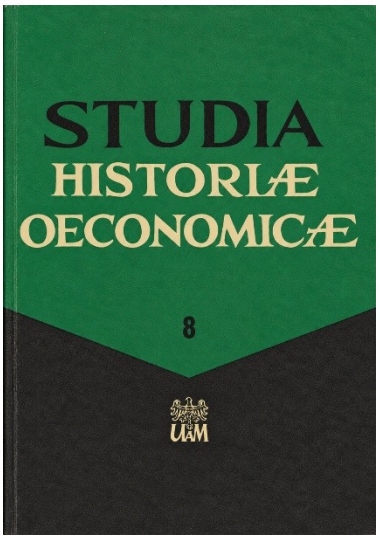


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THE GREAT DEPRESSION IN POLAND (1929 - 1935) AND ITS CONSEQUENCES

1. Introductory notes. The literature on the subject of the crisis which hit the economy of the capitalist world at the turn of the twenties and thirties of the twentieth century is vast. Owing to this the description of the development and of the consequences of the great economic crisis at our disposal is very rich and comprehensive.

That is why, in an article that is short by its very nature, it would not be useful and necessary to recall the more or less known facts pertaining to the general background of the outbreak of the crisis, its development in various countries, its influence upon the decrease of industrial production, diminished employment, pauperization of population, etc, etc. Therefore the author of the present article found it useful to concentrate on certain problems only which are either controversial or misrepresented. To such problems belong among others the question of the period of duration of industrial crisis in Poland as compared to the break-down in the remaining branches of the economy of the country, particular features of the crisis in Polish industry as seen against the background of tendencies prevailing in other countries and the question of the over-all economic consequence caused by the great depression.

2. A characterization of industrial crisis in Poland as seen against the background of a break--down in other divisions of national economy. At first let us try to establish the chronological boundary lines of the great crisis in Poland. There is a lot of confusion in the interpretation of that very question. In the rich literature on the subject there are many and comparatively different chronological boundaries proposed for both the exact time of the outbreak and termination of crisis in Poland. The dates for the outbreak are 1928 - 30 and for the termination 1933 - 36. At the same time all those engaged in the discussion of the

crisis unanimously agree that the world crisis should be dated from the autumn of 1929 to 1933.

The intent of establishing the boundary dates of crisis in Poland is not limited only to objectives concerned with impressing upon the explication of history certain formal time limits. More important problems are at stake, such as a possibility of comparing the duration of crisis in Poland and the world over, as creating a proper basis for the investigation of connections between the deteriorating economic situation on the one hand and changes in the methods of economic policies on the other hand or conditions making it possible to analyse the links between the crisis and intensity of political struggle, etc., etc. Thus, it seems that this question is really important. Inherent in it are problems both methodological and factual.

Where is the essential difficulty of defining the initial and final points of the crisis in Poland? Above all it lies in the fact that in various branches of economy there were differences in the symptoms of the crisis and that its influence upon those various branches of national economy formed a varied time pattern.

The boundary dates for industrial crisis are the easiest to be established and here precision, too, is most attainable. There is a general consensus that a decrease in industrial production was the main feature of the break-down in industry. Thus the duration of crisis, it is generally accepted, is defined by the beginning of a steady break-down of industrial production index and by the moment of a renewed increase of production. Thus, in order to pin down the moments of the beginning and the end of the crisis it is enough to devise a table containing data of the run of the industrial situation.

This would not in itself present any major difficulties, were it not for the fact that there were, at different periods of time, two different general indices of industrial production applied in this country. It is not possible to present their description here, but it must be pointed out that they were very different from each other and one can reach quite different conclusions when utilizing either one or the other index. In order to avoid taking sides in the controversy between the advocates of those two indices [1] an index will be utilized here which is a result of

[1] Cf.: Z. Landau, *Polityka tzw. nakręcania koniunktury w Polsce w okresie 1936 - 1939* (The Policies of the So-Called Tide Market Animation in Poland in the Years 1936 - 1939). Najnowsze Dzieje Polski. Materiały i studia z okresu 1914 - 1939, vol. II; M. Drozdowski, *W sprawie polityki gospodarczej rządu polskiego w latach 1936 - 1939* (On the Policies of the Polish Government in the Years 1936 - 1939). Najnowsze Dzieje Polski, vol. III; Z. Landau, *Jeszcze raz w sprawie polityki gospodarczej rządu polskiego w latach 1936 - 1939* (Still on the Economic Policies of the

a compromise between the two and it consists in the arithmetic mean of both the indices used in the pre-war practice of the Main Office of Statistics and the Institute for Research into Business Cycles and Prices [2]. Both the disputed indices are supplied in Table 1 only for orientation purposes.

Table 1

The General Index of Industrial Production in Poland in the Years 1928 - 1936

	1928	1929	1930	1931	1932	1933	1934	1935	1936
The compromise index	100	101	86	74	59	63	71	76	83
The 'old' index	100	100	82	69	54	56	63	66	72
The 'new' index	100	102	90	78	64	70	79	85	94

The Source: J. Tomaszewski, *Ogólny wskaźnik produkcji przemysłowej Polski 1928 - 1938* (The General Industrial Production Index of Poland 1928 - 1938, Kwartalnik Historyczny 1965, No 2, p. 292.

Table 1 shows that the industrial crisis lasted from 1930 to 1933 and that its „rock bottom" fell in 1932. However, a more detailed analysis of monthly data shows that really the crisis in industry started as early as in the autumn of 1929 (from November) [3]. That is why it may be accepted that the autumn of 1929 was the beginning and the spring of 1933 the end of the crisis. At the same time it must be recalled that the latter date was not concomittant with a point of return of industrial production to the level attained before the crisis.

Of course, the subject of our discussion here is industrial crisis in the sense of the whole industrial structure of the country. This does not mean that the break-down affected all divisions of factory production precisely at the same period of time. That was actually not the case. The results of the crisis were felt in a different way in capital goods industry and in the consumer oriented industry respectively [4]. This, however,

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Polish Government in the Years 1936 - 1939). Najnowsze Dzieje Polski, vol. IV. Those articles presents a comprehensive literature on the subject.

[2] J. Tomaszewski, *Ogólny wskaźnik produkcji przemysłowej Polski 1928 - 1939* (The General Industrial Production Index of Poland, 1928 - 1939). Kwartalnik Historyczny 1965, No 2, pp. 279 - 99.

[3] This is confirmed by the figures for monthly production with due respect to season changes. If we accept the average monthly production from the 1925 - 1927 period as 100, in the successive months of 1929 it represented respectively: 136.6; 127.0; 133.9; 129.4; 127.5; 126.2; 128.6; 129.8; 125.5; 124.5. Koniunktura Gospodarcza 1930, No 1, p. 38.

[4] The crisis in Polish textile industry began as early as autumn 1928, cf.:

is more important for a detailed study and not for the purposes of establishing time boundaries of a maximum general character.

It is much more difficult in Polish conditions to establish the duration of agrarian crisis. As the prevailing part of production was the result of the activity of small producers and not of big capitalists, it is not correct to accept an index typical of the highly developed capitalist economy, i.e. to assess the development of an economic trend on the basis of data illustrating the size of production. The capitalist agriculture reacted with a limitation of production when its profitableness fell below a certain level. The small producers reacted in a different way. They developed their energy and effort in their work on their farms to the maximum in order to make good for the falling prices. That is why during the crisis the productivity of the Polish agriculture increased instead of decreasing, as might be expected; and there was another factor: faster than gross product the production for sale was growing. This was connected with the so-called 'hunger' supply which meant that the farmers put on sale not only that part of their production which was normally ear-marked for sale, but also those products, which in good economic situation were consumed within the farmstead.

In such conditions, if we wanted to arrive at our conclusions on the basis of the data of crops and livestock production we should have to arrive at a quite wrong conclusion that there was no crisis at all in Polish agriculture [5].

All this makes it necessary to look for other criteria for the assessment of the duration of crisis in Polish agriculture. It seems that the dynamics of prices for agricultural products can be utilized for those purposes. On the one hand the dynamics of prices affected in a fundamental way the level of money incomes of the farmers and thus indirectly characterized the situation of the peasants and on the other hand it reflected the agricultural products market situation. That decline in prices was concomittant with the undermining of the balance between supply and demand and was at the same time a signal of the presence of overproduction in agriculture.

That is why it seems that an index which may best help to characterize in the synthetic way the process of crisis in agriculture are data concerning the dynamics of prices for vegetable and livestock products. If we assume that 1928 is the basis of our investigation (1928 — 100)

Kryzys włókiennictwa łódzkiego, jego przyczyny i środki zaradcze (The Crisis of the Lodz Textile Industry, Its Causes and Remedies). Łódź 1929.

[5] Rich material for this problem cf.: J. Orczyk, *Produkcja rolna Polski w latach wielkiego kryzysu gospodarczego, 1929 - 1935* (Farm Production of Poland during the Years of Great Economic Crisis, 1929 - 1935). Poznań 1971.

it is evident that as early as in 1929 prices obtained by agricultural producers fell to the level of 76 per cent, in 1930 it decreased to 49 per cent and in the subsequent years it represented the following figures: 1931 — 54 per cent, 1932 — 48 per cent, 1933 — 40 per cent, 1934 — 34 per cent, 1935 — 33 per cent, 1936 — 35 per cent [6]. In other words it was as late as in 1936 that the index applied here was showing a very slow improvement. This means that the crisis of the Polish agriculture began one year earlier and ended two years later than in industry.

Nevertheless, it is not the process of the economic situation in the separate and selected branches of the economy but the establishing of the length and duration of industrial crisis as seen against the background of a general break-down that is the real objective of investigation in the present article. In order to arrive at an answer for that kind of question one has to aggregate the data of the progress and development of the great crisis in agriculture and in industry. This can be done in an indirect way only, because we have no index at our disposal which could be used directly for that purpose. Investigations concerning the national income in Poland in the years of crisis are quite useless for our purposes, because of the differences of assessment arrived at by various authors. On the basis of a different selection of assessment we could arrive at different and not always reconcilable views.

Consequently, there must be some other method in the investigation of that question. Above all, it seems necessary to define the respective share of agricultural and industrial production in the formation of the national income in Poland and to establish the numbers of population representing those whose incomes originated in agriculture on the one hand and in industry on the other hand. These data will make it possible to establish the weight of both those divisions in the economy of the country as a whole and this in turn will make it possible to say whether, in Polish conditions, the economic situation was determined by processes taking place in agriculture or industry.

Let us try to begin with defining the value participation of agricultural and industrial production in Poland respectively. According to 1929 data the production of agriculture, mining and industry reached an over-all level of 26 milliard zł., 68 per cent of which constituted the value of agricultural production, 6 per cent of mining and 26 per cent of industry [7]. In other words agriculture provided 2/3 of the over-all

[6] *Mały Rocznik Statystyczny* (The Concise Statistical Annual) 1936, p. 162; 1937, p. 227.

[7] M. Kalecki, L. Landau, *Szacunek dochodu społecznego w 1929 r.* (The Social Income Estimate in 1929). Warszawa 1934, p. 32; L. Landau, *Gospodarka światowa. Produkcja i dochód społeczny w liczbach* (World Economy. Production and Social Income in Figures). In: L. Landau, *Wybór pism.* Warszawa 1957, p. 41.

value of production in the pre-crisis period. There was not any visible change in this respect during the crisis period. Thus, in the „rock-bottom" period of the crisis the participation of agriculture in the national income represented, in dependence of what assessment we utilize, the following percentage: 65 - 69 and in 1935 — 63 - 70 [8]. Thus it can be established that during the whole crisis period agriculture was responsible for 2/3 of the value of production in Poland.

Similar conclusions are necessary when we analyse the proportions of population drawing their means of livelihood either from work in agriculture or in industry respectively. Thus, in 1931 agriculture employed in a direct way 60.6 per cent of population, whereas industry only 19.4 per cent [9]. So, in this respect agriculture was predominant again.

In this situation, without fearing that we may commit a mistake, it may be assumed that in Poland between the wars, in conditions of an essential role of the country-side in the national economy, it was the break-down in agriculture and not in industry that really was the decisive factor in the development of economic situation. The credibility of this assumption is enhanced by the fact that crisis in banking and in treasury, which were the direct results of the break-down experienced by the productive divisions of the economy, lasted in this country till 1935 (inclusively) [10]. That is why it is necessary to recognize that the general economic crisis in Poland lasted from the autumn of 1929 to the autumn of 1935.

This assumption might be subject to the supposition of some inconsistencies inherent in it, because the break-down in industry and not in agriculture was accepted as the beginning of the crisis which seems to contradict the above presented interpretation. The truth, however, was that the national economy as a whole was affected by the break-down in agriculture, which began in the autumn of 1928, as late as nearly after one year, i. e. in the autumn of 1929.

3. Special features of the depression in Polish industry and their causes. The next problem to discuss here is to what an extent the industrial crisis in Poland was characterized by features typical for the crisis all over the world and, on the other hand, what special and particular features differentiated it from the

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[8] Z. Knakiewicz, *Deflacja polska 1930 - 1935* (Polish Deflation 1930 - 1935). Warszawa 1967, p. 331.

[9] *Mały Rocznik Statystyczny* 1938, p. 32.

[10] Z. Landau, J. Tomaszewski, *Zarys historii gospodarczej Polski 1918 - 1939* (An Outline Economic History of Poland 1918 - 1939), third edition. Warszawa 1971, pp. 221 - 31.

former. In general in the Polish literature on the subject these were the predominant opinions on this subject: the Polish industrial crisis was characterized by the biggest decrease of production in the world, the period of the post-crisis recession lasted in Poland for a longer time than in any other country, as it lasted from 1933 to 1935, and the beginning of crisis in Poland that was earlier than in some other countries. The first opinion, though it was not found to be quite true in the light of more exact investigations, is very much like the true situation. It is also difficult to question the second point. The third point however is doubtful — a question to be discussed below. It seems, however, that those three features really exhaust the problem of the specific character of the development of industrial crisis in Poland. In order to arrive at some more reliable conclusions it is necessary to give up comparing Poland mainly with the best developed capitalist countries, a practice not totally forgotten even today. Such a comparison, because of the differences in the socio-economic structure of Poland and the leading capitalist countries provides us with too narrow a platform for arriving at reliable conclusions [11].

That is why we must try to expand the scope of our investigation by including a greater number of countries, representing a varied pattern of economic development. Only this will make it possible to obtain proper conditions for establishing to what an extent the development of crisis in Poland was a typical one and to what an extent it was really different from that of other countries. The data for this is presented on table 2 (p. 344).

Before the data presented on table 2 are analysed, they need some introductory explanations. Firstly: Various sources often use different industrial production indices for various countries. In such a situation the author of the present work, being unable to verify the individual stipulations, accepted as the basis of table No. 2 the figures from the Polish Concise Statistical Annual of 1939, which were then supplemented by data from earlier issues of the Annual and information published in the Statistical Annual of the League of Nations. As the latter publication accepted 1929 as 100, in order to ensure the basis for comparison of the data, they were brought back to the 1928 basis. Secondly: an effort was made to compile in the table the statistical materials pertaining to the

[11] This is a problem not only of dealing with the crisis by one pertaining to all comparative studies. More on the subject cf. Z. Landau, *Badania porównawcze nad długookresowym wzrostem gospodarczym Polski — propozycje zasady doboru państw* (Comparative Studies in Long-Term Economic Growth of Poland — Suggestions of the Principle of Selection of Countries). Kwartalnik Historyczny 1973, No 1.

Table 2

The General Industrial Production Index of Selected Capitalist Countries
(1928 – 100)

	1929	1930	1931	1932	1933	1934	1935	1936
The World (the USSR included)	106	94	84	74	83	91	102	118
The World (excluding the USSR)	105	91	79	67	76	82	91	102
Europe (excluding the USSR)	104	95	84	75	80	89	96	105
Austria	103	87	76	66	67	74	82	86
Belgium	101	90	82	70	73	74	83	88
Britain	106	98	89	88	94	105	112	123
Canada	108	92	77	63	65	79	88	97
Chile	122	124	96	107	118	130	148	156
Czechoslovakia	104	93	84	66	63	69	73	84
Denmark	108	117	108	98	114	126	135	141
Estonia	101	99	91	79	82	97	107	121
Finland	98	89	78	81	94	114	122	134
France	110	110	98	76	84	78	74	85
Germany	101	87	68	54	62	81	95	108
Greece	102	105	109	103	112	127	143	142
Holland	102	94	81	62	71	72	68	74
Hungary	102	96	89	79	86	100	113	131
Italy	109	100	85	73	81	87	102	96
Japan	111	106	102	109	126	143	158	168
Norway	111	112	87	103	104	109	120	132
Poland	101	86	74	59	63	71	76	83
Rumania	107	104	109	95	110	133	131	139
Spain	112	111	104	99	95	96	97	·
Sweden	106	102	89	84	87	106	116	125
U.S.A.	107	86	73	58	68	72	81	94

The Source: *Maly Rocznik Statystyczny 1937* (The Concise Statistical Annual), p. 125; 1938, p. 131; 1939, p. 3, 146; *Annuaire Statistique de la Société des Nations 1936/37*. Genève 1937, p. 165.

greatest possible number of capitalist states, but many countries, especially those less developed, did not carry on that sort of investigations that is why we had to confine ourselves to 22 states. Among the countries included in the above mentioned sources Latvia was omitted, because of the completely different character of the index applied, an index which was not comparable with those of other countries. Thirdly: for Poland a compromise general industrial production index was applied. The reason of this was given above.

After these explanations it is possible to concentrate on conclusions.

First let us examine the validity of the theory that the great crisis started in Poland earlier than the world crisis. As may be observed from the above presented data, in this respect Poland's situation was not different from that of other countries. Polish industry could baast still in 1929 a small increase of production when compared with the preceding period. This does not confirm the opinion that the industrial depression started in Poland earlier than in other countries or that the crisis started earlier in Poland than all over the world. In 1929 a situation less favourable than in Poland could be found e.g. in Finland. In that year the level of production in Germany was analogous to that of ours. The same applies to Estonia and Hungary. Also the tempo of the decline of the level of production in the first year of depression was similar in Poland to such countries as the U.S.A, Germany and Austria and even more similar to that of Finland. Thus, also in this respect the development of the crisis in Poland has to be recognized as a typical one.

Table 3

The fall of production in the "rock bottom" period of industrial crisis as compared to the highest level of production before the crisis (the difference shown in points)

Country	Fall	Country	Fall
The world (including the USSR)	32	Finland	22
		France	36
The world (excluding the USSR)	38	Germany	47
		Greece	6
Europe (excluding the USSR)	29	Holland	40
		Hungary	23
Austria	37	Italy	36
Belgium	31	Japan	9
Britain	18	Norway	24
Canada	45	Poland	41
Chile	28	Rumania	14
Czechoslovakia	41	Spain	17
Denmark	19	Sweden	22
Estonia	22	U.S.A.	49

The source: figures arrived at on the basis of Table 2.

Far more important are conclusions that can be drawn from the degree of the fall of industrial production. In order to present properly those tendencies we are going to accept as the indication of decrease of production in each country the diminishing of production at the moment of the "rock bottom" level as compared with the highest level of production immediately before the crisis. The results of that sort of analysis are presented on Table 3.

As may be seen from stipulations on table 3 the fall of industrial production in Poland was not, contrary to rather widely spread opinions, the biggest in the world (there was a more considerable dip in the United States, Germany and Canada). In any case Poland belonged to a group of countries the industry of which was most severely hit by a fall of production and the decrease of production in this country was bigger than the average ratio for the world and for Europe. Thus the situation of the Polish industry was characterized by a fall much below the average.

The striking thing to observe on table 3 is the location of Poland among countries of a quite different economic structure from that of ours. In order to grasp firmly the different economic structure of the particular countries compared we are going to show on table 4 firstly: the share of industrial production in the creation of the per capita national income, secondly: the size of the national income per capita, thirdly: the proportion of the population employed in agriculture as compared to the overall number of professionally active people.

On the basis of table 4 it may be assumed that in terms of the share of industry in the creation of national income Poland may be compared with Hungary and Spain, in terms of per capita national income with Italy, Spain, Rumania and Japan and in terms of professional structure with Finland, Estonia and Greece. In all those countries (apart from Italy) the decrease of industrial production in the years of crisis oscillated between 23 points in Hungary and 6 in Greece, which means that it was very much lower than in Poland. In other words the influence of the crisis upon Polish industry was much heavier than upon that of other countries characterized by an economic structure similar to that of Poland. This shows the specific situation of Poland which reacted to the industrial depression in a way similar to that of countries with a high degreee of industrialization (the United States, Germany, Canada, Czechoslovakia and France). Among countries economically similar to Poland only Italy suffered a break-down comparable to that of Poland. One might risk a supposition that this was not an accident, but a reflection of a similar economic situation consisting in the presence, on the one hand, of a highly developed capitalist industry and on the other hand of a huge mass of small holders the owners of which followed the methods of self-sufficing economy.

In order to arrive at a proper estimate of the industrial break-down in Poland it is also essential to analyse data illustrating the tempo of overcoming the great crisis in particular countries. As may be seen on table 2 Poland belonged to a group of countries in which the recovery of the level of production attained before the crisis was the slowest.

Table 4

The Level of Economic Development of Selected Capitalist Countries

Country	Per capita national income estimate for 1929	The share of mining and industry in the creation of national income	The share of agricultural population in over-all profesionally active population	Year
I. Highly developed capitalist countries				
Canada	3,870	51	31.2	1931
U.S.A.	3,710	69	22.0	1930
France	1,830	73	34.5	1931
Britain	1,760	84	5.2	1931
Germany	1,760	71	24.5	1931
Holland	·	·	20.6	1930
Czechoslovakia	·	·	34.2	1930
Sweden	·	·	32.2	1930
Denmark	·	·	27.1	1930
Belgium	·	·	·	·
Austria	·	·	26.0	1934
II. Countries with transitory structure				
Italy	880	63	39.2	1931
Japan	550	54	·	·
III. Countries partly dominated by capitalist economy				
Norway	1,040	·	30.7	1930
Finland	1,040	·	60.6	1930
Estonia	1,040	·	63.0	1934
Hungary	830	30	49.7	1930
Spain	750	45	·	·
Poland	610	32	64.9	1931
Rumania	500	16	·	·
Greece	·	·	53.7	1928
Chile	·	·	·	·

The Source: L. Landau, *Produkcja i dochód społeczny w liczbach* (World Economy. Production and Social Income in Figures). In: L. Landau, *Wybór pism* (Selected Studies), Warszawa 1957, p. 416; *Mały Rocznik Statystyczny 1938*, p. 38.

In 1935, when in Poland the level of industrial production reached 76 per cent of the 1928 level, only Holland, Czechoslovakia and France were in a worse situation in this respect. In 1936 it was only Holland that still was in a worse situation than Poland. This means that among the countries discussed it was Poland that was overcoming the effects of industrial crisis at the comparatively slowest pace. All the countries (apart from Holland) which were our „neighbours" during the rock-

-bottom period of industrial crisis (table 3) were making good for their losses much more quickly. Thus the industrial crisis in Poland was of a much long-lasting character as compared both to highly industrialized countries and those at level comparable to Poland.

When we compare Poland to countries with similar economic characteristics we must admit that they were showing a higher tempo of economic development. So, when in 1935 Poland reached only 76 per cent of the 1928 level of production, Hungary achieved 113 per cent, Spain 97 per cent, Rumania 131 per cent, Japan 158 per cent, Finland 122 per cent, Estonia 107 per cent, Greece 143 per cent, Italy 103 per cent. In a similar way in 1936 industrial production in Poland reached 83 per cent and in Hungary 131 per cent, in Rumania 139 per cent, in Japan 168 per cent, in Finland 134 per cent, in Estonia 121 per cent, in Greece 142 per cent and in Italy 96 per cent.

All in all the above presented data show that the industrial crisis in Poland was really characterized by specific features. It would be an oversimplification to see those features only in the depth of the break-down. Those specific features were also centered in that fact that Polish industry reacted to the crisis in a way similar to that of highly developed countries and in a way different from that of the countries with similar economic conditions to those of Poland. The other feature was the comparatively slower rate of recovery than that of other countries in the sphere of the level of production.

The obvious question that comes to mind is what were the causes of this non-typical character of industrial crisis in Poland? Various authors gave various explanations. They pointed out to such aspects as: the capitalist character of Polish economy, its dependence on foreign capital, high degree of monopolization, the weakness of the credit apparatus, mistakes of the economic policies of the government or the acuteness of agrarian crisis.

The first of the above mentioned causes, i.e. the capitalist character of the Polish economy does not explain anything. All the above discussed countries developed in the same way and yet they developed in a different tempo. Thus it is necessary to look for more profound causes, in the very mechanism of functioning of capitalist economy.

There is no doubt that those who point out to the dependence of Poland's industry and banking on foreign capital as the cause of this country's economic difficulties are right to a great extent [12]. Foreign

[12] Cf. inter alii: R. Gradowski, *Polska 1918 - 1939. Niektóre zagadnienia kapitalizmu monopolistycznego* (Poland 1918 - 1939. Some Problems of Monopolist Capitalism). Warszawa 1959, pp. 163 - 204; Z. Landau, *Wpływ kapitałów obcych na gospodarkę polską 1918 - 1939 — Uwagi ogólne* (The Influence of Foreign Capital

capital started to withdraw its allocations in Poland in the years of crisis. The necessity of repaying large sums of money in the very period of economic difficulties must have influenced in a negative way the situation of many enterprises and, in an indirect way, that of the whole industry. The disappearance of a part of foreign capital from industry and credit institutions meant a decrease of the industry's own turnover means, sums ear-marked for investment, etc, etc. This also caused the increase of production costs (the lack of the industry's own finance made it necessary to contract loans characterized by a high interest), and it also prevented modernization of production by means of new investment or modernization of factories. That is why Polish industry found it extremely difficult to overcome the break-down by lowering production cost which would make it possible to become competitive for world market conditions by a production calculated at competitive prices.

To some extent the crisis difficulties were aggravated also by the monopolization of production, although I would disagree with the still frequent tenet in Polish publications on the subject stating that there was no need of cartelization of Polish industry in conditions when this process was going on in all countries [13]. It must be recalled that the influence of cartelization upon the development of the crisis was twofold. On the one hand cartelization made it difficult for the prices of cartelized articles to follow market trends at home as influenced by the laws of demand and supply. As a result the prices of cartelized articles were exorbitant [14] which, in the conditions of impoverishment of buyers

Years	1929	1930	1934	1935	1936
Manufactured goods	99	61	59	57	61
Cartelized	108	92	88	82	73
Food	94	57	52	49	51

The source: *Mały Rocznik Statystyczny* 1939, p. 245.

caused a decrease of sales and thus deepened crisis conditions. On the other hand cartelization was an essential condition for the expansion of exports, because a single entrepreneur was unable to fight successfully

upon the Polish Economy 1918 - 1939 — General Observations). Finanse 1965, No 1, pp. 37 - 47.

[13] More on the subject cf.: Z. Landau, *Rozwój polskiego ustawodawstwa kartelowego na tle polityki kartelowej rządu polskiego* (The Development of the Polish Cartel Legislation as Seen against the Background of the Cartel Policies of the Polish Government). Kwartalnik Historyczny 1972, No 1.

[14] For comparison and comprehension of the significance of this problem we present below the data characterizing the range of wholesale prices of manufactured goods cartelized and noncartelized and the prices of food.

for a possession of foreign markets. It is difficult to establish without special investigations to what extent the first tendency predominated over the second one.

A negative effect was also brought about by the deflationary policies adopted by the Polish government in the years 1930 - 35 [15]. Those policies made it difficult to overcome the break-down both on the home market and the struggle for export expansion.

It seems, however, that the above discussed factors did not finally have a decisive significance. Of primary importance for the industrial break-down was the agrarian crisis which in its particularly acute way affected 2/3 of the population of the country and limited the purchasing power of that section of the population to a very high degree. The village population in the mass stopped to purchase manufactured goods [16]. This caused the division of the country into two losely connected sectors of economy, the capitalist and that of small producers. Each of those systems began to follow its own laws, at least to a certain degree. This caused a situation to arise in which the services of industry were utilized only by other economic units connected with the capitalist sector and the small producers utilized those services to a very small degree. As a result Polish industry, which worked in an isolation from the small producers' sector, reacted to the crisis exactly in the same way as the industry of countries in which the capitalist system dominated. This is precisely the reason of the acuteness of industrial break-down in Poland, an acuteness quite similar to that observed in almost all the countries characterized by a highly developed industry.

4. The Great Depression as a Turning Point in the Development of Monopolist Capitalism. Until now the great economic crisis of the years 1929 - 1933 (in the case of Poland 1928 - 1935) was regarded as a rule as one of the many crises that affected capitalist economy in the nineteenth and the twentieth centuries. While its exceptional character was emphasized, attention was paid mainly to the depth of industrial break-down, the fall of agricultural prices, the coincidence of agrarian with industrial, banking, monetary, and commercial crises, its huge geographical range etc, etc. Thus we may say that, above all, attention was paid to the quantitative aspects that differentiated the great crisis from the preceding ones, and not to its qualitative distinct features.

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[15] Cf. (for more details): Z. Knakiewicz, *Deflacja* ...

[16] For more information cf.: Z. Landau, *Dwusektorowy układ gospodarki Polski międzywojennej i jego konsekwencje na przykładzie lat 1930 - 35* (The Two-Sector System of Poland's Economy between the Wars and its Consequences as Exemplified by the Years 1930 - 1935). Przegląd Historyczny 1972, No 3.

Before we begin to discuss that question, we have to recall that in its historical development capitalism experienced two phases: that of free competition and that of imperialism. In the imperialist phase, too, there was an evolution of the principles of its functioning. In the opinion of the author of the present work, the great crisis was a boundary line ending a certain stage of the development of imperialism and at the same time it has begun a new such stage. In the post-crisis period the features of imperialism as formulated by V. Lenin [17] and differentiating it from the free-competition capitalism, did not lose their significance, although some of those features have undergone more or less considerable modifications. Apart from those features there was a new importance of other ones. They started to affect in an essential way the further development of capitalist economy. Those new features did not develop, of course, just in the crisis period, they have always been there, but it was in the time of crisis that they got quite a new qualitative significance.

Now let us try, in a very short survey, to present those new phenomena developed by the world-wide break-down. For instance, the great crisis undermined finally the theory of a possibility of 'self-propelled' development of capitalism and the possibility of a natural, elemental achievement of full employment conditions. The economic break-down made private capital seek the assistance of the state. Also the social conflicts growing under the impact of pauperization needed state assistance. At first the state intervened in economic affairs only in a sporadic way. However, as the crisis was gradually becoming more and more acute, also the need of intervention was growing. So the range of economic matters on which the government apparatus made its decisions was gradually increasing and its rights were expanding. In the specific conditions which were developing in Poland the government stopped to confine itself to accidental interventions and began to pay its attention to possibilities of a wider economic pressure and finally changed its policies towards attempts at a more or less developed regulation of the economy. Thus one of the enduring effects of the crisis break-down was the increase of the economic role of the state.

There is no doubt that Soviet experiences were of a definite importance in this. The USSR was the only country in which there was a very fast industrial growth during the world crisis period [18]. This turned the

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[17] V. Lenin, *Imperializm jako najwyższe stadium kapitalizmu* (Imperialism as the Highest Stage of Capitalism). Warszawa 1951.

[18] If we accept the year 1928 as 100, the industrial production for the USSR was as follows: in 1929 — 126 per cent, in 1930 — 165 per cent, in 1931 — 231 per

attention in capitalist states to the methods of running the economy of the Soviet Union and it caused adaptations of some Soviet conceptions in those countries. This was true in particular as far as planning was concerned. Thus under the influence of the crisis and Soviet experience economic planning was gradually developing in capitalist countries. This was a measure against the destructive elemental market trends and its aim was to eliminate periodic crises. In the period immediately following the great crisis the range of planning was comperatively modest, its importance increased during World War II and became a continuous feature of the states of running in the period after the war. Planning, side by side with more and more efficient methods of the state's interference in the economy of those countries resulted in the elimination of the periodical economic crises [19]. This may be treated as another specific feature of the new period of imperialism.

Another result of the crisis was the realization by the economic and state leaders of the necessity of state intervention aiming at ensuring of a stable equilibrium of the volume of production and marketing possibilities. The absence of that equilibrium in the late twenties of the twentieth century caused an economic disaster which shook the very foundations of the capitalist economic system. That is why the state apparatus, acting in the interest of the possessing classes aimed at creating conditions which would ensure for the growing production a parallel increase of demand for the goods produced. Because of the capitalist character of the conditions of production there was no possibility of achieving an equilibrium between the volume of production and the purchasing power of the population. In order to make good for the disproportion the state increased its role as a purchaser by means of such things as, for instance, growing armaments which was one of the methods of giving the economic situation a boost. As a result of this, this form of intervention for the benefit of economic growth brought about in many countries the rise of the economic-military complex, which took over not only the economic, but also political leadership. This complex replaced the form typical for the preceding stage of imperialism — i.e. financial oligarchy.

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cent, in 1932 — 231 per cent, in 1933 — 250 per cent, in 1934 — 300 per cent, in 1935 — 369 per cent. *Mały Rocznik Statystyczny* 1939, p. 146.

[19] The only economic break-down which took place after the great crisis was that of 1938 and only in several highly developed capitalist countries (Britain, Belgium, France, Holland, Canada, the United States). There was no break-down in other countries. There were no crises after World War II, although there were several economic recessions in some countries. Of course, it is impossible to predict how long this situation will last.

The next effect of the great crisis was the final abandoning of the implementation of free-trade conceptions in international relations. Attempts at liberalization, made before the crisis in the sphere of international turnovers never attained success. Quite the contrary was true: a tendency was developed towards protection of home markets and towards autarchy. Those tendencies were limited only after 1945 when attempts were made at establishing regional economic communities. The liberal doctrine in the theory of political economy was replaced by the conceptions of J. M. Keynes and his school which formed the basis for boosting the economy by the state.

In the analysis of the effects of the crisis it is also impossible to omit the changes of a political character which took place in the countries affected by the break-down. For instance in Germany the result of the crisis was Hitler's dictatorship. Similarly in Poland the dictatorship of Joseph Piłsudski became more ruthless. Liberalism and democratic liberties were limited or eliminated as a defence of the possessing classes against the growing discontent of the society and the deteriorating living conditions. In Polish literature on the subject it was not sufficiently emphasized that Piłsudski's 'strong-hand' government was not introduced by him immediately after his coup d'état in May 1926, but precisely at the moment when the economic situation began deteriorating. A rightist orientation in the system of governments was felt also in other countries. That feature of the crisis, however, was not of a permanent character.

As a conclusion from all that it may be pointed out that certain mechanisms naturally developed under the influence of the crisis, gradually took strength and began to be deliberately utilized in the system in which capitalist economy was run. Those changes proved to be permanent and gradually played an ever increasing role. Those changes consisted in: firstly, the increased role of the state in the running of the economy; secondly: the application of the methods of planned economy as one of the methods of influencing economic growth; thirdly: the increase of the role of armaments as a form of boosting of the economy; fourthly: the resulting development of the economic-military complex. Those elements, in a varying degree, were present in capitalist countries already before World War II. For example in Poland as a result of the crisis the role of the state definitely increased in its part as a factor in running the economic development of the country [20], the range of the state sector of the economy expanded (in the form of take-over of pri-

[20] Cf.: M. Drozdowski, *Polityka gospodarcza rządu polskiego 1936 - 39* (The Economic Policies of the Polish Government, 1936 - 1939). Warszawa 1963.

vate enterprises deteriorating during the crisis and of take up by the State of new investments after 1936) [21], there were also some attempts at economic planning (the four-year plan, the fifteen-year plan) [22], there were also the beginnings of the economic-military complex [23]. Thus, in this respect Poland reacted to the great crisis in a typical way.

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[21] *Sprawozdanie Komisji do Zbadania Gospodarki Przedsiębiorstw Państwowych* (The Report of the Commission for the Investigation of the Economic Activity of State Enterprises). Warszawa 1939.

[22] Cf.: M. Grabowski, *Inwestycje zbrojeniowe w gospodarce Polski międzywojennej* (Armament Investments in the Economy of Poland between the Wars). Warszawa 1963.

[23] Cf. e.g.: P. Stawecki, *Następcy komendanta. Wojsko a polityka wewnętrzna Drugiej Rzeczypospolitej w latach 1935 - 1939* (The Commander's Successors. The Army and the Internal Policies of Inter-War Poland, 1935 - 1939). Warszawa 1969.