

was accompanied by great unemployment (common to all Baltic ports at this time) in the shipyards and other Danzig industries. Unemployment reached the 8,000 mark in April 1925, and early in 1926 soared to 21,000, or about 23 per cent. of the total working population. Although this crisis was tided over by Poland's agreeing to guarantee to Danzig a minimum revenue of 14 million gulden (£583,333 6s. 8d.) from the customs for two years, by Polish orders for ships, and by the special efforts made by Poland to encourage the flow of traffic through Danzig, unemployment continued high and the finances embarrassed.

39. (iii) 1932-41.—This period is marked by a great falling-off in the volume and value of Danzig's trade. In 1935 the turnover reached its lowest point (4.6 million tons), and its value had fallen even more rapidly. The decline was due in the first place to the world economic crisis, the adverse effects of which were heightened by Danzig's remaining on gold: the fall corresponded up to the end of 1934 with the decline in the total volume and value of Poland's foreign trade. It was accelerated by the competition of Gdynia, which from 1933 onwards drew to itself on an ever-increasing scale the lucrative trade which had formerly gone to Danzig. Between 1932 and 1938 the value of Danzig's trade dropped from 24 per cent. to 15 per cent. of the total value of Poland's foreign trade. In the same period Gdynia's rose steadily from 18 per cent. to 47 per cent. About 10 per cent. of Gdynia's trade, perhaps, had previously gone to Danzig. Industry was also suffering from the general depression and unemployment was considerable. In 1933, 20 per cent. of the working population was without work, but in the following year the percentage fell to 11. After that the industrial position steadily improved.

40. The period is also marked by the increasing influence of political rather than economic considerations. Negotiations with a view to settling the economic points at issue between Danzig and Gdynia were being conducted in the winter of 1932-33. On the coming to power of the Nazis, the Polish and Danzig Governments resolved to continue these negotiations on a much broader basis with the object of settling all outstanding disputes, particularly those concerning the administration of the customs, trading, and other financial matters. In August and September 1933 agreements were concluded by which the Polish Government undertook to do all in their power to equalise the trade of Danzig and Gdynia. In August 1934 further agreements were concluded dealing with most of the other outstanding economic issues between Danzig and Poland. Their main effect was to provide for a free exchange of goods between Poland and Danzig, which had been impeded hitherto by the Polish authorities' use of import quotas, reduction of customs rates, export premiums, and the like. Danzig now obtained the place in the Polish Customs Union which the framers of the Treaty of Versailles had intended her to occupy. The Free City refused the Polish demand that the Danzig customs should be incorporated within the Polish customs administration—a plan which would have relieved Danzig's difficult financial situation, but would have threatened the Danzigers' high standard of living—though they agreed to the co-ordination of the two organisations.

41. Had it not been for psychological and political factors, the economic relations between Danzig and Gdynia in particular, and Danzig and Poland generally, might now have developed harmoniously. Danzig, like other ports, would not have escaped the adverse effects of the economic crisis, but when recovery came the development of Poland's foreign trade could have ensured the reasonable use of Danzig as well as of Gdynia, while the Polish Government's ambitious schemes of industrialisation might have been expected to bring in time considerable prosperity to both ports. As it was, difficulties multiplied and Danzig rapidly lost trade to Gdynia. The Nazification of the city aggravated old antagonisms and introduced new complications. First, the improvidence of the Nazi régime in pouring out money on public expenditure and party propaganda helped to bring about the currency collapse of 1935. Between June 1933 and August 1934 Germany contributed 30 million Reichsmarks to these expenditures: when these subsidies ceased, the full effect of the Nazi inflationary policy was felt. In May 1935 the gulden was devalued to the level of the zloty. Confidence was so shaken that a minor flight from the gulden followed, and in June exchange control had to be introduced, causing great difficulties to Polish financiers and Polish merchants trading in Danzig. Their business was consequently diverted to Gdynia. After the Polish currency crisis in the spring of 1936, Poland adopted exchange control and introduced a blocked zloty (the Daki-zloty) for trade with Danzig. This hit the Danzig importer severely, as he was dependent on payment in free exchange from Poland to meet his foreign creditors. More trade in the most remunerative class of goods was thus lost by Danzig to Gdynia.