a small decrease of demand for agricultural products brings about, according to King's rule, a considerable fall of prices. Agriculture nearly in all cases suffered general economic crises to a greater extent and for a longer time than other branches of economy. This was so because of its smaller adaptibility of demand, smaller contacts with the market and a delayed reaction to the demands of the conjuncture resulting from these [2]. Thus the result of a crisis in conjunc-

[1] A. Runowicz, Problemy kryzysu agrarnego w USA (*Problems of Agrarian Crisis in the USA*). Subsequently quoted as Problemy. Warszawa 1960 p. 36; M. Tracy, *Agriculture in Western Europe. Crisis and Adaptation since 1880*. London 1964 pp. 366—67; T. W. Schultz, *Economic Crisis in World Agriculture*. Michigan 1965 p. 7 and 8.

[2] L. Luboszyc, Problemy marksistowsko-leninowskiej teorii kryzysów agrar-

ture was in most cases a more pronounced fall in the incomes of population engaged in agriculture, which made it necessary for the governments of many countries to extend some support to agriculture in order to oppose the social consequences of the crisis [3].

The agricultural crisis in Poland was similar in its development. It started with a sharp fall in the prices of grains already in the economic year 1928/1929. Many economists and politicians of those time were looking for the causes of that breakdown of prices in the superabundance of grains in the home market. It was believed that the superabundance was caused both by good harvests for several successive years by a certain intensification of production and also by an erroneous policy of the government (export tariffs and imports from other countries) and by German dumping. Such a view upon the causes of the agricultural crisis prevailed in its early stage when the crisis was still treated as a temporary one and as caused by local factors [4]. In the lapse of time, when it was becoming more and more clear that the crisis had the features of a long-term depression, opinions as to its origin and remedies to be suggested underwent an evolution. A greater attention was paid then to investigations towards establishing what factors made it impossible for agriculture to overcome the crisis on its own, to finding out means which would help to improve its position [5].

The agricultural crisis hit agriculture in Poland in a specific situation, in a time of the reconstruction of the agrarian system, in a time when intensification of output was begun. Until 1928 Poland was one of countries which had to import grains. As a result prices were among the highest in the world. This, in spite of high prices for the means of production, guaranteed a considerable profitableness of agricultural output and encouraged intensification. These things were supported by the government mainly by means of credit activity. The aim was to free

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nych (*Problems of Marxist-Leninist Theory of Agrarian Crises*). Warszawa 1951 pp. 40, 48—49 and 208; A. Runowicz, Problemy, pp. 29—30.

[3] C. Klarner, Dochód społeczny wsi i miast w Polsce w okresie przesilenia gospodarczego 1929—1936 (*The Social Income of Villages and Towns in Poland in the Period of Economic Crisis 1929—1936*). Lwów 1937 p. 14. E.g.: the share of the farming community in the gross social income = 100 was as follows: 1929 — 46.8 per cent; 1933 — 41.8 per cent; 1935 — 39.7 per cent.

[4] K. Paygert, Kryzys rolniczy (*Agricultural Crisis*). Rolnictwo R. II, vol. I, No. 2, pp. 20—52; by the same author, Rzut oka na kryzys rolniczy (*A Look at the Agricultural Crisis*). Warszawa 1931; W. Okoniewski, Kryzys rolniczy (*Agricultural Crisis*). Poznań 1930.

[5] A. Rose, Istota polskiego przesilenia rolniczego (*The Essentials of the Polish Agricultural Crisis)*. In: Życie gospodarcze a ekonomika społeczna, red. L. Caro, Lwów 1933, pp. 365—74; by the same author, Sześć lat kryzysu rolnego (*Six Years of Agricultural Crisis*). Polska Gospodarcza 1936 No. 1.

the country from import by a rise in output and to lower the prices for agricultural products[6].

The condition of agriculture, its reactions to the changes in the economic conjuncture were determined by agrarian structure.

Table 1.

The agrarian structure of farms in Poland in 1931[7]

Farms	In general	Area of the farm in ha					
		0–2	2–5	5–10	10–20	20–50	more than 50
		percentage					
Number	4,178 thou. = 100	30.3	33.5	24.1	9.7	2.2	0.3
Area covered	37,897 thou. ha = 100[a]	3.3	13.0	19.4	14.9	7.0	25.8

a — and 16.6 percent comprised the so-called commons. Most of these grounds were forests and waste lands,

In Polish agriculture as compared to other countries the small farm holdings played a particularly considerable role. Many of them were not self-sufficient, i.e. such as were not able to provide for the maintenance of their owners and families by their output with medium range capital investment and their own work. In Polish conditions all holdings up to 5 ha were regarded as falling short of the self-sufficient range. The members of the families of their owners or the owners themselves, in order to provide for adequate standard of living, had to look for employment outside the farm. Holdings within the 5—15 ha range were in Polish conditions small output farms which did not employ any labourers, but were based upon the labour of the owner and his family. Big size of peasant families resulted in only partial employment of family members in many holdings within the 5—15 ha range, not to speak of smaller holdings[8]. As migration of labour from country to towns and to industry was hampered by crisis and so was

[6] J. Ciepielewski, Wieś polska w latach wielkiego kryzysu 1929—1935. Materiały i dokumenty *(The Polish Village in the Years of the Great Crisis 1929—1935. Materials and Documents)*. Warszawa 1965 p. 13.

[7] Z. Landau, Kryzys rolny w Polsce (1929—1935) *(The Agricultural Crisis in Poland (1929—1935)* subsequently quoted as Kryzys. Zeszyty Naukowe SGPiS, No. 37. Warszawa 1962 p. 70.

[8] A. Żabko-Potopowicz, Rolnictwo w Polsce *(Agriculture in Poland)* subsequently quoted as Rolnictwo. Warszawa 1938 pp. 29—38; K. Czerniawski, Zagadnienie struktury agrarnej *(The Problem of the Agrarian Structure)*. Warszawa 1937 pp. 57—59.

emigration to other countries, and as result of the increase of re-emigration, there was a considerable increase of population in the villages and the so-called overpopulation of the villages was a result.

One must not forget that the Polish village of those times was characterized by a great number of landless population, those having no plot of their own ground and also having no opportunities of employment outside agriculture. According to the data of the 1931 census from total population of 32 million 72 per cent lived in the country and population employed in agriculture, horticulture and forestry comprised 61.4 per cent of the total professionally active population. This made Poland one of the most agricultural countries of Europe. It must be pointed out that the participation of agricultural population in employment as compared to all the inhabitants increased eastward. If we compare the numbers of agricultural population for one ha of agricultural land, we shall find that also in this respect Poland belonged to the most agricultural countries of Europe. The density of agricultural population increased from north to south. The greatest number of agricultural population for a given area was to be found in the so-called central Polish plateau belt where there were more than 100 persons for one square kilometer of agriculturally usable area [9].

A considerable density of population engaged in agriculture, a comparatively high natural increase of village population, the above mentioned lack of opportunities of employment outside agriculture, all these factors brought about an increase of the demographic pressure upon the agrarian structure and as a result a further fragmentation of holdings, mostly caused by distribution of land among the members of the family. More and more farms were doing without employing land labourers, making an effort to base production on their own labour. This was particularly striking in the case of bigger peasant holdings (10—15 ha) which earlier had used rather extensively cheap, hired labour. The owners of the manors also reduced the number of hired labourers. These facts were strictly connected with increasing economy measures and with an accelerating increase of cultivation of grains. In the manor farms above all the group of permanent manorial labourers was diminished. The manors started to use on a large scale seasonal land labourers and labourers who lived outside the manorial village as these constituted cheaper labour and as work

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[9] E. Baranowicz, H. Minc, Ogólne wyniki spisu ludności z 1931 r. w zakresie ludności rolniczej (*The General Results of the 1931 Census within Rural Population*). Rolnictwo R. IX, vol. III, Nos. 1/2, pp. 22 and 24; Mały Rocznik Statystyczny 1939 (*The Short Statistical Almanach for 1939*). Warszawa 1939 p. 33.

conditions in their case were not always regulated by collective bargaining agreements, and as these not everywhere had to be insured. In some parts of the country leasing of land against payment in the form of work became a large scale practice. This form of enlisting labour became very common especially in some bigger peasant farms [10].

There was agrarian overpopulation in Poland before 1929. In the period of crisis, it may be assumed, each year was characterized by an increase of ca. 200 thou. persons who were unable to find employment outside agriculture. Overpopulation increased especially in a sharp way in smaller holdings up to 5 ha and they were characterized by the greatest reserves of unused man-power. According to the estimates, following an assumption that in Poland as a whole the agrarian structure would be similar to that of Western Poland, we could suppose that the number of redundant population in productive age range was as high as 5 million in 1935. This estimate is, however, too high and it does not take into consideration the really existing conditions. The actual overpopulation of the villages without allowing for a reconstruction of the agrarian structure was much smaller. It was estimated at ca. 2.5 million persons [11]. Recently effected estimates concerning redundant population in the villages in the years of crisis allow us to assume that this population comprised at least ca. 22 per cent of all the agricultural population and ca. 19 per cent of the entire village population [12].

The breakdown of the profitableness of agricultural output and the failure of fulfilling their obligations on the part of most owners of agricultural holdings diminished the opportunities of the re-shaping of the agricultural system. The changes that affected the agrarian structure in the period of the depression were almost completely

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[10] S. Warkoczewski, Położenie robotników rolnych w Wielkopolsce w latach 1929—1939 (*The Condition of the Land Labourers in Great Poland in the Years 1929—1939*). Warszawa 1965 p. 349; M. Mieszczankowski, Struktura agrarna Polski międzywojennej (*The Agrarian Structure of Poland between the Wars*) subsequently quoted as Struktura agrarna. Warszawa 1960 pp. 37 and 38; Rolnik Ekonomista 1934 No. 18 p. 503.

[11] M. Stańczyk, Przeludnienie agrarne w Polsce kapitalistycznej (*The Agrarian Overpopulation in Capitalist Poland*). Ekonomista 1955 No. 1 p. 103; S. Gryziewicz, Główne problemy rozwoju gospodarczego Polski w okresie 1919—1939 (*The Main Problems of Economic Development of Poland in the Years 1919—1939*). Londyn 1951 p. 2 ff; Statystyka Polski (*Statistics of Poland*) seria C-62 pp. 57 and 64.

[12] M. Mieszczankowski, Struktura agrarna p. 312; Cf.: W. Staniewicz, Rolnictwo a bezrobocie (*Agriculture and Unemployment*). Życie Rolnicze 1936 No. 2.

a result of spontaneous, irregular processes. Lack of cash forced many big land-owners to sell part of their land and owners of bigger peasant farms to divide their lands among members of their families. Government action was limited to land integration accompanied by lack of any other forms of re-shaping of the agricultural system. Land integration also required expenditure on the part of the peasant farms, hence the results of this activity were not very impressive [13].

The adoption of deflation by the government and a consistent implementation of this policy through a longer period of time resulted in delegating to the industry the greatest burden of the struggle against depression. Deflation contributed above all to a considerable increase of the real value of debts and payments resulting from debts, taxes and other non-productive expenditure of agriculture. Deflation was also conducive to the deepening of the fall of the prices of agricultural products, to the formation of great and prolonged disproportions between the prices of agricultural and industrial products at the expense of the former. Attempts at corrections of these policies by rising the prices of grains, the cultivation of which, as we know, does not comparatively need much labour and capital investment, in spite of the fact that comparatively large funds were ear-marked for these purposes, if we consider the conditions prevailing in those times, all these measures were not very successful in terms of duration and rather tended to prolong the crisis.

The breakdown of prices for the more important agricultural products and the increase of the real value of agricultural obligations caused in their turn the fall of profitableness of agricultural output, and contributed to the fall of purchasing power of village population. The run for money also caused in Polish conditions a considerable rise of supply: this was possible only owing to a fall in consumption of agricultural products in villages. It must be also pointed out that the changes in the demand of the village population for agricultural products were mainly structural in their character [14]. The farmers selected for consumption in their farms those products which it was more difficult to sell in a given time as compared with other goods and thus they adapted their supplies of agricultural products to the market

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[13] Rolnictwo, R. VII, vol. II, No. 2 p. 209; C. Madajczyk, Burżuazyjno-obszarnicza reforma rolna (*The Agrarian Reform of the Big Land-Owners and Bourgeoisie*). Warszawa 1956 pp. 274 and 277.

[14] J. Orczyk, Nożyce cen i akcja ich zwalczania w Polsce w latach 1929—1935 (*The "Scissors of the Prices" and the Action against them in the Years 1929—1935*) subsequently quoted as Nożyce. Roczniki Dziejów Społecznych i Gospodarczych (cyt. RDSG) 1967 vol. XXVIII pp. 39—41.

to the conditions prevailing at a given moment. The same approach was characteristic in case of goods the transport of which, in conditions of high and stiff freight tariffs, became unprofitable. Potatoes were a case in point.

As long as it was not understood that the crisis was sharp and was going to continue for a long time, the maintainance of economic balance by adoption of deflationary policies, with some necessary modifications, was regarded as the most proper approach. However, when the crisis spread to more and more sectors of the social economy and the situation of agriculture was becoming even more acute, large scale government intervention became a necessity. The basic sector of national economy, agriculture, could not be allowed to decline. Government intervention was not limited to a promotion of a rise in prices, but after 1931 it found its implementation mainly in a number of measures aiming at preventing the farming community's capital to run down and at a reduction of payments connected with debts [15]. Polish agriculture before the crisis had no particular difficulties on the credit and money market, because the high price of land was believed to be a solid security. Besides, the state ear-marked comparatively large sums in the form of credit for the re-shaping of the agricultural system, amelioration etc. The cost of long-term credit drawn in emissive institution was as high as 11—13 per cent of the full amount per annum. The cost of credit drawn in mortgage institutions was even higher and amounted to 12—18 per cent. It must be pointed out that credit with such a high interest was drawn mainly by the owners of peasant farms. The interest for loans advanced to manorial farms was on the average 5 per cent lower.

It must be added that the interest was much higher for long-term credit than for the short-term one. Owners of the smallest holdings who borrowed money on the private money market sometimes paid as much as 30—40 per cent of the sum of the loan per annum. The rate of interest depended not only on the size of the holding, but also on the differences characteristic of the various territories of Poland. In the western voivodeships credit was the cheapest, because there the credit conditions were the best regulated ones and because there the use of credit was most common and therefore the burden of debt not very heavy. Credit with the highest rate of interest was used mainly by the owners of the smallest holdings who were not well informed about the official credit opportunities, who wanted to avoid the many

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[15] J. Majewski, Struktura i rola urzędów rozjemczych do spraw majątkowych *(The Structure and Role of Property Arbitration Offices)* subsequently quoted as Struktura. RDSG 1960 vol. XXII pp. 123—125.

formalities involved in such financial operations and who needed only small sums of money. Those holdings were not regarded by the credit institutions as very trustworthy as securities, hence a marked unwillingness to extend credit to them at a lower interest. As compared with other parts of the country there were comparatively few such holdings in the western voivodeships and, it must be recalled, a much higher percentage of those holdings was free from any burden of debt [16].

The high rate of interest for credit was beyond the financial capacity of the farms involved. Their profitableness was never very high. Repayment of debts and interest was possible for their owners only at the cost of giving up on the part of the owner of the holding of a part of earnings due to him for the capital he had invested and frequently, when this was not enough, also of the wages for his own and his family's work. These conditions could persist only when prices for agricultural products were high and when participation of a part of passive capital in the value of the holding as a whole took place. As we know, the crisis caused a destruction of these proportions. It caused not only a fall of agricultural prices, but also a rise of the importance of passive capital resulting from the fall of the value of active capital engaged in agriculture [17]. The deterioration of the situation of agriculture was also influenced by the fact that the creditors, when they lended money, at once added up to the sum of the debt a part of the interest, in order to find some security against the insolvency of the debtors, and this as a result increased the sum total of the debt. Apart from that, the peasants who were unable to fulfill their obligations resulting from debt already in the first stage of the crisis, contracted new loans, often on even worse credit conditions. in order to satisfy the particularly exacting creditors. No wonder that in such conditions the sum of debts incurred was rising very quickly and the unpaid interest constituted an increasing part of the sum total of the debts. In cases of a failure to pay the debts lasting for many years, and this was often the case in Poland in the years of crisis, this caused the value of the loan to multiply several times [18].

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[16] M. Mieszczankowski, Zadłużenie rolnictwa Polski międzywojennej *(The Agricultural Debt Burden of Poland between the Wars)* subsequently quoted as Zadłużenie. Najnowsze Dzieje Polski 1914—1939 vol. VI pp. 124—126; Cf.: J. Majewski, Struktura..., pp. 109—114.

[17] A. Żabko-Potopowicz, Rolnictwo, pp. 101—105.

[18] Z. Rusinek, Geneza zadłużenia rolniczego (*The Origin of the Agricultural Debt Burden).* Rolnik Ekonomista 1934 No. 8 pp. 209—211; T. Krzyżanowski, Jedna z istotnych przyczyn zadłużenia rolnictwa (*One of the Essential Reasons of the Accumulation of the Debt Burden of Agriculture*). Życie Rolnicze 1936 No. 1.

So far we are not in the possession of full data concerning the total burden of debts incurred by agriculture. This results above all from lack of information concerning debts incurred among private persons. We have, it must be admitted, the estimates concerning the total burden of debt of agriculture worked out by the Ministry of Agriculture, but owing to the fact that these estimates are not based upon wider questionnaire investigations, we cannot regard them as a full account. These data are concerned mainly with the years 1931 and 1932, because then the problem of the insolvency of agriculture was particularly acute. The total debt burden of agriculture in 1931 was estimated to be as high as 3,850 million zł. From that general sum ca. 2,550 million zł comprised debt burden due to be paid to banks and other credit institutions. The next period was particularly hard for agriculture, owing to the breakdown of prices also for animal output. As a result the debt burden rose in 1932 to 4,622 million zł, within that sum the burden of debt incurred in banks and credit institutions comprised 2,768 million zł. According to extant materials it is possible to assume that there was a change in the structure of credit: there was a fall in the sum of short-term credit. In most cases that credit had not been repayed, but it was changed into a medium and long-term one. Burdens and arrears resulting from unpaid taxes and other payments rose too [19].

It is much more difficult to establish what a part of the total burden of debt fell upon peasant and manor farms respectively, not to speak of indicating the difference in the structures of the debt burden in those two types of holdings. M. Mieszczankowski, who was engaged in an attempt at establishing the debt burden of agriculture from the point of view of a differentiation according to forms of ownership and kinds of debtors, used the data of the Ministry of Inland Revenue. It must be pointed out that these estimates take into account also tax and other arrears, thus they include the total arrears of agriculture, irrespective of their character.

The sum of debts and other arrears constituting the burden of agriculture was very big and it comprised a large part of capital engaged in farming. The sum total of the arrears during the crisis was several times higher than the sum total of incomes per annum attained by the whole agriculture for the products sold.

If we consider that ca. 30 per cent of peasant holdings in Poland were not burdened by debt one might assume that in a large part of

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[19] M. Mieszczankowski, Zadłużenie, pp. 126—129; Z. Landau, Kryzys..., p. 62. The author says that the debt burden of agriculture in 1933 was as high as 4,273 million zł, within that sum the long-term debt was 2,563 million zł and the short-term one 1,710 million zł.

Table 2.

The debt burden of agriculture in Poland at the end of 1932[20]

Source of credit	Sum total in millions of zł	Manors			Farms up to 50 ha		
		Total in millions of zł	For 1 ha of ground	For 1 ha of usable ground	Total in millions of zł	For 1 ha of ground	For 1 ha of usable ground
Banks and institutions	2 767.6	1 558.3	159.3	337.1	1 209.3	55.4	62.0
Private persons	2 437.2	623.3	63.7	134.9	1 813.9	83.2	92.9
In all	5 204.8	2 181.6	223.0	472.0	3 023.2	154.9	154.9

farms that were suffering from the greatest burden of debt the sums earned during the slump would just constitute with some difficulties the payments due because of debts and taxes. Actually those farmers were unable to pay these sums in time, in spite of the fact that they reduced expenditure for other purposes[21].

In the years 1931 and 1932, when according to the estimates the debt burden of the farming community was the highest, auction sale of the property of the owners of holdings became a mass feature of the village scene. This enabled a number of private creditors and other speculators who had some capital at their disposal to become owners of many valuable peasant holdings for ridiculous prices (some-

[20] M. Mieszczankowski, Zadłużenie... pp. 132, 133. It must be added that all investigations made within the up to 50 ha range of holdings made it possible to establish that the debt of 1 ha rose very much as the size of the holding diminished. This was particularly clear as far as private credits are involved. The heaviest debt burden for 1 ha characterized the smallest peasant holdings and the smallest one was to be found in holdings within the 20—50 ha range.

[21] Z. Landau, Kryzys..., p. 62; The servicing of the debt and arrears burden of agriculture in 1933 (a sum of ca 4,600 million zł) reached ca 500 million zł, and the inclusion of installments (apart from the current amortization) increased that sum for another 1,719 million zł. All in all a sum of ca. 2.200 million zł would have to be paid and the cash income of agriculture for the sale of agricultural products in 1933/34 were only 1,500 million zł; Cf.: J. Majewski, Struktura..., p. 133; AAN akta KEM sygn. 1214, pp. 105—111; W. Zaklika, Bilans obrotów gotówkowych rolnictwa polskiego (*The Balance of the Cash Turn-overs of the Polish agriculture*). Lwów 1933 pp. 15, 23, 25, 26; B. Dederko, Zdolności płatniczo-podatkowe rolnictwa (*The Capacity of Tax and other Payment of Agriculture)*, reprint of Rocznik Zbioru Prac Zakładu Polityki Ekonomicznej SGGW, ed. W. Grabski.

times 1/10 of the value of the debt). Those things happend frequently particularly in the territories of the former Prussian and Russian partitions where there was no legislation limiting the auction price as related to the estimated value of the holding. Decrees legislated in February 1932 contributed to an extensive limitation of these practices. Apart from that, many burdens of agriculture underwent in the years 1932 and 1933 a conversion, i. e. a prolongation to a longer period and for more favourable rate of interest, as far as some particularly cumbersome debts were concerned, particularly those incurred for non-productive purposes, and some debts incurred before 1931 were suspended. Those regulations concerned both debts incurred in form of the so-called organized credit and private credit.

A view that there was a necessity of lowering the costs of servicing the debts and the debt burden itself became increasingly wide-spread. This was to shift some of the losses connected with the crisis, losses for which the farming community could not be blamed, to the creditors themselves. This was designed to make the value of the debt burden of agriculture a real one. It found its expression above all in a legislated reduction of interest and as a result also of the sum of the arrears that were thus accumulated. It must be pointed out, however. that until the end of the crisis there was no legislation or regulations that would have in mind a reduction of the basic sum of the debts [22]. Only a part of the credit for productive purposes was extinguished (this was concerned mainly with amelioration), which as a result of the lack of a proper supervision on the part of state offices were not rationally used or the profitableness of which had undergone a prohibitive fall [23].

The government, in the course of its work over the plans of assistance to agriculture in which it was engaged in 1931, based its

[22] J. Majewski, Struktura pp. 145—147; Przemysł maszyn i narzędzi rolniczych na progu poprawy (*The Agricultural Machinery and Tools Industry at the Threshold of Improvement*). Gazeta Rolnicza 1936 No. 25 p. 657. The Implementation of the legislation for the lessening of the debt burden contributed to a deterioration of the situation of those commercial and industrial enterprises which extended credit to agriculture. As a result of being prevented from regaining their money those enterprises were left without turn-over means. This problem was partly regulated as late as in 1936 owing to extinction of a part of those sums in favour of the owners of the enterprises; M. Drozdowski, Polityka gospodarcza rządu polskiego 1936—1939 (*The Economic Policies of the Polish Government 1936—1939*). Warszawa 1963 p. 239.

[23] W. Jawan, Spółki wodne (*Water Companies*). Życie Rolnicze 1939 No. 4; Z. Gumiński, W sprawie kredytu melioracyjnego (*On the Question of the Amelioration Credit*). Rolnik Ekonomista 1935 No. 18.

approach upon the assumption that the prices of the basic agricultural products would not fall more than 40 per cent as compared to the 1928 price level. It was to that degree that the burdens of agriculture were planned to be reduced. The sum total of the reductions was expected to amount to ca. 200 million zł [24]. In the face of a further fall of prices for agricultural products, a fall far to the excess of the original estimate, the government was forced in 1934 to issue a moratorium postponing till 1938 the deadline for the repayment of the most cumbersome financial obligations of agriculture. However, obligations towards the treasury of the state, institutions and social insurance. the Bank of Poland, institutions of long-term credit, and so on, were excluded from the moratorium. Thus the general advantages for agriculture resulting from the moratorium were not very impressive. That moratorium, on the other hand, helped to make the obligations of agriculture more real [25]. This problem is illustrated by the below presented table 3. The data of this table, it must be admitted, are concerned only with holdings up to 50 ha, but on the basis of agricultural accounts as they were made in the manorial farms of the Poznań voivodeship it is possible to assume that the dynamics of the changes were similar in both types of farms.

Table 3

Cash expenditure of peasant farms in Poland in zł for 1 ha of usable ground [26]

Categories of expenditure	1928/29	1929/30	1930/31	1931/32	1932/33	1933/34	1934/35	1935/36
Total expenditure	373.66	347.79	274.93	181.13	126.60	100.11	100.11	107.37
Taxes	10.98	10.55	8.87	6.42	6.13	5.71	5.80	5.13
Repayment of cash and commodity debts and interest	162.69	133.14	112.75	86.63	62.87	38.65	34.77	33.44

[24] Ustawodawstwo finansowo-rolne i jego praktyczne zastosowanie (*Financial and Agricultural Legislation and its Practical Application*). Warszawa 1933 pp. 27—28, 68—69.

[25] J. Majewski, Struktura, pp. 143—144.

[26] Badania nad opłacalnością gospodarstw włościańskich w roku gospodarczym 1935/36 (*Investigations Concerning the Profitableness of Peasant Farms in the Economic Years 1935/36*). Warszawa 1938 pp. 78—79; Cf.: Statystyka porównawcza dochodów i rozchodów gospodarstw wielkorolnych, średniorolnych i małorolnych województwa poznańskiego za rok gospodarczy 1933/34 (*Comparative Statistics of*

Government intervention in the direction of making the obligations of agriculture real proved to be helpful to the farming community. It contributed to a more equal share of the burdens of deflational policies. On the other hand it seems, however, that the results thus attained were too late, because many farms had undergone a process of irreparable ruin. The above presented data inform us only about the changes in the general cash expenditure. It is, unfortunately, impossible to establish upon the basis of the agricultural accounts to what a degree the fall of expenditure of cash was a result of government action and to what a degree it was a result of the disability on the part of the farmers to fulfill their financial obligations. It is obvious that not all types of holdings felt the results of that relief in an equal way. These differentiations were a result of the fact that, among other things, the repayments of debts underwent the highest reduction owing to the conversion which was carried through and owing to a change of short-term debts into medium and long-term ones. On the other hand payment of taxes and arrears accumulated because of unpaid taxes did not undergo any major changes. Moreover, these obligations were all the time exacted in a very severe way, particularly when peasant farms were concerned. The total sum of taxes paid in 1933/34 was lower by 25.2 per cent as compared with that of 1928/29.

As the manorial farms in the period of crisis fulfilled their obligation in a smaller degree, there was actually an equal rate of taxation paid per 1 ha in holdings of various sizes. It must be added that in the period before the crisis those differences were rather great, particularly as far as state taxes were concerned, where the rates of payment for smaller holdings were comparatively low. The situation was reversed as far as other taxes, rates and insurances were concerned. In that case the smaller holdings paid much more than the manorial farms. It must be emphasized that there was a marked difference in the rate of taxes in the various territories of the Poland of those times. This was a result of the difference of taxation systems in the former three partitions. This problem was not fully solved until the very end of the interwar period. Thus, indices deduced from data concerning the country as a whole were not always a reflection of real conditions prevailing in big territories of the country. The variety was reflected

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Incomes and Expenditure of Large, Medium-Sized and Small Farmers Holdings of the Poznań Voivodeship in the Economic Year 1933/34). Poznań 1936; S. Antoniewski, Z ekonomiki gospodarstw dużych i małych *(From the Economics of the Big and Small Farms*). Subsequently quoted as Z ekonomiki... Warszawa 1938 pp. 16, 38, 54, 68, 88.

most strongly in the rates imposed by the local authorities and in insurance.

The presented table 4 informs about the changes in the tax revenues in agriculture. Only taxes actually paid to the state have been included, because there are no exact statistics concerning other categories of taxes and payments.

If we take into consideration the participation of taxation in the incomes of the farms earned per 1 ha we can also find that there was a rise of their importance. Before the crisis payments due to taxation comprised 10 per cent of the incomes per 1 ha and in the years of the crisis they amounted to 20 per cent. This participation was different in peasant farms and in manors, nevertheless the trend of the changes was similar only that it was unusually strong in the smaller holdings[28].

Table 4.

Nominal and real burden of land tax[27] (millions of zł)

Revenue	Years								
	1928/29	1929/30	1930/31	1931/32	1932/33	1933/34	1934/35	1935/36	1936/37
Nominal	64.4	50.9	49.7	45.5	54.4	58.7	60.8	57.1	60.1
Real	64.4	56.9	73.5	76.5	111.2	137.8	164.4	159.5	155.3

The results of the action towards the reduction of payments connected with debts were much more impressive. However, because of the lack of exact statistics informing us about the changes in the

[27] M. Mieszczankowski, Podatki rolne w Polsce międzywojennej (*Agricultural Taxation in Poland between the Wars*). Subsequently quoted as Podatki... Roczniki Dziejów Ruchu Ludowego 1961 No. 3, pp. 152—154. The total sum of the taxes paid by the owners of the peasant farms was lower only by 18.8 per cent, whereas the taxation revenue from the manors fell as much as by 43.1 per cent. It must be emphasized that taxes paid directly to the state were reduced by 24.5 per cent. Such a great reduction of state taxation was mainly a result of the reduction of the income tax which was paid in the pre-crisis period solely by the manors and the biggest peasant farms; Z. Knakiewicz, Deflacja polska 1930—1935 (*Polish Deflation 1930—1935*). Warszawa 1967 p. 216; J. Szpunar, Polityka podatkowa Polski w okresie kryzysu (*Taxation policy of Poland at the time of the crisis*). RDSG 1958 Vol. XX, pp. 241 ff; K. Ostrowski, Polityka finansowa Polski przedwrześniowej (*The Financial Policies of the Pre-War Poland*). Warszawa 1958 pp. 191, 192; AAN, Ministerstwo Skarbu, No. 5610. As a result of land-tax arrears amounted to 44.1 million zł on April 1st, 1928, in 1930 to as much as 30.8 million zł, in 1932 to as much as 64.2 million zł, in 1936 to as much as 58.8 million zł.

[28] M. Mieszczankowski, Podatki, pp. 157—158.

volume of agricultural payments it is difficult to establish what were the actual payments of that sort during the crisis period. On the basis of the data pertaining to the changes in the size of the burdens of agriculture resulting from the above mentioned factor it is difficult to establish to what a degree the fall in the payment of agriculture was possible owing to governmental assistance and to what a degree it was a result of a failure to fulfill payments that were curtailed by statute and good-will compromise. The legislation aiming at diminishing the burden of agriculture aimed chiefly at an improvement of peasants' farms, particularly those that were most affected by debt, i. e. originating from the re-shaping of the agrarian system. The debt burden of those holdings, however, was so heavy that in spite of curtailed interest and repayments of debts, owners of a large number of those holdings still were not in the position to fulfill their repayment obligations in time.

Not only the owners of holdings originating from the re-shaping of the agrarian system, but also those of many other holdings were in a similar situation. Although the debt burden of those holdings was smaller, the credit they had used was characterized by a higher interest, and it came mainly from private sources.

The owners of manorial farms, according to the intention of the legislators, were to profit less from the action of cutting down the debt burden. Actually it was vice versa. This was a result of a better knowledge of the regulations and the structure of the debt burden [29]

In the years of crisis a fundamental thing was not the value of the repayments to be fulfilled in terms of taxes or debts and its significance for the general profits of agriculture, but a general lack of ready money in the villages, which made it impossible for the farming community not only to meet their debt obligations and taxes. but also prevented them from buying many indispensable goods for the needs of their farms and those of their own. All farms already in the first stage of the crisis made considerable cuts in their expenditure for new and really owned means of production. A marked deterioration of the technical resources of agriculture followed. This deterioration found its reflection in: neglect of amelioration works devised towards a regulation of water conditions, in a fall of mineral fertilizing and in an almost complete cessation of purchases of ma-

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[29] J. Majewski, Struktura, pp. 156 - 161; Z. Landau, J. Tomaszewski, Zarys historii gospodarczej Polski 1918—1939 (*An Outline of Economic History of Poland 1918—1939*). Warszawa 1960 p. 158; J. Ciepielewski, Polityka agrarna rządu polskiego w latach 1929—1935 (*The Agrarian Policies of the Polish Government in the Years 1929—1935)*. Warszawa 1966 p. 286.

chinery or even in the form of a cessation of using those machines the farms already possessed if their use involved new financial effort [30].

When deflation was adopted as a method of fighting the crisis it was assumed that the fall of the prices of all goods would be more or less equal. But in fact in Poland to a higher degree than in other countries the feature of the situation were considerable disproportions between agricultural and industrial products. The phenomenon of the so-called „scissors of prices" not only developed in Poland to exceptionally high proportions, but, which is worse, remained a feature of economic life for a much longer period of time [31].

It must be pointed out that during the 4 years before the crisis the prices of agricultural products as compared to those of industrial goods were favourable for the farming community. During the crisis the prices of industrial goods, particularly those usually bought by farmers proved to be stiff in the first phase of the crisis. This was possible owing to a steep fall of industrial output, an adaptation to the volume of the diminished demand [32]. The farmers, on the other hand, were unable to cut the output of basic goods. A steep fall of the demand for agricultural products on the part of the agricultural industry caused a shift in the most intensified and marketing farms towards the cultivation of grains.

In general it may be stated that farmers in Poland during the crisis increased very much the market supply of the basic agricultural products. This increase was mainly caused by the increased supply of those products by the medium sized holdings of the central and eastern voivodeships whose contact with the market in the pre-crisis period was comparatively negligible. Those holdings did not increase their output and the rise of supply resulted from a fall of consumption,

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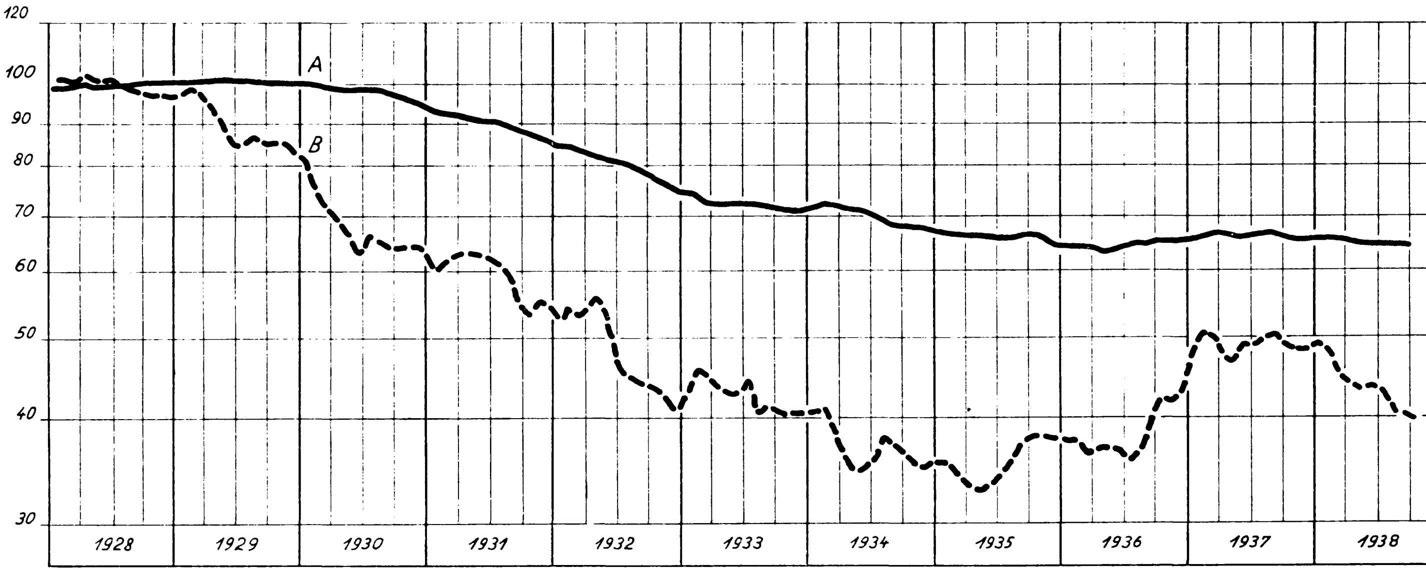
[30] H. Łosiakowa, Melioracje rolne *(Agrarian Ameliorations)*, praca magisterska SGPiS (An MSC Thesis of the SGPiS), Warszawa 1945; J. Orczyk, Produkcja zbożowa Wielkopolski (*The Output of Grains in Great Poland*). Poznań 1963 pp. 24, 61, 74.

[31] S. Antoniewski, Indeksy cen produktów rolnych i artykułów przemysłowych (*Price Indices of Agricultural Products and Industrial Goods*). Życie Rolnicze 1936 No. 7: by the same author Rolnictwo a stałość pieniądza *(Agriculture and the Stability of Money)*. Życie Rolnicze 1936 No. 9; Mały Rocznik Statystyczny 1939 (*The Short Statistical Almanach for 1939*) pp. 247—248; Koniunktura Gospodarcza Polski w liczbach i wykresach w latach 1928—1939 (*The Economic Conjuncture of Poland in Numerical Figures and Graphs in the Years 1928—1939)*. Warszawa 1939 pp. 20, 22 and 43.

[32] J. Orczyk, Nożyce, pp. 35—36, 38; Z. Rusinek, Notatka o możliwych wahaniach w spożyciu wsi (*A Note on the Possible Vacillation of Consumption in the Villages*). Rolnictwo, lipiec 1930 p. 251.



Wholesale prices of goods purchased and sold by the farming community A logarithmic scale — 1928 = 100

A — wholesale prices of goods purchased by the farming community

B — wholesale prices of goods sold directly by the farming community (with the influence of seasonal vacillation eliminated)

Source: The Economic Conjuncture of Poland, Year VII, No. 12 p. 60.

in spite of the increase of population. This rise of supply of agricultural products accompanied by a certain fall of home consumption contributed to a dependence of agricultural prices in Poland on world prices. In those years Poland became an exporter of some quantities of grains, particularly of rye, thus contributing to a further fall of the price of that commodity in European markets [33]. That export was strongly supported by the governments of those times who expected that by exporting the surplus of agricultural products a rise of the prices of grain and other agricultural products in Poland could be achieved. The export of grains as related to supply became rather sizable. High cost of that action of supporting the exports and its comparatively small influence upon the improvement of the prices of agricultural products contributed to the facts that an increasing number of people advocated the idea that the rise of prices of agricultural products could be achieved only by means of increasing the home consumption of those products [34].

Agriculture in Poland was not able to cut down production and supply like industry. The main reason of this may be found in the cost structure. Changeable costs in agriculture were very low. This was possible thanks to a very cheap, often unpaid labour. Moreover only a producing farm could provide for the needs and maintenance of the owner and his family. Hence many owners of peasant farms found it useful to produce, even when they practically did not get any pay from it in cash for themselves and their families [35]. A farmer in Poland produced as long as he was able to obtain for the products he sold a return of direct outlay in ready money and those were cut down to a great extent in Poland. There followed a mass shift to natural economy, a self-sufficient economy, making it possible, without investment in ready money, to use the man-power the farmers had at their disposal. It must be added that the peasant farms, unlike most manors did not follow the principle of an optimum form of investment but a principle of maximum income in ready money in conditions of abstaining from new financial investments. Hence it may be noticed that the peasant farms made some attempts at a shift to the production of those goods which could be more easily sold for a comparatively higher price. The tend-

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[33] S. Preibisz, Wpływ polityki zbożowej na ceny i produkcję zboża w Polsce w latach 1929/30—1933/34 (*The Influence of Grains Policies in Poland in the Years 1929/30—1933/34*). Praca z zakresu polityki zbożowej w Polsce. Poznań 1934 pp. 53 and 54.

[34] E. Rylski, Spożycie zbóż w Polsce i wywóz za granicę (*The Consumption of Grains in Poland and Exports*). Życie Rolnicze 1939 Nos. 20, 26, 30, 31; P. Szemraj, Produkcja i konsumpcja wewnętrzna i ceny w rolnictwie (*Production, Home Consumption and Prices in Agriculture*). Życie Rolnicze 1938 No. 49.

[35] J. Orczyk, Nożyce, p. 41.

ency to intensify through more labour, however could not have developed properly, because the action of the government for the rise of the prices for grains resulted in fairly good prices for that commodity, and as we know, grains belong to cultivations which not only do not require capital investment, but neither do they require much work.

The situation of the manors was quite different. Most of the manors in Poland at that time had shifted long before to grains production as their main line, because those did not need much capital investment and made it possible to use cheap seasonal labour. Only in the western voivodeships there were many manors characterized by intensive agricultural production. It was in those manors that the adaptation to the conjuncture influenced by the crisis was most remarkable. Those manors gave up intensive agriculture, limited their outlays to a very high degree and increased their grain cultivation areas. A considerable cut of outlays made it possible for a number of those manors comparatively big profits, sometimes higher than in the boom years [36]. This situation could not last long hence a number of those manors, in order to prevent devastation of property, tried to increase outlays. It must be pointed out, however, that the gross value of the output of those manors in the crisis years showed tendencies of a considerable fall.

In general the adverse influence of the agricultural crisis in Poland upon the level of the productive forces manifested itself particularly strongly in western voivodeships where the standard of agricultural technology was the highest. Thus a result of crisis in Poland was a kind of levelling of the standard of production in the particular regions of the country.

Extravagant costs of middlemen operations also caused, to a considerable degree, a fall in the profits of agriculture. Those costs proved to be exceptionally stiff, which in conditions of a fall of agricultural prices resulted in a continuous rise of their share in the prices of agricultural products. The share of the agricultural producer in the retail price was at the highest just above 60 per cent. Such great differences were caused, among other factors, by the fact that agricultural products were not properly standardized, costs of storage were rather high and in the face of the uncertain economic conjuncture there was always a good reason to be afraid of prolonged storage. Moreover, there were rather high rates of payments and taxes. In such conditions those en-

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[36] W. Schramm, Gospodarstwo, gospodarz i gospodarowanie (*The Farm, the Farmer and Farming*). Rocznik PTE za r. 1957/58, Poznań 1959 pp. 31—106; by the same author, Problem poznawania organizacji gospodarstwa ziemskiego (*The Problem of Studying the Organization of a Farm*). Rocznik Nauk Rolniczych i Leśnych 1939 vol. 47 pp. 235—311.

gaged in dealing in agricultural products delegated the commercial risk to the producer. Particularly heavy losses were sustained because of those conditions by farmers selling their products in smaller consignments, i.e. owners of smaller holdings. Only in the western voivodeships the situation was somewhat better, because there was in those regions a widely spread co-operative trade and, apart from that, a better orientation in the level of prices in bigger markets and a better condition of roads, factors militating against extravagant speculation. The development of the considerable differences between the wholesale prices and those paid to the producers was also caused by fragmentation of commerce and too many middlemen [37].

The owners of manors were generally in a much better situation, particularly those who supplied their goods directly to corn exchanges and thus avoided losses resulting from too large an apparatus of middlemen operations.

A stiff freight rate established by the government was an additional factor, contributing to the formation of comparatively great differences in prices in different regions. The participation of the costs of transport in the prices continually rose [38].

In general terms what followed was a steep fall of the profitableness of capital in agriculture. It became unprofitable as compared with other sectors of economy. As a result also a fall of the value of active capital in agriculture fell, among other things, fell the price of land. The rise of the participation of costs resulting from the activity of middlemen in the price obtained by the producer, as well as unwillingness and deficiency of capital for investment in agriculture created a situation in which the size of the income of an increasing number of holdings was becoming more and more dependent on natural conditions such as soil, distance from the market etc.[39]

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[37] J. Orczyk, Nożyce, pp. 59—60.

[38] Rolnik Ekonomista 1935 No. 21 p. 658. The Union of Chambers and Organizations of Agriculture estimated the total loss of the farming community resulting from the lack of adaptation of the freight fares to the lower prices of agricultural products in the years 1929—1933 to be as high as 120 million zł.

[39] S. Antoniewski, Z Ekonomiki, pp. 119—123; Memoriał Związku Izb i Organizacji Rolniczych RP (*The Memorial of the Union of Chambers and Organizations of Agriculture of Polish Republic*). Rolnik Ekonomista 1935 No. 21 p. 585; W. Grodecki, Położenie ekonomiczne gospodarstw folwarcznych w podokręgach: kutnowsko-włocławskim i płocko-łowickim w latach 1928/29 i 1932/33 (*The Economic Condition of Manors in sub-districts: Kutno—Włocławek and Płock—Łowicz in the Years 1928/29 and 1932/33*) (praca dyplomowa SGGW). Warszawa 193' (typescript); J. Poniatowski, Wobec przeludnienia wsi (*In Face of the Ove - population of the Villages*). Rolnictwo R. VII vol. II No. 2 p. 14.

In a summing up it must be stated that agriculture in Poland suffered to a greater degree than any other sector of social economy. The deflationary policies of the government, to which agriculture was unable to adapt itself, contributed to that fact. The fall of the participation of agriculture in the gross national income and the interception by the state and other institutions and social groups of an increasing part of the national income produced by agriculture was a result.

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