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IMPACT OF THE MAY 1926 COUP ON THE STATE OF POLISH ECONOMY

The takeover of power in Poland by the group associated with Józef Piłsudski as a result of the successful coup in May 1926 has often been regarded and referred to as a watershed development in the history of the Second Polish Republic, not only in the political but also in the economic aspect. While it would be hard to deny the fundamental political significance of the takeover its economic implications seem to be rather ambivalent.

As he prepared for a forcible takeover of political power in Poland Piłsudski did have definite views on the external and internal policy courses which a future government was expected to pursue. He also had a firm opinion on the preferred military system. However, it appears that he had no conception whatever of the kind of economic policy that was called for.¹ All his declarations on the matter, and they were few and far between, were concerned with nothing but short-term measures stemming from *a priori* political conceptions. E.g. on the eve of the coup, in an apparent attempt to curry favour with or at least to ensure a neutral stance by the conservative segment of the landed gentry Piłsudski promised a representative of that group a change in the land reform, a reduction in social benefits of the labour force, and a review of the law on the 8-hour working day.²

¹ One arrives at this conclusion upon reading J. Piłsudski's speeches and statements contained in *Pisma zbiorowe* [Collected Writings]. Also cf. E. Taylor, *Druga inflacja polska. Przyczyny — przebieg — środki zaradcze* [A Second Polish Inflation. Causes, History, Remedies], Poznań 1926. pp. 96—97; W. Studnicki, *Ludzie, idee, czyny* [People, Ideals, Accomplishments], Warszawa undated, p. 42; J. Rothschild, *Piłsudski's Coup d'Etat*, New York 1966, p. 279 ff.

² A note by W. Glinka, dated 15th May, 1926. Archives of the Catholic University of Lublin, Stecki's papers. The document was published in "Polityka," No. 11, 1957.

However, the Piłsudski group saw the main social force behind a successful takeover bid not in extreme right-wing conservatives but rather in the working masses who quite naturally gravitated towards the left. Hence, favour currying went two ways at once: on the one hand, towards the conservatives on whom Piłsudski aimed to rely once the helm of government was firmly in his hands; on the other hand, towards the left wing which, together with the military, was to be the motor force of the coup. This is not to mean that Piłsudski's associates, intent on creating an economic programme attractive to the left wing, were up to a mere diversionary manoeuvre, designed to cover up the group's real aims. This author is inclined to believe that they, much as the better part of the society, were quite simply kept in the dark on Piłsudski's real aims. Such an economic programme had been drawn up and published by S. Starzyński even before the May 1926 coup.⁸

His programme had indeed a radically reformist character. In parts it even smacked of socialist dogma. It was based on the assumption that a future government had first to secure popular support. In the part devoted strictly to economics the programme called for efforts to set up a state monopoly in foreign trade, permanent state controls over industries, creating a mechanism of state price controls, inviting the working class to participate in streamlining the production process, etc. It was indeed a very radical programme in conditions of a capitalist state. It preached the unqualified necessity of state interventionism and was *eo ipso* a manifesto of Polish state capitalism. However, the programme was neither approved nor supported by Piłsudski.

It has already been stated that Piłsudski himself had no concrete economic policy programme up his sleeve. It seems that there were several reasons for this. First, any affirmative programme would have betrayed his hand which he wanted to keep secret as long as possible: he intended to make the takeover bid on left-wing support and then to rule in harmony with the right wing. Needless to say, he could never hope to put together an economic programme which would be acceptable to both.

⁸ S. Starzyński, *Program Rządu Pracy w Polsce* [The Programme of the Labour Government in Poland], Warszawa 1926.

Second, Piłsudski, who was a seasoned politician, realized that promises contained in an economic programme are hardly ever kept by governments. Therefore he preferred not to commit himself to things he could not or would not like to pursue after taking over power. Third, Piłsudski underestimated the weight of economics, perhaps even pooh-poohed them altogether. He treated economic matters as the least important element in the sum total of state politics. Fourth, genuine economists were scarce among Piłsudski's associates. This fact alone decided that throughout the period of *sanacja* rule in Poland the appointments of ministers to take charge of industries, commerce, finance, etc., were truly haphazard at times.

It seems Piłsudski did not devote much thought to a future economic policy before the planned coup. Problem No. One was to get hold of the reins of power. But when this had been achieved he could no longer neglect economics which were in the focus of attention of the society and *eo ipso* had to be given priority by the new authorities too.⁴ Piłsudski could not for a moment forget that among many factors which had paved his road to a successful takeover in May 1926 one of the more obvious was the anxiety over the prolonged and precipitous depreciation of the Polish currency.⁵

There was therefore a popular expectation that Poland's new ruler would soon proclaim his credo not only on the future political set-up of the nation but also on economic matters. Yet, Piłsudski as well as his first Prime Minister Kazimierz Bartel remained tight-lipped about them, causing discomfort to the left wing and anxiety among business circles. The Polish Socialist Party had been hoping that Piłsudski, who had owed his victory in a large degree to that party, would embark on a programme of certain, however small, social and economic reforms rather than

⁴ That much was conceded by Prime Minister K. Bartel in his exposé of 19th July, 1926, in which he said: "[...] the state of affairs in Poland [...] has dictated to us the need to pay the most urgent and closest attention to the nation's financial and economic problems" (K. Bartel, *Mowy parlamentarne* [Speeches in Parliament], Warszawa 1928, p. 6).

⁵ "Inept fiscal policies have paved the road to power for the Marshal" (A. Krzyżanowski, *Rządy Marszałka Piłsudskiego* [Marshal Piłsudski's Government], 2nd ed., Kraków 1928, p. 78). This is a recurrent thought throughout the Krzyżanowski publication.

merely settling for the rewards of power. The populace had entertained a similar hope.⁶ On the other hand, business circles feared lest Piłsudski's former socialist connections be revived, lest he embrace the conception of some degree of economic changes, as urged by certain of his associates in the "Program Rządu Pracy w Polsce" [The Programme of the Labour Government in Poland].

Piłsudski remained tight-lipped. He was perfectly aware that as long as he remained silent and reserved on matters of economics he more or less paralyzed the opposition which was kept at bay by his silence, awaiting his straightforward policy declaration. Also, his prolonged silence stemmed from Piłsudski's lack of interest in economic affairs which were obviously a poor second to politics preoccupying him at the time.

On 22nd May, 1926 the first public enunciation by Piłsudski appeared since the coup.⁷ However, it offered absolutely no clue on what the new authorities were up to. It was rather an attempt to explain why there had been an armed takeover. More interesting and meaningful public statements, indicating what Piłsudski's future course of action might be, came in three successive interviews for "Kurier Poranny", on 26, 28 and 29 May.⁸ In them, Piłsudski repudiated both the Left and the Right which signified, for all intents and purposes, breaking with the left wing because the right wing never counted Piłsudski among its followers. Popular anticipation to the contrary, in none of the aforementioned statements did Piłsudski broach economic matters. He circumscribed the whole economic programme to the need to combat "frauds".⁹ Needless to say, this was not a programme, it

⁶ S. Wojewódzki, *Przemówienie w Sejmie w dn. 25 VI w sprawie ustawy o uzupełnieniu prowizorium budżetowego od I V do 30 VI i o prowizorium od I VII do 30 IX 1926 r.* [Speech to Parliament on 25th June in a Debate on the Bill to Supplement the Preliminary Budget from 1st May to 30th June and on the Preliminary Budget from 1st July to 30th September, 1926], in: *Postowie rewolucyjni w Sejmie (lata 1920—1935). Wybór przemówień, interpelacji i wniosków*, Warszawa 1961, p. 214.

⁷ J. Piłsudski, 1926—1930. *Przemówienia, wywiady, artykuły* [Speeches, Interviews, Articles], Warszawa 1931, pp. 9—11.

⁸ *Ibidem*, pp. 12—31.

⁹ S. Mackiewicz (Cat), *Historia Polski od 11 XI 1918 do 17 IX 1939* [A History of Poland from 11th Nov., 1918, to 17th Sept., 1939], London 1941, p. 165.

was demagoguery. Occasional fraudulent practices had not been on a scale even remotely warranting their description as the primary or even the secondary cause of the economic straits the country was in. By raising the question of "frauds" Piłsudski merely wanted to discredit his political opponents.

The silence of Piłsudski and the silence of the government of Prime Minister Kazimierz Bartel, appointed on 15th May, 1926, caused misgivings among the broad masses of the people as well as among business circles. The disquiet of the latter was given vent by "Przegląd Gospodarczy", the press organ of the big capital, which wrote on 30th May:

"Hence we are looking to the new government for dispelling what are psychologically justified misgivings by an unambiguous and binding declaration that no plans for changing Poland's present economic and social system are being entertained; we expect the government to declare themselves against all attempts at carrying through social experiments".¹⁰ Evidently, as late as the end of May, business circles had yet to be assured of Piłsudski's real intentions even though the cabinet included people with strong connections to the big capital, e.g. Hipolit Gliwic, Minister of Industry and Commerce.

The government's reluctance to proclaim an economic programme was not a matter to be taken lightly. Let us remember that the May 1926 takeover came at a time of mounting economic hardships in Poland.¹¹ The zloty had for a few months been sliding down against other currencies; the economic recession which set in at the end of 1923, while losing some of its early bite and slowly evolving into stagnation, was still quite acute. The takeover did not help the matters, either. As is usual in times of political turmoil, the exchange reacted to the news of the coup by sinking the home currency even further down against other currencies. It was during the coup and immediately after it that the zloty hit the lowest rate of exchange to the US dollar since April

¹⁰ E. R(ose), *Perspektywy* [Prospects], "Przegląd Gospodarczy," 30th May, 1926, pp. 529—531.

¹¹ For more on this subject see Z. Landau, J. Tomaszewski, *Od Grabskiego do Piłsudskiego. Okres kryzysu poinflacyjnego i ożywienia koniunktury 1924—1929* [From Grabski to Piłsudski. The Period of Post-inflationary Recession and Subsequent Boom, 1924—1929], Warszawa 1971.

1924.¹² The budget's tax revenue suddenly came to a halt and deficits for the months of May and June skyrocketed. Businessmen took a wait-and-see attitude which of course did not help industrial output.

It was widely believed that as soon as presidential elections were held and as the president appointed his new prime minister the latter would make an authoritative declaration on intended economic measures. But the government kept mum. Nor was the composition of the new cabinet, appointed on 8th June, anything to rely on. The cabinet looked totally noncommittal.

Piłsudski appeared to be taking the simplest policy line in current economic affairs: he carried on with the policies of the former government headed by A. Skrzyński. As far as the most important fiscal aspect of these policies was concerned, the first post-coup Minister of the Treasury, Gabriel Czechowicz (15th May—4th June, 1926) introduced only quite insignificant amendments to the austerity programme drawn up by his pre-coup predecessor J. Zdziechowski.¹³ The move surprised everybody since Czechowicz, writing under the pen-name of Leliwa¹⁴ on 30th April 1926, had sharply criticized the fiscal policy of Treasury Minister Zdziechowski. In his April programme G. Czechowicz declared himself against big business policies. Yet, as soon as he was appointed to the Treasury, he carried on with exactly the policy devised by the big business representative J. Zdziechowski.¹⁵

The segments of society which supported the coup had anticipated a different course of action. They did not believe it possible to carry on with the policy of austerity which increased the tax burden on the working people while making the propertied classes partly exempt. That is why Piłsudski, as long as he was unsure of his grip on the country and until he had full

¹² For more details see "Przegląd Gospodarczy," No. 10, 1926, p. 527, No. 11, p. 577.

¹³ E. Taylor, *Druga...*, p. 99.

¹⁴ G. Leliwa [G. Czechowicz], *Problem skarbowy w świetle prawdy* [*The Fiscal Problem in Light of Truth*], Warszawa 1926.

¹⁵ Nonetheless the appointment of G. Czechowicz to the Ministry of the Treasury initially was met with distrust in Polish business circles. Cf. R. Rataj, *Pamiętnik* [*Memoirs*], Warszawa 1965, p. 414.

control of the police and the military, preferred to remain non-committal on economics.

Silence had the additional benefit of making the people believe that the government was examining the situation and preparing its own programme of reforms. From the political point of view this decision was more convenient than admitting that the new authorities intended to change nothing in the economy and contemplated a continuation of the economic policy of people who had been described by Piłsudski as "deserving of being sent to the gallows many times over".¹⁶ Surely, this would not have been the best introduction of a dictator who had yet to take the whole country under firm control.

The first official declaration on the government's intended course of action in economics was made more than a month after the Piłsudski takeover. It was contained in a statement for the press by Industry and Commerce Minister Eugeniusz Kwiatkowski. It was the first economic programme document discussed by the cabinet.¹⁷ Kwiatkowski singled out a balanced budget and stabilization of the currency as the two main objectives of the government. To be sure, the objectives were not new: they had been a recurrent theme of all government programmes beginning in November 1918.¹⁸ More could be learned about the true intentions of the government from the methods by which it proposed to reach these objectives because these methods were indicative of the new elements which the *sanacja* intended to introduce to the economic management system.

Kwiatkowski remained conspicuously noncommittal on this score. He warned that economic concerns geared to profiteering and speculation could not expect to get government assistance, that this assistance would be going primarily to agriculture and

¹⁶ J. Piłsudski, *Oświadczenie przed Trybunałem Stanu* [Statement to the Supreme Court of Justice], in: Z. Landau, B. Skrzyszewska, *Sprawa Gabriela Czechowicza przed Trybunałem Stanu. Wybór dokumentów*, Warszawa 1961, p. 118.

¹⁷ Cf. the minutes of the cabinet session on 17th June, 1926, *Archiwum Akt Nowych* [Archives of New Acts], "Protokoły Rady Ministrów," Vol. 33, card 502. The final text of the statement distributed to members of the press, *ibidem*, cards 503—519.

¹⁸ Cf. Z. Landau, *Polskie zagraniczne pożyczki państwowe 1918—1926* [Polish State Loans Abroad, 1918—1926], Warszawa 1961.

then, in a descending order of priority, to other sectors of the economy, relative to their importance for the State as a whole. He promised aid to export-oriented industries and a continuation of import controls. He pledged himself to a continued 8-hour working day but hedged his promise with a demand for higher labour productivity through a better organization of the production process.

Kwiatkowski placed emphasis on four matters: 1. intensification of production and lowering production costs; 2. stabilization in all spheres of economic activity (including "stabilization of legal and social relations"); 3. combating unemployment which reached disastrous proportions; 4. countering economic stagnation.

As practical means towards these ends E. Kwiatkowski envisaged higher levels of domestic consumption, increasing the volume of exports, encouraging government cooperation with "broad business circles", greater revenues from public enterprises, and economies in the spending of public money put at the disposal of the Ministry of Industry and Commerce.¹⁹

Neither the objectives nor the methods were new. In fact they were a replica of programmes put forward by a succession of pre-coup cabinets which had so vehemently been fought by Piłsudski associates. There were only two new elements in the statement: a promise that credit facilities would be made cheaper and a pledge that the construction of the new port of Gdynia would be pressed on more energetically. Not much in a long-awaited programme from a "national revival" government.

On 22nd June, in connection with the draft budget bill for the third quarter of 1926, the acting Treasury Minister Czesław Klarnier went before the Parliament with a financial exposé.²⁰ The preliminary budget kept expenditures more or less at levels proposed for the second quarter of that year by J. Zdziechowski. There were only insignificant changes in the apportionment of

¹⁹ The theses of the address after the text found in Archiwum Akt Nowych. The text was distributed among members of the press since summaries were subsequently printed in many newspapers. For an extensive and quite faithful summary see "Codzienne Wiadomości Ekonomiczne", No. 135, 18th June, 1926.

²⁰ Shorthand minutes of the 287th session of the Parliament on 22nd June, 1926, columns 6—18.

expenditures among the different ministries. Klarner moved for a blanket 10 per cent hike of all taxes and the price of spirits with a view to making the budget's ends meet. It was seen as a continuation of Zdziechowski's methods and plans. Klarner's exposé made one of the top representatives of the National Democrats [*endecja*] in Parliament remark: "We thus discern no essential difference between the programme which we today heard from the Treasury Minister and the one which had been proposed by the former government and the former Treasury Minister".²¹ Exactly the same position on the Klarner programme was taken by J. Moraczewski, who was counted among the ardent followers of Piłsudski. Addressing a parliamentary committee debating the government's draft budget for the third quarter he said in part: "I see no essential difference between Mr Zdziechowski's and his [i.e. Klarner's—Z. L.] programme".²² After all, Klarner himself admitted as much at a cabinet meeting when, presenting justification for measures contained in his draft budget, he said, among other things: "[...] the preliminary budget for the third quarter of 1926 is essentially based, much as the previous one was, on the 1925 budget".²³ The foreign press, too, regarded Klarner's tax programme to be a continuation of the fiscal policy of Zdziechowski's predecessor, Władysław Grabski.²⁴

Klarner's exposé to Parliament ended all illusions regarding a possible search by the Piłsudski group for some radical measures towards stabilizing the budget and the currency. In principle all was to remain unchanged. This plain fact was *post factum* formulated in no uncertain terms by the Piłsudski-affiliated Non-Party Bloc of Cooperation with the Government (B. B. W. R.) in a vote-canvassing pre-election pamphlet: "Marshal Piłsudski's government [...] resolved to avoid all risky experiments and rather to

²¹ Speech to Parliament by MP S. Głąbiński, 22nd June, 1926, *ibidem*.

²² Speech to Parliament by MP J. Moraczewski, 25th June, 1926 (Short-hand minutes of the 288th session of the Parliament).

²³ Amendment to the Bill on Supplementing the Provisional Budget from 1st May to 30th June and on the Provisional Budget from 1st July to 30th September, 1926. Annex to the minutes of the cabinet session on 16th June, 1926, Archiwum Akt Nowych, "Protokoły Rady Ministrów," Vol. 33, card 443.

²⁴ F. Rotenstreich, *Zacząć z programem gospodarczym* [Wait with the Economic Programme], "Nasz Przegląd," No. 193, 14th July, 1926.

follow a trail of convenience, paved by financial theory and practice".²⁵

However, there were still no major statements to set store by concerning future policies on other than fiscal aspects of the national economy. Kwiatkowski's statement for the press included no such guidance. In order to clarify things the Central Association of Polish Industries, Commerce, Finance and Mining, which was the most substantial organization of the Polish big business, invited the Industry and Commerce Minister to address a session of the Association's Board. An exposé to that effect was made on 25th June, 1926.²⁶ Kwiatkowski poured soothing oil on the troubled business waters. He expounded the need for strictly adhering to established laws and went on record against state interventionism in economic affairs. Thus he repudiated openly the earlier demands of Starzyński which postulated more state controls. The most abhorrent thing to private industries at that time was, exactly, state intervention and control. Further on, Kwiatkowski repeated a number of theses from his statement for the press. Accordingly, he reiterated the promise that the bank discount rate would cautiously and gradually be lowered to make credit cheaper and restated the government's determination to bring the nation's trade balance into the black again by stepping up exports and temporarily maintaining import quotas. On social benefits, he sounded deliberately vague: "we should advise moderation and point out the need to accept such standards as have already been won by the working class in the West". As the working class in Poland in 1918—1920 had won benefits which were in many respects greater than those in some western European countries, such a statement could as well be taken as a promise that these extra benefits could be taken away.

The June declarations by two top government economics officials provided ample evidence of the reluctance by the govern-

²⁵ *Prace rządu Marszałka Piłsudskiego w świetle cyfr. Zamiast pustych obietnic — obraz rzeczy dokonanych* [Activities of Marshal Piłsudski's Government in Light of Figures. Instead of Empty Promises—a Picture of Accomplishments], Warszawa 1928, p. 9.

²⁶ For the text of E. Kwiatkowski's speech see "Przegląd Gospodarczy," 1926, pp. 639—641.

ment of "moral revival" to press on with any innovating economic programme. While combating the old régime, the new one virtually continued its economic policies. The promises contained in the two declarations did not give the remotest appearance of radicalism. They left virtually no margin for believing that *sana-cja* intended to introduce any changes in Poland's established economic set-up. The conservative attitudes in economic affairs by the ministers of the Kazimierz Bartel government were a reflection of Piłsudski's gravitation towards the right wing in political affairs.²⁷

The period of uncertainty was officially brought to an end by the first parliamentary exposé by Prime Minister K. Bartel on 19th July, 1926, in the debate concerning plenipotences for the cabinet. Bartel declared in straightforward terms that "the government will not permit any doctrinaire experiments in the economic and social domains [...]", and then to soothe the disappointed popular masses promised that "the government will not permit labour's just rights and interests being impaired in whatsoever extent and no exploitation of labour will be allowed".²⁸ Thus, following two months of illusions being fed among the broadest masses of the population as to the true nature of the takeover, the matter was at last obvious. The takeover brought to the helm of government a group of people whose leader saw the future of Poland in classical capitalist development. Therefore this group did not deem it necessary to draw up a long-term programme. Exactly that much was conceded by Prime Minister Bartel in his statement to Parliament: "I have not come before the Legislative Bodies [Houses] with lofty descriptions of a complete ideological programme because I do not believe in lecturing on the theory of such programmes, because the people, the State apparatus and the Houses have above all the right to demand from the government concrete guidelines for the immediate future in all areas of endeavour, because they are authorized to demand that we submit

²⁷ Cf. S. Mackiewicz (Cat), *Historia...*, pp. 173—199; A. Próchnik, *Pierwsze piętnastolecie Polski niepodległej. Zarys dziejów politycznych [Initial 15 Years of Independent Poland. An Outline of Political History]*, Warszawa 1957, pp. 227—269.

²⁸ K. Bartel, *Mowy...*, p. 19.

a report on our accomplishment to-date".²⁹ The reluctance to draw up a programme also stemmed from the government's having a considerable freedom of manoeuvre in day-to-day operations in the absence of a hard-and-fast programme of action.

So far this author has been trying to substantiate the thesis that in the period immediately following the takeover of May 1926 Piłsudski and his associates had no programme of their own of the ways to cope with economic problems faced by Poland. This author has also pointed out that the Piłsudski group, for all intents and purposes, actually continued the policy of the pre-coup governments in the economic sphere. The attitude to foreign capital influx was a case in point. Negotiations with foreign concerns, inaugurated before the takeover took place, were carried on, eventually producing financial agreements which gave the Polish State rather a raw deal.³⁰

The other essential point now remains to be examined: was the May 1926 takeover a watershed point in the economic development of Poland? This was suggested by authors associated with the Piłsudski camp.³¹ Theoretically the possibility existed that a new government, even if totally unable to propose novel economic conceptions, could carry out the concepts of its predecessors so efficiently as to arrive at solutions which the former governments had been incapable of reaching.

To avoid misunderstanding, let it be stated at the very outset that the May 1926 coup was presented as a watershed development in Poland's economic situation chiefly as a result of manipulation of statistics. An example of such manipulation is the fact that, rather than comparing data for the successive months of 1926 one

²⁹ K. Bartel, *Przemówienie wygłoszone w Senacie w dn. 30 VII 1926* [Speech to the Senate on 30th July, 1926], *ibidem*, pp. 35—36.

³⁰ Z. Landau, *Plan stabilizacyjny 1927—1930. Geneza, założenia, wyniki* [Stabilization Plan, 1927—1930. Origins, Assumptions, Effects], Warszawa 1963, pp. 40—62.

³¹ Cf. A. Krzyżanowski, *Rządy...*, p. 104. The same thesis is formulated a little more cautiously by S. Starzyński in *Rok 1926 w życiu gospodarczym Polski* [1926 in Poland's Economic Life], Warszawa 1927. He reverted to the thesis that "the May 1926 takeover created a new era in economic life" in his article entitled *Myśl państwowa w życiu gospodarczym* [State Thought in Economic Life], published in *Na froncie gospodarczym. W dziesiątą rocznicę odzyskania niepodległości*, Warszawa undated, p. 17.

after another, authors were prone to compare whole 12-month (yearly) periods. Comparing the economic performance of the Polish economy in 1924—1925—1926, these authors had no difficulty in proving that 1926 brought economic expansion which then of course went to Marshal Piłsudski's credit. This type of demonstration is rife in the otherwise interesting work by S. Starzyński, *Rok 1926 w życiu gospodarczym Polski* [1926 in Poland's Economic Life]. In other cases authors would manipulate statistics by often skipping data for the months of February and March, 1926. By comparing data for January 1926 with those for April and the successive months these authors created illusory evidence of a mighty economic leap forward following the May takeover. The willful omission of February and March returns made it impossible to follow the slowly rising trend of economic indicators even before the coup. This type of manipulation was resorted to in a publication put out by the Prime Minister's Office.²² An expert exploitation by the propaganda apparatus of sets of economic data thus doctored caused that the argument on the watershed significance of the May 1926 takeover in the domain of economics has since been almost universally accepted and, by virtue of inertia, rarely subject to scientific reexamination.

The point of departure for the whole myth was the obvious and never questioned fact that the business cycle in Poland in the period immediately after the May coup went on the upswing, much as the world business cycle did at the same time. Industrial output went up and so did employment, unemployment went down, budget deficits were succeeded by budget surpluses. These facts alone could prove the significance of the May takeover in the realm of economics only if the authors, who so correctly pointed out the general upswing in the business cycle in Poland, could also prove that the change for the better began only at or after the coup. A closer analysis of statistics proves otherwise. The coup took place when the business cycle was already on a rising trend. Thus the country's economic reinvigoration was not an outcome of activities by the Piłsudski government but was

²² *Przegląd życia gospodarczego Polski w okresie od V do IX 1926* [A Review of Poland's Economic Life from May to September 1926], Warszawa 1926.

determined by favourable world trends. This was mentioned by, among other authors, Prime Minister K. Bartel who wrote: "We cannot forget that external economic terms favourable for Poland also contributed to those positive results". He added a qualification to that statement by saying: "Nonetheless, it is up to ourselves to make the full use of them".³³

Poland entered the stage of economic recovery even towards the close of A. Skrzyński's government. In line with rules governing capitalist economy the post-recession phase of stagnation gradually and automatically, as it were, grew into the phase of recovery. A fundamental work on the business cycle in Poland in 1924—1927 sets down the following periodization: recession from July 1925 to January 1926, stagnation from February to August 1926, recovery after September 1926.³⁴ The eminent Polish economist Oskar Lange thus characterized that business cycle: "[...] from the moment the inflationary 'boom' of 1923 went bust, Polish industry entered a period of stagnation and recession. The economic crisis became especially acute in the latter half of 1925, reaching its nadir in the early months of 1926, particularly in January. But also in the beginning of 1926 there was a bottoming out of the recession which towards the end of that year and in 1927 changed into definite economic recovery".³⁵ Let us remember too that the economic upswing of 1926—1929 was not at all peculiar to Poland. It was more or less a regularity of all capitalist countries at the time. The rising phase of the business cycle in Poland coincided with what was happening throughout the world economy.

Let us begin the analysis of the economic situation in Poland by examining the state of employment of hired labour in the manufacturing industries (only plants employing upwards of 20 personnel are included). The rising trend in the number of employed began even in February 1926 and it kept rising through-

³³ *Ibidem*, preface by K. Bartel, p. 5.

³⁴ E. Lipiński, S. Pszczólikowski, L. Landau, J. Wiśniewski, *Koniunktura gospodarcza w Polsce 1924—1927* [*Business Trends in Poland, 1924—1927*], ed. E. Lipiński, Warszawa 1928.

³⁵ O. Lange, *Koniunktura w życiu gospodarczym Polski 1923—1927* [*Business Trends in Poland's Economic Life, 1923—1927*], in: *Przewroty walutowe i gospodarcze po wielkiej wojnie*, Kraków 1928, p. 392.

out the year save for the month of July. By the end of 1926 it had risen by 41 per cent on the previous year. If we accepted that performance at face value as a credit to the Piłsudski government, the accomplishment would in fact have been quite considerable. In point of fact, however, the performance of 1926 labour charts cannot serve as an argument that Piłsudski's coming to power was something of a breakthrough on the economic scene. A look at monthly employment charts is enough to prove otherwise (Table 1).

Table 1: 1926 Employment Figures for Manufacturing Industry Plants in Poland Employing Upwards of 20 Personnel Each

<i>Month</i>	<i>Employment</i>	<i>Change on Previous Month Absolute Figures</i>	<i>Per Cent</i>
January	313 000	-53 000	-14
February	330 000	+17 000	+5
March	341 000	+11 000	+3
April	359 000	+18 000	+5
May	364 000	+5 000	+1
June	387 000	+23 000	+6
July	383 000	-4 000	-1
August	400 000	+17 000	+4
September	411 000	+11 000	+2
October	436 000	+25 000	+6
November	442 000	+6 000	+1

Source: B. Rzepecki, *Przemysł Polski w 1926 r.* [Poland's Industries in 1926], "Ekonomista", vol. I, 1927, p. 22.

The Table shows that employment figures kept rising more or less regularly beginning with February 1926 and that, characteristically, between February and April these figures jumped by 15,300 monthly whereas after the May takeover they rose at a more leisurely pace: only by some 13,000 on a monthly basis. Employment statistics contain no evidence whatever of the May takeover being a watershed point in the business cycle. Identical conclusions are reached upon examination of employment statistics for the entire manufacturing industries. Total employment figure for these industries in January 1926 was 559,800 and for the subsequent months, respectively: 573,200, 583,200, 604,000,

609,000, 635,800, 645,200;³⁶ i.e. it had been rising systematically, albeit slowly, from the beginning of the year.

A synthetical indicator of the trends followed by industrial production is provided by the numbers of manhours worked. Relevant statistics are to be found in Table 2. They indicate

Table 2: Manhours Worked in 1926

<i>Month</i>	<i>Manhours in Millions per Week</i>	<i>Change on Previous Month Absolute Figures</i>	<i>Per Cent</i>
January	12.7	-2.7	-18
February	13.4	+ .7	+5
March	14.4	+1.0	+7
April	15.2	+ .8	+5
May	14.9	- .3	-2
June	15.7	+ .8	+5
July	15.9	+ .2	+1
August	17.0	+1.1	+6
September	18.0	+1.0	+6
October	19.4	+1.4	+7
November	20.0	+ .6	+3
December	19.4	- .6	-3

Source: *Annuaire de statistique du Ministère des Finances, Varsovie 1931, p. 14.*

quite systematic increases in the numbers of manhours worked month by month from the very beginning of 1926 and not only after May. The same picture emerges from unemployment figures or statistics on foreign trade (Table 3).

An oft-cited argument for the milestone importance of the May takeover in the economic domain used to be the fact that by July 1926 the monthly budget deficits had been eliminated. Again, the accomplishment was in itself quite impressive but it did not prove what it was meant to prove. It is enough to examine statistics on the monthly budget deficits and surpluses to prove otherwise. Accordingly, from December 1925 to April 1926 the monthly budget deficits grew less from one month to another: (in millions of zlotys) 53.9, 21.1, 10.6, 8.6 and 2.0 for the respective months. In May the deficit jumped to reach 17.7 million zlotys,

³⁶ *Annuaire de statistique du Ministère des Finances, Varsovie 1931, p. 14.*

in June it fell to 11.4 and in the subsequent months revenues were greater than expenditures, producing some surplus.³⁷ It clearly follows from this set of statistics that the monthly deficits were on the wane starting with January 1926 rather than May 1926. It also proves that the budget situation had been taken under control even by Treasury Minister J. Zdziechowski. The fact that by the month of July, that is two months after the Piłsudski takeover, deficits were replaced by surpluses was a simple con-

Table 3: Unemployment Figures and Situation in Foreign Trade in 1926

Month	Number of Unemployed (in thousands at close of month)		Foreign Trade Turnover (in millions of zlotys)	
	Officially Registered	Unofficial Estimate	Imports	Exports
January	301.5	359.8	68.8	159.1
February	302.2	358.4	69.2	131.4
March	295.5	345.0	109.7	132.9
April	272.4	320.5	118.6	163.2
May	257.0	303.7	106.3	182.6
June	243.3	288.5	123.4	198.4
July	223.5	263.5	120.5	220.9
August	205.4	241.8	161.2	225.3
September	185.2	213.7	148.3	199.5
October	167.8	196.5	176.9	204.8
November	168.0	200.6	187.2	228.7
December	190.1	x	156.6	206.2

Source: *Annuaire statistique...*, pp. 13–15.

sequence of the continued economic and financial recovery of the country which had become apparent at the very beginning of that year³⁸ as well as proving that Zdziechowski had applied correct measures to reflate the economy. In fact, Zdziechowski himself expected the budget balance to be righted by the second half of 1926.³⁹ Indeed the takeover introduced a certain degree of con-

³⁷ *Ibidem*, p. 15.

³⁸ *Sprawozdanie Centralnego Związku Polskiego Przemysłu, Górnictwa, Handlu i Finansów z działalności w roku 1926* [Report by the Central Association of Polish Industries, Commerce, Finance and Mining on Activities in 1926], Warszawa 1927, p. 6.

³⁹ E. Taylor, *Druga...*, p. 76.

fusion to those recovery plans because the chaos caused by it led to a temporary rise in deficits in May and June. We could even assert that, had it not been for the coup and attendant disorders, the surplus might have come two months earlier: in May rather than in July.

Other economic indicators prove beyond a shade of doubt that the process of recovery began at the beginning of 1926. The amount of money in circulation increased steadily, from 781 million zlotys in January to 828.7 million zlotys in April, the share therein of banknotes issued by the Bank of Poland increased from 46 per cent to 47 per cent whereas the share of specie and Treasury notes decreased from 54 per cent to 53 per cent of total, bank credit operations were on the rise, the share of protested bills of exchange in the total portfolio of bills of exchange of the Bank of Poland decreased from 6.24 per cent in January to 3.02 per cent in April, the price index went down from 92 points in January to 80.5 points in April and so did the cost-of-living index: from 102.3 to 80.1 points, respectively.⁴⁰

Only two important indicators expressed a bearish tendency: the shares index tumbled from 38.6 in January to 29.4 in April and the exchange rate of the zloty against the US dollar fell from 141 points in January to 187 points in April.⁴¹ However, the two last-named indicators fell not so much on the strength of the economic situation as on news of political developments.⁴² The point is that there was a general sense of political instability in Poland from the moment the W. Grabski cabinet went down in November 1925. As not a thing was known of the economic concepts of Józef Piłsudski, who emerged as one of the chief pretenders, people with any liquid capital shunned investment in Polish industrial shares and in the Polish currency. Hence the

⁴⁰ *Annuaire de statistique...*, pp. 13–20. In light of statistics therein contained Krzyżanowski's argument in the abovesited work that "[...] the business trend radically changed in June 1926" (p. 104) appears to have been completely unsubstantiated.

⁴¹ *Annuaire de statistique...*, pp. 13–20.

⁴² "The exchange rate of the US dollar went up in April and May only due to political instability brought on by the split in the coalition cabinet and by constant fear of an impending coup d'état". E. Taylor, *Druga...*, p. 100. E. R[ose] wrote in much the same vein in the article titled *Perspektywy* [*Prospects*], "Przegląd Gospodarczy," 1926, p. 592.

bearish tendency on the stock market early in 1926 and a fall in the exchange rate of the zloty.

It seems in the light of the above-cited statistics, the range of which can be extended if necessary, that the Piłsudski takeover was no watershed development in the economic development of Poland. May 1926 was no economic caesura at all. An upturn in the business cycle began even at the beginning of 1926 and Piłsudski and his associates ably exploited that development to suit their own political and propaganda interests.

(Translated by Jerzy Jastrzębowski)