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DEBATE OVER THE ECONOMIC ROLE
OF THE STATE IN POLAND IN THE WORKS
OF THE REPRESENTATIVES OF THE KRAKÓW
SCHOOL, THE LEVIATHAN ORGANIZATION
AND THE FIRST ECONOMIC BRIGADE
IN THE YEARS 1919-1939

As Poland regained independence in 1918, it immediately had to deal with the question of how to shape its political and economic system. One important but at the same time controversial issue was the level of the state's involvement in the economic life of the country and the measures used. In numerous debates among economists, the dominant topics included problems in the industry – in particular issues such as statism, monopolization, policy towards cartels and, in the later period, economic planning. The article presents the course of the discussion on the role of the state in the economy that took place in Poland in the years 1918–1939, as well as a review of arguments put forward by the proponents and opponents of state's economic interventionism. For the purpose of this article, three groups that were most active in the debate were selected: the Kraków School, the Leviathan organization and the First Economic Brigade.

Key words: *statism, interventionism, Polish economic thought, the Second Polish Republic*

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INTRODUCTION

As Poland regained independence in 1918, it immediately had to deal with the issue of how to shape its political and economic system. This was followed by questions concerning the level of the state's involvement in the economic life of the country, and the measures of intervening. In numerous debates among economists, the dominant topics included problems in the industry – in particular the issues of statism, monopolization, policy towards cartels and, in the later period, economic planning.

The most controversial problem was the existence and functioning of the state-owned sector in the industry. Economists were seeking the answer to the question about whether the state-owned sector should grow, and if so, in what direction, and what the state's policy should be regarding this subject. This article aims at presenting the course of the discussion on the role of the state in the economy that took place in Poland in the years 1918–1939, as well a review of arguments presented by the proponents and opponents of state economic interventionism. Due to the fact that the problem of the state's role in the economy sparked heated debates in the Second Polish Republic, it was necessary to select the most important groups that participated in them. For the purpose of this article, three such groups were selected: the Kraków School, the Leviathan organization, and the First Economic Brigade, as these three groups had quite a significant impact on the Polish economic policy in the discussed period.

As soon as independence was regained, the Polish state became the owner of many industrial and social facilities which had been previously owned by the Russian Empire, the Kingdom of Prussia and Habsburg Austria. As the Polish territory grew, so did the value of the state-owned industry. It increased from 32.5 million PLN in 1918 to 97.1 million in 1921, and 275.1 million in 1923. In total, the assets of the national sector comprised 650 enterprises, industrial plants, and small workshops, as well as shares in private companies [Gołębiowski J. 1985: 45,47]. Among the institutions and companies "inherited" from the occupants, the most important ones were those that had functioned in the territory of all partitions before Poland regained its independence. This group included three largest economic entities: railways, the postal service, and the state-owned forests. At the same time, due to the weakness of Polish private capital, the Polish state repossessed factories abandoned by their foreign owners [Landau Z., Tomaszewski J. 1967: 72; Roszkowski W. 1981: 164; Gołębiowski J. 1985: 16,17].

The upward trend in the state-owned sector was further intensified in the times of war economy during the Polish-Bolshevik war. Only after the war had ended, was the transition to a peacetime economy possible. Many decrees from the period of war interventionism were abolished, and the prevailing opinion that the return to a liberal economy was necessary, in practice, led to a decision to sell a number of state-owned enterprises. In the years 1926–1929, the state mainly intervened in economic matters indirectly, through a system of taxes, duties, and public tenders. However, the state did not abandon its role of an entrepreneur altogether. For strategic

purposes, the arms industry was almost entirely in the state's hands. The number of the so-called mixed enterprises, in which the state had some share, also grew [Zagóra-Jonszta U. 1997 b: 108–109]. The level of statism also increased as a result of the Great Depression. The growing debt of companies in state-owned banks and their inability to repay it led, in most cases, to the acquisition of some or all shares by the state. The state gradually accumulated assets, though there are no specific data concerning their size. It is estimated that the share of the state in the total national wealth in Poland in 1939 was 15–20% [Roszkowski W. 1981: 164].

The debate on the role of the state in the economy was ongoing throughout the whole period of the Second Polish Republic. Depending on the changing economic conditions and the activity of the participants of the debate, it can be divided into four stages. In the first stage, from 1918 to September 1928, there was common consent in the society that the state's intervention should be gradually limited due to the departure from a war economy, so the debate was not that violent yet. The significant improvement in the economy from the year 1926 seemed to confirm the validity of liberal principles. In the second stage, from October 1928 to 1931, the debate on statism became much fiercer under the influence of the pro-statist publications by the representatives of the so-called First Economic Brigade. In literature this stage is referred to as the "discussions on statism". In the third stage, from 1932 to 1935, the discussion was much more moderate, as a result of the victory of the proponents of liberal concepts and the anti-crisis policy led in the liberal spirit. In the final years of the Second Polish Republic (1936–1939), the proponents of statism became active again. This resulted from the failure of the policy of deflation implemented during the Depression, and the need to develop a theory of state interventionism [Zagóra-Jonszta U. 1991: 17–8].

From the very beginning of the debate, the concept of statism was very controversial, particularly due to the long-standing lack of a precise definition. Very often, misunderstandings concerning the definition of the term only became apparent during debates. "Statism" meant the economic activity of the state as an entrepreneur, owning and operating enterprises by and for itself. A broader definition included all state interventions in the economic life of the country. In Poland, in the 1920s, the "extended" definition dominated, which included the state's attempts to increase its role in the economy, the overall economic policy aiming to increase the role of the state in the economy, or the state's inclination to excessively intervene in economic relations. Only as a result of the discussion at

the turn of 1930s and the experiences of the Great Depression in the years 1930–1935, the narrow definition of the concept solidified [Roszkowski W. 1981: 163].

THE ECONOMIC ROLE OF THE STATE IN THE WORKS OF THE KRAKÓW SCHOOL

One of the main participants in the discussion on the economic role of the state were the proponents of economic liberalism. Among them the fiercest fight against economic statism was led by economists in Kraków, gathered in the so-called Kraków School. The term “Kraków School” referred to the Economic Society in Kraków, established in 1921. Its founders were representatives of Kraków’s scientific circles and economic activists who wanted to actively participate in the economic reconstruction of the state, based on the ideas of economic liberalism. The works of the members of the Society were published in the following magazines: “Czas” (Time), “Czasopismo Prawnicze i Ekonomiczne” (Journal of Law and Economics), “Ruch Prawniczy i Ekonomiczny” (Economic and Legal Movement), “Przegląd Gospodarczy” (Economic Review), “Przegląd Współczesny” (Contemporary Review), and in the Society’s own series of publications [Lityńska A. 1983: 9, 13]. The theoretical foundations of the Kraków School were not homogeneous, but their common denominator included social and economic philosophy and economic liberalism characterized by extremely anti-statist views [Kowalik T. 1992: 151].

The conceptual leader of the Kraków School was Adam Krzyżanowski. Adam Heydel and Ferdynand Zweig were also among the intellectual leaders of the Economic Society. Other professors of the Jagiellonian University also took part in the work of the Economic Society: Artur Benis – professor of descriptive economics, Stanisław Estreicher – professor of the Western European and comparative law history, Tomasz Lulek – professor of fiscal law and accounting, Maksymilian Józef Ziomek – professor of civil law, Fryderyk Zoll (junior) – professor of civil law, Stefan Schmidt – professor of agricultural economics, and Jan Włodek – professor of agriculture [Lityńska A. 1983: 21–22].

It is noteworthy that the liberals used the extended definition of statism. Heydel understood it as any activity of the state involving interventions in the economic life:

statism in Poland involves excessive expansion of the state-owned economy and state interventions in all aspects of economic life. One aspect of statism is the excessive development of the state-owned economy [...] and the other aspect is the state stepping into the realm of private economy. This is the so-called economic interventionism [Heydel A. 1932: 38, 44].

Adam Krzyżanowski also used the “extended” definition of statism. He understood it in the following way:

any expansion of the state’s scope of activity. Statist policy is the opposite of the liberal policy, understood as limiting the state’s scope of activity. Within this notion I distinguish three phenomena, namely: 1. statism in a more narrow sense – the role of the state as an entrepreneur and a banker granting loans, 2. duty, tariff and tax protectionism, meaning the policy of supporting domestic production by banning imports and exports, setting customs, tax, and rail tariffs and export bonuses, and 3. interventionism including any other cases of state’s intervention in economic life, in particular concerning prices and remuneration [*Przemówienie...* (The speech...), 1929: 6–7]

Based on this definition, he argued that statism in Poland was excessive and, as a consequence, harmful, and no country had as strong statist policies as Poland apart from Soviet Russia [*Przemówienie...* 1929: 6–7].

The representatives of the Kraków School saw interventionism as a forcible adaptation of economic life to purposes which were artificial and incompatible with natural development [Heydel A. 1995: 50]. Adam Krzyżanowski, who fought against state-owned entrepreneurship, anti-cyclical interventionism, militarization of the economy, excessive taxation and national industrialization programs, saw statism as the main threat to the state and to social morality [Kowalik T. 1992: 156]. He saw its origins in the heritage of the occupant powers and remnants of statism typical for the war economy that prevailed in Poland for a long time [Zagóra-Jonszta U. 1991: 24]. He thought that statism fostered growth in criminality, as it created a strong temptation to evade laws – for instance excessive duties led to smuggling. Privileging state-owned companies means that private businessmen are less loyal towards the state. Statism also delays rationalization of the production and invention [Krzyżanowski A. 1932: 36].

Adam Krzyżanowski emphasized the problem of costs related to excessive statism. He thought that the acceptable level of statism is exceeded when it starts to have adverse consequences, and it is a failure when it becomes too costly. It should, then, be accepted that the state’s scope of operation is too broad when it causes expenses leading to excessive fiscal burden. The scope of the state’s operation can be extended without any adverse consequences as long as the condition of the state’s finances

is satisfactory. Excessively high taxes deplete working capital, raise interest rates and, therefore, become a hazard for the currency. Hence, the currency and financial situation clearly defines the limits of interventionism. Furthermore, excessive statism produces temporary benefits for the price of permanent losses, as the reduction of interest rate is the only source of large and permanent economic profits, and statism makes loans more expensive [Krzyżanowski A. 1932: 37-38].

Among the students of Krzyżanowski, the most loyal was Ferdynand Zweig. In his book *Zmierzch czy odrodzenie liberalizmu* (*Decline or Revival of Liberalism*), he argued that neoliberalism was next to come [Kowalik T. 1992: 156]. He understood neoliberalism as a new form of the old, 19th-century liberalism with new, updated ideas, which was supposed to arise after a period of neomercantilism [Zweig F. 1981: 15]. Zweig thought that it was the obligation of the state to intervene into the economy, as interventionism is necessary for the protection or restoration of the “fair-play” rule, the principle of freedom from attacks of cartels, monopolies, and license holders. However, interventionism cannot go as far as creating new privileges, monopolies, semi-monopolies, licenses, or obligatory or voluntary cartels. He thought that liberal interventionism goes into a different direction and has a different scope and methods of involvement. The state should intervene in any situation where the “fair-play” rule has been breached, and only to reinstate this rule, therefore only in those cases when competition is limited due to the advantage enjoyed by one of the parties – for instance in the form of a cartel or monopoly. The state should protect those who have been harmed by unfair play. This was interventionism oriented towards the protection of “ordinary men against the machinations of monopolists”. Zweig thought that liberalism was compatible with the idea of protecting the weak against exploitation, in the form of social legislation, aiming at improving their situation through the adoption of regulations concerning working time, sanitary conditions, and social insurance [Zweig F. 1932: 320-323]. He was also an opponent of statism, which he thought was strictly related to autarky, saying that “the policy of autarky is a policy of economic planning, i.e. non-market economy, managed and regulated by the state in accordance with non-market criteria and conditions – and a non-market economy is a statist economy”. He also pointed out that a state that makes the economy statist must isolate itself from other countries and cannot enter into global economic cooperation [Zweig F. 1932: 110].

Ferdynand Zweig was also the author of a program for combating statism. He assumed that in the first years of independence, statism had

an important role to play, which resulted from the state regaining its independence. This included accelerating the process of industry reorganization and unification within one state, and creation of a war industry. Once this had been achieved, statism became redundant. However, not only did it not disappear, it extended in scope in comparison with the first years of independence, becoming "a great burden on the entire economic life and a threat to its original goals, weakening and partially immobilizing private industry". Since statism decreases social income and the profitability of private business, it makes fight with fiscal deficit more difficult and deforms the overall economic policy of the state. Zweig thought that the program of combating statism was one of the most important elements for repairing the country. The first demand was, then, to stop the development of statism by changing legislation. Private enterprises were to be equalized with state-owned ones. State-owned companies were to pay all state-owned and local taxes and contributions to social benefits, just like private companies, without any exceptions. Private and state-owned companies were to be treated equally in public tenders, when granting loans, paying customs duties, and in debt regulations. He also demanded a comprehensive inventory of national companies, their reorganization with a view to their administration by a single ministry (the Ministry of State Treasury would be the best choice), revision of lease agreements in national estates, and sale of the state's minority stocks and shares. He also demanded for the state's banking and insurance activity to be restricted, and for state trade to be abolished [Zweig F. 1995: 79-93].

The representatives of the Kraków School also tried to prove that state-owned companies were unprofitable. Adam Krzyżanowski was the first person to pose this thesis, but later on it was expanded in the works of other representatives of liberalism [Lulek T. 1932a: 312-319; Heydel A. 1932a: 78-79; Heydel A. 1932c: 99-109]. At the same time, they criticized tax privileges enjoyed by state-owned companies in Poland. This was related to the already mentioned demand of F. Zweig to tax all state-owned companies in the same way as private companies, and to grant any privileges in a legal form that left no doubt concerning their power [Lulek T. 1932b: 131-182].

It was also argued that consistent interventionism must lead to socialism. Therefore, soviet examples were very often invoked, as in the Soviet Union one could find many negative examples of a total "statisation" of the economic life [Zagóra-Jonszta U. 1991: 34]. Critiques of statism and state-owned interventionism were accompanied by arguments on the su-

periority of liberal policy [Zweig F. 1981: 15–25]. The Kraków School was equally reluctant towards economic planning, which was seen as a factor hampering free competition and a result of prolonged application of statist policies. According to the representatives of liberalism, planning led to divergences in pricing, upset the balance between consumption and production, and restricted private property and the creative initiative of individuals [Zagóra-Jonszta U. 1991: 44].

THE ECONOMIC ROLE OF THE STATE IN THE WORKS OF LEVIATHAN REPRESENTATIVES

The Central Association of the Polish Industry, Mining, Trade, and Finances (Centralny Związek Polskiego Przemysłu, Górnictwa, Handlu i Finansów – CZPPGHIF), commonly referred to as “Leviathan”, relied on the anti-statist concepts created by the Kraków liberals. The organization was an important player in the economic and political life in the Second Polish Republic. Leviathan was established on December 15, 1919 as a successor of the Society of Industrialists Kingdom of Poland (Towarzystwo Przemysłowców Królestwa Polskiego), upon the initiative of Andrzej Wierzbicki. The organization comprised 29 economic associations from the whole of Poland, but mainly from the former Kingdom of Poland territory. Throughout its operation, the Association was headed by Andrzej Wierzbicki, who most frequently spoke on behalf of the great industry in the Sejm and in numerous publications [Kofman J. 1986: 10,17]. Wierzbicki considered A. Krzyżanowski the greatest expert on the issue of statism. He wrote: “I know no one in Poland who has more knowledge and expertise on statism than professor Adam Krzyżanowski” [Wierzbicki A. 1929: 5]. Tadeusz Bernadzikiewicz (from 1935 employed in Leviathan’s press office) often talked about the matters related to the state-owned sector in the economy.

In the 1920s, the representatives of Leviathan wanted to see state intervention in the form of industrial and customs protectionism, and also as the main causative factor for developing the economic infrastructure of the country. They emphasized the ability of the state, which was the main recipient of industrial products in the country, to shape industrial development – but considered all other forms of state engagement in the industry as unnecessary and harmful [Rose E. 1922: 40].

Leviathan's position towards the issue of the state's role in the economy evolved in the 1930s. As a result of the Great Depression, its members approved of forms of intervention that affected the course of the business cycle and, as a consequence, they accepted careful economy-boosting policies. Approval for increased state intervention in economic affairs did not extend to all its forms. Based on the liberal view that the expansion of the state's functions disrupts the mechanism of capitalist economy and that it is necessary to reinstate free competition, Leviathan members demanded a limitation of statism and a rationalization of interventionism [Kofman J. 1986: 64–65].

They attacked statism as “unfair competition” to private enterprises. They particularly opposed privileging state-owned companies when granting loans. They accused state-owned companies of operating under better conditions and limiting the expansion of the private sector by stealing business from it. What is more, they claimed that financial statism to a large extent limited the use of monetary and capital market by private enterprises, and that excessive intervention of the state into the economy deterred foreign capital, constrained the freedom of private economic life, and subjected it to meticulous control [Lisiecka Ł. 1997: 152; Kofman J. 1986: 65].

The years 1928–1929 were a time of a fierce debate between the proponents of state-owned economy and advocates of the capitalist circles, triggered by the publications of the First Economic Brigade, gathered around Stefan Starzyński. The vision of the target economic system presented by the Brigade assumed consistent state regulation of the entirety of economic life and its particular areas. According to the authors of the concept, the need for this solution resulted from low efficiency and innovation in private enterprises. It was also supported by military considerations, international competition, policy of monopolies, and the economic weakness of the state, to a large extent resulting from inequalities in the country due to partitions [Lisiecka Ł. 1997: 151].

Edward Rose, a long-term editor-in-chief of “Przegląd Gospodarczy” (Economic Review), a bi-weekly published by Leviathan, tried to respond to the demands of the First Economic Brigade, writing:

We can, without any harm to our position, say that the role of the state in economic life is no longer the role of a passive viewer or a guardian of public security. As a consequence, we can understand that the state, in fact having an increased impact on the economic life, tries to affect it with various methods. Making this concession in the spirit of our times, we have to even more strongly emphasize that there are certain rules that have to be followed even now, so as not to undermine the foundations of the system that we live in. The first rule is that it is prohibited, under the threat of

great damage to the whole country, to make the economic life an object of fights and political experiments. Whoever dreams of state regulation of the state-owned economy must remember that, in practice, the regulating body is always the government of the time. In modern democracy, the government is nothing more than an embodiment of political forces which are in power at a given time. In these conditions, all theories concerning planned, consistent, rational economic policy of the state, especially in the long term, must be an illusion. Furthermore, whoever seeks new forms of relations between the state and economic life must be aware that the essence of any creation and any activity nowadays is the strive for profit, which is the foundation of a modern capitalist economy. Therefore, any state intervention that would adopt the principle of fighting against the profitability of private entrepreneurship would be doomed to failure, as it would be impossible to reconcile with our system. We must be aware that there can be no compromises in this aspect [Rose E. 1928: 4].

At first, Leviathan strongly objected to the concepts of the First Economic Brigade. Two meetings took place on the initiative of Andrzej Wierzbicki – the first one in December 1928, the second one in January 1929 – hosted by Janusz Radziwiłł, the chairman of the Nonpartisan Bloc for Cooperation with the Government (Bezpartyjny Blok Współpracy z Rządem – BBWR), during which the issue of state intervention in economic life was discussed. In his speech during the meeting, Wierzbicki clearly defined the scope of state economic intervention, emphasizing that he was absolutely against all plans of a statist policy, and he wished that tried-and-tested conservative economic principles were followed. In his view, it was unthinkable for the state to undertake tasks that could be performed by private enterprises. This required the creation of optimum working conditions for private enterprises by providing appropriate economic infrastructure and modern state institutions. State companies should work according to the same rules as private companies. In its economic activity, the state should only perform those tasks which are necessary for increasing social activity and which cannot be performed by private enterprises, and only until the time when private enterprises can take over. At the same time, he highlighted that “economic circles have not been supporters of the liberal doctrine involving lack of interference in economic life. It seems that the doctrine in its purest form has never been implemented anywhere in the world – it only existed in theory” [Przemówienie ... 1929: 125].

The speeches made during these meetings aroused strong emotions even after many years. When A. Wierzbicki recalled this meeting, he described the views of his opponents thus:

The First Economic Brigade carried out a frenzied attack on private initiative in Poland. By making serious accusations against Polish industrialists, the people from the Economic Front fancied themselves the only economic patriots in the country.

They accused all representatives of Polish private enterprise that in the years when the future of Europe was determined, they ruled out the economic justification and political rationale behind its existence. They claimed that the attitude of this group towards the problem of independence was an expression of selfishness, inability to see long-term consequences, and servile attachment to foreign economic bodies. Seeing representatives of private initiative as an ideologically suspicious element – because instead of thinking about Poland as a power, they occupied themselves with machines, profits, and market – they called them to withdraw and let those who had bought the independence of Poland with their own blood, and therefore have the right to create social economy, to manage this social economy. But the main element of the First Economic Brigade's ideology was statism, in its most extreme, even grotesque form [A. Wierzbicki A. 2001: 411–412].

Leviathan's main objection in their fight with statism was the thesis concerning the poor profitability of state-owned companies. Tadeusz Bernadzikiewicz elaborated on that thesis, based on the work of Adam Krzyżanowski. He came to conclusion that state-owned companies cannot be profitable, because they do not prioritize profit. Their profits are most frequently fictitious, as they receive too many subsidies from the treasury, subventions, and free loans. As a consequence, their cost of operation is higher than the profit they bring [Bernadzikiewicz T. 1937b: 121–128]. Proving the unprofitability of state-owned companies was very difficult, however, as very often they did not keep books appropriately. No registry of these companies even existed. In this situation, a suggestion was made to make an inventory of these companies and conduct a financial analysis [Zagóra-Jonszta U. 1991: 80].

In Leviathan's publications, the privileged position of the state-owned sector was very often pointed out. State-owned companies were accused of benefiting from too many deductions, paying lower taxes, and enjoying state protection. Hence, demands appeared to equalize state-owned and private companies in terms of taxation – similar to those made by the representatives of the Kraków School [Bernadzikiewicz T. 137a: 268–276].

In the later period, the representatives of Leviathan also criticized the state's practice of taking over shares in private companies. Tadeusz Bernadzikiewicz called this "anonymous statism" and warned:

If we do not take a step back or at least stop at the level we have already reached, as no-one would think about any deeper changes now, in several years' time it might be hard to find a private company in Poland without some contribution of state-owned capital and management [Bernadzikiewicz T. 1937b: 196].

The attitude of big industrial circles towards other forms of interventionism was not the same as their attitude towards statism. They were in-

clined to accept these other forms, as during the Depression it became clear that without the help of the state, the crisis might be practically impossible to overcome. However, there were demands to keep interventionism within limits and to prevent it from entering some sectors of economic life. Leviathan supported economic interventionism, but was against interventions in the pricing system and cartels [Kofman J. 1986: 62].

Leviathan wanted the state to create perfect conditions for the existence of large private industry and to protect it against foreign competition. It supported customs and commercial protectionism, justifying it by Poland's economic weakness compared with other countries. This weakness was thought to be the consequence of Poland's geographical location (which limited trade opportunities with Russia and Germany), weak capitalization, the poor condition of material and technical culture, and disadvantages related to war reparations [*Program ... (The economic program...)*, 1933: 39–40].

Industrial circles were also wary of the idea of planning. Planning was associated with even greater intervention of the state in the internal matters of the great capital. What was particularly feared was planning that would lead to the creation of a central decision center, controlled by the state. In the years 1936–1939, Leviathan treated investment plans as a means of economic interventionism. By accepting the policy of economic activation, implemented after the Depression and resulting from investment plans, Leviathan's representatives did not get rid of their concerns related to planning. To a large extent, this resulted from their concern that the government might copy the Soviet model of economic planning and start imposing its will on private enterprises. Industrialists presented the same objections against planning as liberals, claiming that it is impossible to accurately forecast future needs, and therefore, that planned economy must involve a large margin of error. It was pointed out that this limits the initiative of the individual, and might force actions incompatible with the intentions of private enterprises. The fear of the government's interfering with the interests of private businessmen made them reluctant to planning [Zagóra-Jonszta U. 1991: 98–106].

THE FIRST ECONOMIC BRIGADE AND THE ECONOMIC ROLE OF THE STATE

The first formal group of people who had the courage to speak in favor of the increase of active participation of the state in economic life was the so-called First Economic Brigade. The group was centered around Stefan Starzyński, then employee of the Ministry of State Treasury, and later the mayor of Warsaw. The First Economic Brigade mainly included state officials, mostly mid-level employees of the Ministry of State Treasury. The most active members of the Brigade included: Aleksander Konstanty Ivan-ka, Antoni Krahelski, Waław Faberkiewicz, Julian Kulski, Władysław Landau, Tadeusz Szturm de Szterm – employees of the Ministry of State Treasury, Wincenty Jastrzębski – vice-chairman of the Surveying Committee, Józef Kozuchowski – former Minister of Industry and Trade, Roman Górecki – chairman of the BGK bank, Adam Lorent – director of the State-owned Forests, Władysław Gieysztor and Czesław Peche – editors-in-chief of “Przemysł i Handel” (Industry and Trade), a pro-government weekly magazine [Janus P. 2009: 225–233; Zagóra-Jonszta U. 1993: 213; Dziewulski K 1981: 132–157]. The Brigade did not include any prominent economists. Starzyński, called “a guardian of statism” by Leviathan, did not express any deeper interest in economic theory [Drozdowski M. 1980:41]. The Brigade aimed at pointing out the discrepancy between the liberal theory prevalent in academic circles, and the existing economic practice. In Autumn 1928, the proponents of statism who created the First Economic Brigade celebrated the 10th anniversary of Polish independence with the publication of collective works, in which they argued for the expansion of statism. These were: *Na froncie gospodarczym. W dziesiątą rocznicę odzyskania niepodległości* (On the economic front. On the 10th anniversary of regaining independence) and *Zagadnienia gospodarcze Polski współczesnej* (Economic issues in contemporary Poland). Furthermore, the “Przemysł i Handel” magazine published an issue titled “Przemysł i Handel 1918–1928” (Industry and Trade in the years 1918–1928) and several shorter dissertations written by Stefan Starzyński and other members of the Brigade [Zagóra-Jonszta U. 1996: 5].

The First Economic Brigade promoted governmental concepts of economic policy and, at the same time, tried to create theoretical foundations for them. The support for the rule of Piłsudski started with Stefan Starzyński’s book *Rok 1926 w życiu gospodarczym Polski* (The year 1926 in

Poland's economic life) in which he argued that "in 1926, Poland entered a path of successful economic development" and that the policy introduced after The May Coup d'État should be continued [Starzyński S. 1927: 115]. When Starzyński argued in favor of state participation, he was looking for justification of expanding state-owned interventionism in the history of Poland and in shortcomings resulting from partitions [Starzyński S. 1929: 3–9].

By looking for the explanation of statism in the heirloom of the occupants, in the lack of interest on the part of private enterprises in certain aspects of economic activity and, most importantly, in the weakness of the Polish private capital, the Brigade claimed that the state had to intervene in the economic life and directly control production activity. A. Krahel'ski argued that the changes which occurred in the capitalist economy after the First World War meant that:

in fact, the state is much more involved in the economic life than during the war. We do not mean the ideological struggle between the proponents of statism and Laissez-faire. We mean that private capital and private business abandon some aspects of economic life, because these are not compatible with the working conditions of private capital. The reasons for this abandonment should be sought deep in our social system, in the distribution of social income, in the economic system based on profit, individual profit, which is not always aligned with the social interest. If we applied the Laissez-faire principle in our forests, in 50 years at the most, we would have none left. Social interest, which the private initiative could not secure, dictated the need to issue the Act on Private Forest Management [Krahel'ski A. 1928b: 77].

Among the reasons for statism the Brigade mentioned: the First World war, during which statism greatly developed and many of its forms that had emerged at the time remained in the economy; state-owned companies inherited from the occupants; international competition forcing the state to be more involved in economic life than before the war; high social utility of some branches of industry dominated by the state; and the misguided economic policy of Polish economic authorities before the May Coup of 1926 [Starzyński S. 1931: 8–13; Peche C. 1931: 249; Faberkiewicz W. 1931: 47–48]. The Brigade also spoke out extensively in favor of defending state-owned enterprises. The Brigade justified the existence of many state-owned companies by the poor economic development of the country and lack of capital [Krahel'ski A. 1928b: 77; Peche C. 1931: 249], pointing out many moments when these enterprises played an important role. In the key branches of the economy, their purpose was to complement the activity of private capital, play the role of a pioneer, prepare the ground for private enterprises, appear in those areas where the general interest re-

quired it (the arms industry, public utilities), play the dominant role in the process of modernization and rationalization of production. The Brigade also disagreed with the prevalent opinion that state-owned companies were unprofitable. They claimed that these companies play various functions and cannot always be judged by the amount of profit [Krahelski A. 1928b: 78-79; Zagóra-Jonszta U. 1993: 214-215]. They also highlighted the need to streamline and improve the activity of state-owned companies [Krahelski A. 1928: 129-130]. One member of the First Economic Brigade, Kazimierz Sokołowski, emphasized in his works that, though the role of the state as an entrepreneur is significant, the importance of this fact is often overrated. He stated that state-owned companies were only "the assisting factor in the economic activity of the state" [Brodnicki K. 1931: 100]. Sokołowski also dealt with the issue of the state's shares in private companies. He thought that the share of the National Treasury in private companies is justified in strictly defined situations, when:

1. significant political factors exist;
2. concentrated state-owned capital can perform tasks that the scattered private capital cannot;
3. pioneering actions are required;
4. there is a threat posed by hostile foreign capital;
5. an actual monopoly exists, such as the Polish Radio, the PLL LOT airline.

Taking these principles into consideration, he came to conclusion that in half of private companies, the contribution of the state can be considered unnecessary. This concerned in particular those institutions in which the state acquired shares due to its inability to recover loans or for supervisory reasons. If the state withdraws from those companies and they go bankrupt, this will prove that the state supported them artificially [Brodnicki K. 1931b: 52]. As one can see from the cited passages, Kazimierz Sokołowski did not attribute much significance to the impact of statism on the economy, granting it an assistant role in the educational and managerial activity of the modern state. He did, however, attribute great importance to the development of interventionism [Brodnicki K. 1931:100]. The Brigade also positively viewed the functioning of state-owned monopolies [e.g. Husarski J. 1928: 238-259].

According to Urszula Zagóra-Jonszta, a sense of responsibility for the economic policy of the government had a negative impact on the Brigade's creative research in economic theory. In the years of the Depression, when criticism of the economic policy of the "Sanation" intensified, the Brigade

decided to defend it, publishing a vast two-volume publication titled *Pięć lat na froncie gospodarczym* (Five years in the economic front), which glorified the post-May Coup authorities. Representatives of the Brigade engaged in an argument surrounding the economic program of the government, gradually abandoning attempts to develop a theory of statism based on scientific foundations. For the opponents of statism, it was convenient to blame them for the economic failures of the country. Slogans concerning planning and the development of statism, bravely promoted by the Brigade, finally resulted with accusations that statism was an early stage of socialism. The Brigade was under attack not only for economic, but also for political reasons. The proponents of statism having nothing to do with socialist ideas had to defend themselves, which also distracted them from the task of creating a new theory. Though the First Economic Brigade was active for a short time, they managed to draw attention to the growing gap between economic theory and practice. The Brigade mainly aimed at developing a new theory, however, hostile conditions entangled it into petty arguments and deprived it of the ability to focus on theoretical matters [Zagóra-Jonszta U. 1993: 217]. In the years of the Depression (1930–1933), the views of the First Economic Brigade could not significantly affect the economic policy of the government. The fate of the Brigade was decided by the departure of Stefan Starzyński from the Ministry of State Treasury in 1932. As the vice-chairman of the BGK bank and later the mayor of Warsaw, he no longer engaged in the issues of statism. Some members of the Brigade e.g. Ivanka or Sokołowski moved on to the National Economy Club [Drozdowski M. 1980: 32; Jarosz-Nojszewska A. 2011:105].

CONCLUSION

The reconstruction of the Polish state after the period of partitions, unifying different parts of the country descending from various state-owned bodies into one and strengthening the international position of Poland were the main reasons for introducing statist solutions in the first years of independence. For some economic theorists and practitioners, these solutions, indispensable at the stage of reconstruction, in the long term became the main factor that slowed down the development of the country and hampered private enterprises. The discussion of the three groups present-

ed in the article: the Kraków School, Leviathan, and the First Economic Brigade, which dealt with issue of the state's role in the economy, shows the arguments both in favor of statism and against it. Apart from substantive arguments, the discussion also reflected specific goals of particular interest groups who aimed at achieving these goals by affecting the role, scope, and form of state intervention in the economy.

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