

Roman Masyk

ORCID: 0000-0003-4969-7702

Ivan Franko National University of Lviv, Ukraine

E-mail: roman.masyk@lnu.edu.ua

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Eastern Galicia in the Polish Economic System Between the Two World Wars

Abstract

The article reviews the economic development of Eastern Galicia between the two World Wars. The organization and main branches of the economy are analyzed. The study method was based on the principles of historical science, logic, scientific objectivity in the evaluation of the past and a critical approach towards the available sources and historiography.

As a result of the warfare in 1914–1921, Eastern Galicia suffered great destruction. After the war, it had to rebuild its economy and adapt to the needs of the new state. The region's entrepreneurs almost lost contact with companies from other parts of the former Austria-Hungary: trade with the East decreased. The policy of the central government limited the economic opportunities of Eastern Galicia.

The region's economy was dominated by agriculture. For the majority of Ukrainian farmers who lacked land, a land reform was the most important issue. However, the unwillingness of the Polish authorities to solve the agrarian problems of Ukrainians led to conflicts. The only possible way for Galician farmers to use economic opportunities was through cooperation, which was successfully developing.

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However, Eastern Galicia was not only an agrarian region of the inter-war Poland. It was a hub for important branches of the country's industry. Significant war damage and the instability of Polish finances until the mid-1920s hindered its development, though. Only in 1928 did the industry reach its prewar levels. A year later, the global economic crisis leveled the previous achievements.

Before the war, the most important industries were dominated by entrepreneurs from Austria and Germany. After the revival of Poland, it was impossible to leave this state of affairs as it was. For example, in the oil industry, French capital replaced German and Austrian capital. The development of industry in eastern Galicia was also hampered by the lack of a clear state policy and the lack of a real organization of individual industries.

Keywords

Eastern Galicia, pre-wwii Poland, agriculture, oil industry, timber industry.

In historical scholarship, there are several definitions for the south-eastern voivodeships of Poland between the World Wars (Lviv, Stanislav, and Ternopil). In Polish historiography, the term "Eastern Lesser Poland" ("Małopolska Wschodnia") is used, while Ukrainian historiography uses "Eastern Galicia". This term also refers to the present-day Lviv, Ivano-Frankivsk, and Ternopil provinces (Dudiak, 2000, p. 286). In this paper, for convenience, I will use the term Eastern Galicia to refer to the territory of the Stanislav, Ternopil, and eastern part (excluding the nine western counties) of the Lviv province.¹

In Eastern Galicia, Ukrainians have always been numerically predominant. According to estimates by Lviv historian Oleh Dudiak, 71% of the region's population was Ukrainian in 1849, 62% in 1910, 61%

¹ The territory covered by the competence of the Lviv Chamber of Commerce and Industry.

in 1921, and 59% in 1931 (Dudiak, 2000, pp. 291–292). Meanwhile, the Poles were distinguished not by their numbers, but their political and social influence (Hud, 2006, p. 309).

The vast majority of the population in Eastern Galicia lived in villages. The villagers were mostly Ukrainian. In the cities, Ukrainians were mostly outnumbered by Poles and Jews. This state of affairs remained unchanged until the mid-1940s, which determined the economic and political situation in the region (Dudiak, 2013, p. 532).

Until the outbreak of World War I, Eastern Galicia remained a province of the Austrian-Hungarian monarchy. The economy of the region was based on agriculture. Only since the second half of the nineteenth century were some industries actively developing here. The Austrian authorities perceived Eastern Galicia as a resource region. There was almost no manufacturing industry here, oil fields were exploited and forests were cut down. At the end of the nineteenth century, foreigners, mainly Austrians and Germans, began to take over the leading industries (Molchanov and Yanyshyn, 2011, pp. 668–669; Reient, Molchanov and Shevchenko, 2011, pp. 20–21, 26–28).

The economy of Eastern Galicia was integrated into the economic system of the Habsburg monarchy. Entrepreneurs of the region focused on Austria, Bohemia, and other regions of this country. Branches of major Austrian banks and other credit institutions were established in Galicia. However, it retained some economic autonomy. After 1850, a separate Chamber of Commerce and Industry was operating there (Masyk, 2015, p. 207). The capital city of Lviv was a powerful center of economic organizations in the region. In 1883, the Galician Regional Bank (Bank Krajowy dla Królestwa Galicji i Lodomerii wraz z Wielkim Księstwem Krakowskim) was founded there, along with a number of other important credit institutions (Landau, 1998, pp. 13–58; Morawski, 1996, pp. 14–17, 22). Taking into account the peculiarities of the province, special economic and financial law was introduced in certain sectors of the economy.

During the First World War, Eastern Galicia suffered significant destruction. The Polish-Ukrainian war even added to that. Despite the efforts of the government bodies of Austria-Hungary, the West

Ukrainian People's Republic, and the revived Poland, the region's economy was not fully restored (Kargol, 2012; Masyk, 2018).

Peculiarities of the economic development of Eastern Galicia in Poland between the World Wars

The hostilities of 1914–1921 and the results of the postwar situation had a significant impact on the economy of Eastern Galicia. Before the war, western markets were the main ones, however, afterwards, they became less accessible to entrepreneurs in the region. Businesses almost completely lost the opportunity to trade with the East, as relations with the USSR were not regulated at all.

Entrepreneurs in Eastern Galicia found it difficult to adapt to the new center (Warsaw) and the new markets. They continued to look for raw materials and goods from suppliers familiar to them before the war (in other regions of Austria-Hungary and Germany), rather than in other Polish regions.

The authorities and entrepreneurs tried to preserve the region's role as a "bridge" between the West and the East (Pobyt, 1924, p. 250). A very clear example of such economic initiatives was the organization of the East Fair in Lviv in 1921–1939. The Fair was a successful demonstration of the Polish manufacturers' ability to export goods, but they could not fulfill their main task of revitalizing the eastern trade, especially with the USSR. Western firms were well represented at the East Fairs, but there were almost no products from the East (Bezsmertnyi, 2014; Pasitska, 2017).

Having lost the eastern markets, it was difficult for Galician entrepreneurs to reorient themselves to the western ones. As transportation of goods became more expensive, local businesses often sought privileges for the transportation of their products intended for export to the western borders of the state. At the same time, the Polish government favored exports by companies from the west and center of the country (Konferencja, 1923; O wzmożenie, 1923, O pomoc, 1926).

The government of the Second Polish Republic consistently adhered to a policy of centralization. In all spheres of economic life, it preferred institutions from Warsaw or near the capital. This

certainly harmed regional economic centers, including Lviv, and hence entrepreneurship in the provinces.

In inter-war Poland, Lviv remained one of the centers of economic life. The Chamber of Commerce and Industry (*Izba Przemysłowo-Handlowa*) continued to operate there. It represented the interests of the industrial and commercial circles of Eastern Galicia and at the same time advised the government bodies on how to address socioeconomic issues related to the region (Masyk, 2015). However, in the 1930s, the Polish government was less and less likely to listen to the advice of provincial economic communities and sought to overcome the economic crisis through a policy of centralization (Masyk, 2015, pp. 210–211).

Centralization is evident in many areas of economic life. It particularly affected the well-developed banking system of Eastern Galicia. Lviv ceased to be the center of many financial institutions. In 1924, the Galician Regional Bank moved from Lviv to Warsaw when the Bank of the Regional Economy (*Bank Gospodarstwa Krajowego*) was established. Warsaw also became a new center for other financial institutions that had previously operated successfully in Galicia. This meant an outflow of significant capital from the region. At the same time, it failed to secure the region's credit interests (Landau, 1998, pp. 91–93; Morawski, 1996, p. 55).

Sometimes the government's efforts to centralize economic life reached the point of absurdity. A good example here is government orders for goods and works. The government mostly ordered them from companies operating in Warsaw or near the capital. The local authorities of Lviv ordered various works or goods there at more expensive prices, for example, printing forms for their documentation (Masyk, 2017c, pp. 184–187).

The economic environment of Eastern Galicia tried to counteract the policy of centralization. The peak was the creation of the Economic Council of Eastern Lesser Poland (*Rada Gospodarcza Małopolski Wschodniej*) in Lviv in 1937 on the initiative of voivode, Alfred Biłyk. It did not operate long, but saw its task as strengthening the role of Eastern Galicia in the economic life of the Second Polish Republic, and Lviv as one of the economic centers of the state (DALO, f. 1, op. 18, spr. 843).

Attempts to demonstrate the importance of Eastern Galicia for Poland's economy intensified in the mid-1930s, when the government, sensing economic growth, began to implement measures aimed at equalizing the differences in the structure of the economy in different regions of the country. It was planned to actively develop industry in those regions where it was scarce and the vast majority of the population was engaged in agriculture. For the territories east of the Vistula, investments in industrial construction had to increase. In fact, the state was divided into two parts: western ("Poland-A"), where a more or less developed industry already existed, and eastern ("Poland-B"), where it was planned to intensify its development.

Soviet and contemporary Ukrainian historiography used this division to politicize the economic policy of the governments of Poland between the two World Wars. At the same time, the borders of "Poland-A" and "Poland-B" were significantly moved to the east. "Poland-A" refers to the areas where the Polish population predominated, while "Poland-B" refers to those parts of the Second Polish Republic where Ukrainians and Belarusians mainly lived (Rublov, 2011, p. 275).

Initiatives of the Polish government to harmonize the industrial development of the state's regions would eventually see positive outcomes in time. The plans, however, were canceled by World War II.

The agriculture of the Polish authorities

Most of the population in Eastern Galicia were farmers. For the majority of Ukrainian farmers who lacked land, land reform was the most important issue.

The region had many large farms, which were mostly owned by Poles. Already from the beginning of the 20th century, the Galician administration of Austria-Hungary had been parceling out the farmlands in order to increase Polish ownership in Eastern Galicia and preserve the role of Poles as leaders in the economy (Hud, 2006, p. 311).

After the Great War, tensions in agriculture between Polish landowners and Ukrainian farmers were not resolved. Parceling continued to be used as a way to increase Polish land ownership (Vasiuta, 2010, p. 154). Polish politicians spread the "Land for Poles

only” slogan. Ukrainian farmers were “offended” by the land reform that began in 1919. For Galicia, the land ownership limits were higher than in other regions of Poland. This meant that there was less land available for parceling, and landowners were effectively protected by the government. The parceled land was often given not to local farmers, who were acutely affected by its shortage, but to military and civilian settlers (Hud, 2018, pp. 316–330; Shevchyk, 2010, pp. 208–209).

In the first postwar years, the Polish government had no other way to implement land reform in Eastern Galicia. The national memory of both Poles and Ukrainians was still stained by the recent war. Therefore, the slogan of Polish politicians, “Polish land for Poles”, remained relevant after Poland regained independence. The policy of parceling was also influenced by economic reasons. Eastern Galicia was heavily destroyed as a result of warfare. After the war, the region sunk into an economic crisis for many years. In the first years after World War I, the Polish government had no other way to implement land reform in Eastern Galicia. The reasons for this should be sought not only in the war, but also in the refusal of farmers, including Ukrainians, to supply food to the cities. That is why the government had to create a support base for itself in this part of the region. To this end, in my opinion, the policy of parceling here differed from other regions of interwar Poland (Baran, 1998, pp. 146–148; Rublov, 2011, p. 275).

However, with the stabilization of the economy of the Second Polish Republic in the 1920s, we can no longer take economic factors into account when analyzing the government’s agricultural policy. Since it has not changed, despite appeals from Ukrainian politicians and economists, we conclude that political motives prevailed in agrarian policy. The slogan “Polish land for Poles” was applied until the demise of the Second Polish Republic and attempts to make concessions to Ukrainians were unsuccessful (Baran, 1998, pp. 148–151; Hud, 2006, pp. 326–328).

All of this contributed to tensions between Poles and Ukrainians, which culminated in 1930 during the pacification. In response, the Ukrainians destroyed many estates of landowners and settlers, and in the 1930s, Ukrainian farmers organized a series of demonstrations

against the government's agrarian policy. The unwillingness of the Poles to solve the agrarian problems of the Ukrainians led to conflicts, including armed ones, between the two peoples (Hud, 2018, pp. 336–341).

Cooperation

Due to overpopulation, farmers, particularly Ukrainians, were unable to fully utilize their economic potential. The only way out was cooperation, which was used in Eastern Galicia in the form of cooperatives. Cooperation consisted of involving peasants in the market, spreading the latest technologies and European management methods among them. This led to the internal unification of the Ukrainian agriculture, and thus became an important condition for the rise of its economic culture and social standard of living (Vasiuta, 2010, p. 105; Babenko, Haliuk and Helei, 1995, p. 215).

Cooperatives in Galicia had been developing already in the 1870s, promoted by the local intelligentsia. However, they failed to gain the farmers' desired level of trust to cooperatives. The economic role of such institutions for Ukrainian farmers increased significantly in the interwar period. Its development was facilitated by the legislation of the Second Polish Republic (Babenko et al, 1995, pp. 297–298; Visyn, 2017, pp. 229–230; Rubliov, 2011, pp. 280–281).

Ukrainian cooperatives flourished after the stabilization of state finances in the half of the 1920s. They were skillfully organized and developed, which allowed Ukrainian cooperatives, especially in the food industry and trade, to compete with large firms of interwar Poland (Babenko et al., 1995, p. 299, Visyn, 2017, pp. 237–238).

Until around 1930, the central government did not interfere with the initiatives of Ukrainian cooperatives. At that time, the cooperatives had more problems with local authorities and Polish companies, with whom they competed for markets. Let me offer a few examples. In 1926, the "Pratsia" cooperative in Ranevychi, Drohobych district, decided to build a store. For a long time, the commune did not want to lease or sell the land. Only the intervention of the voivodeship did authorities allow the cooperative to realize its plan (DALO, f. 1, op. 3, spr. 343, ark. 1–19).

Similarly, in 1931, a case was resolved when, in the Sokal district, some rural communes refused to allow cooperative shops to work in the summer until nine o'clock in the evening, although this was prescribed by law. The case was resolved only when the Audit Union of Ukrainian Cooperatives appealed to the voivodeship authorities (DALO, f. 1, op. 25, spr. 1171, ark. 55–56).

The economic crisis at the turn of the 1930s coincided with the Polish state's repression of Ukrainian cooperation (Vasiuta, 2010, p. 104; Babenko et al, 1995, p. 302, 305; Visyn, 2017, pp. 238–239). Under the slogan of pacification, police and cavalry units specifically targeted Ukrainian cooperatives in some areas of Eastern Galicia. This was stopped only when the leadership of Ukrainian cooperatives appealed to international organizations. During the repressions from the Polish authorities, almost half of the warehouses of the Ukrainian cooperatives were destroyed. However, after pacification and the economic crisis, when Polish cooperation lost significantly, Ukrainian cooperation became the economic face of the nation (Babenko et al., 1995, pp. 306–307).

Industry

The industry of Eastern Galicia could not overcome the consequences of the First World War for a long time. Post-war inflation and the instability of the Polish currency did not favor investment in industry (Kovalchak, 1988, p. 193). It was only in 1928 that it reached the level of 1913. At the same time, the development of Galician industry was negatively affected by the distance from markets. For this reason, most industries and crafts were unable to compete with enterprises in western Poland. And at the turn of the 1930s, the global economic crisis undermined all efforts to revive the industry of Eastern Galicia. Even the industries that had been growing in the mid-1920s (leather and potash) declined. They managed to reach the pre-crisis level only in the late 1930s (Kovalchak, 1965, p. 12; Klachuk, 2017, pp. 219–220). In 1938, 534 enterprises in Eastern Galicia employed 43,900 workers (Kovalchak, 1965, p. 9).

Since most of the population of Eastern Galicia was engaged in agriculture, there were good opportunities to develop industries related to the processing of agricultural raw materials. However,

food processing companies were mostly small and aimed to meet the demand of the immediate neighborhood for their products. Larger factories and plants were built mainly in and near Lviv (Rucker's cannery, brewery, the Merkurii bakery, etc.). The development of the food industry was hampered by state monopolies – alcohol, tobacco and salt (Kovalchak, 1965, pp. 13–14; Klapchuk, 2017, p. 218).

Although the majority of the population of Eastern Galicia was engaged in agriculture, the region was one of the centers of some of the heavy industries important to the Polish economy. However, as the Lviv voivode Alfred Bilyk rightly noted in 1937, the Polish authorities did not use its industrial capabilities (DALO, f. 1, op. 18, spr. 843, ark. 11–14). Natural resources provided opportunities to develop industries related to the extraction and processing of raw materials. However, in the interwar period, industrial production of lignite and ozokerite declined, and the production of building materials was poorly developed (Kovalchak, 1965, p. 14; Klapchuk, 2017, p. 206, 209). The Polish government has focused on supporting the region's oil industry by attracting foreign investment. Along with the oil industry, after the discovery of rich gas fields in Eastern Galicia, it developed the gas industry and the production of gasoline (Klapchuk, 2017, pp. 201–202). In interwar Poland, the potash industry in the region was used to its advantage. At that time, the Kalush and Stebnivka enterprises were built, which belonged to the TESP joint-stock company (Kovalchak, 1988, pp. 198–199).

Oil industry

Eastern Galicia was the center of the oil industry. The Boryslav field remained the largest in the Second Polish-Lithuanian Commonwealth. On the one hand, trade in oil products with other countries was important for maintaining the trade balance. On the other hand, interwar Poland had to provide itself with fuel in case of a new war (Masyk, 2017a, pp. 790–791).

Since the late nineteenth century, the oil industry was one of the most important sectors of the Galician economy. It reached its peak in 1909, when it produced more than 2 million tons of crude oil. By 1913, the annual extraction of this resource had decreased to

almost 1.1 million tons (Franaszek, 1992; 2014). During World War I, the oil industry suffered direct damage in Boryslav and Drohobych. In 1915, the Russian army set fire to many oil wells and oil tanks (Masyk, 2018, p. 294).

At the end of the hostilities, most oil refineries were owned by large foreign capital groups. Those firms dictated the prices of mineral resources, which were produced mostly by local entrepreneurs, and gradually began to buy up wells from them. Over time, this led to the formation of a large group of refiners who tried to dictate oil policy to the governments of the Second Polish Republic. Meanwhile, small mining companies and small oil refineries remained in the hands of the Poles. The authorities only asset then was the largest state-owned oil refinery in Drohobych (Państwowa Fabryka Olejów Mineralnych "Polmin"). For Poland, it was a form of defense against the attempts of foreign capital to fully take over the industry (Masyk, 2022, p. 74).

Guided by the economic and financial situation in the country, the government gave the initiative to foreigners to develop the oil industry. Former Austrian and German firms were taken over by the French, who dominated the oil industry in Eastern Galicia in the interwar period (Morawski, 2016, pp. 41–42; Klapchuk, 2017, p. 196).

At that time, several groups of companies with different interests were formed in the industry, and confrontation was taking place between Polish and foreign firms. In the interests of the entire oil industry, they needed to be united to prevent unwanted competition.

The only platform for any negotiations of the entire industry remained the National Oil Company (Krajowe Towarzystwo Naftowe). It was created in 1877, and during the years of Austrian rule, this institution managed to unite most oil companies. However, the National Oil Company failed to adequately protect the financial interests of all entrepreneurs in the interwar period (Kachlik, 1995, pp. 165–168).

Attempts to unite all groups of the oil industry were unsuccessful for a long time. Enterprises that only produced crude oil ("pure producers") and small oil refineries founded by Poles, on the initiative of Władysław Szajnok, united in late 1919 and early 1920 into the Union of Polish Oil Industrialists (Związek Polskich Przemysłowców Naftowych) (Masyk, 2022, p. 78).

In 1919, the Polish government began to create the first cartels of large oil refineries, which, in addition to firms founded by foreigners, included the state-owned plant in Drohobych. By 1932, several such organizations were operating, but without practical cooperation with the enterprises created by Poles, they could not avoid competition in the oil market (Masyk, 2022, pp. 80–83).

It was only in 1932 that cooperation between “pure producers” and large oil refineries was established. For this purpose, the Syndicate of Crude Oil Producers (Syndykat Producentów Ropy) and Polish Oil Export (Polski Eksport Naftowy) were created. This helped to stabilize the state of affairs in the oil industry (Masyk, 2022, pp. 83–85).

An even bigger problem for the industry was the significant decline in crude oil production: from 831,700 tons in 1919 to almost 507,000 tons in 1938. At the same time, the richest Boryslav field in interwar Poland was being depleted the fastest. Positive results in crude oil production at other fields in Galicia could not cover the losses. The amount of crude oil produced in Poland was significantly less than the production capacity of the country’s refineries, which could process 1,100,000 tons of oil products annually. As a result, the cost of refining crude oil increased (Masyk, 2017a, p. 791). All of this was happening at a time when crude oil production was increasing in the world, undermining the export capabilities of the Polish industry. In fact, it was cheaper to stop producing crude oil, but then other threats arose for Poland: the collapse of the important industry, the growth of social movements, and, most importantly, the absence of oil products in the event of war (Masyk, 2017a, pp. 796–798).

Other circumstances also undermined the development of the industry. The right of land owners to use all its subsoil was not completely abolished. As a result, oil producers were forced to pay them large sums per gross production, sometimes up to a quarter of their output. Additionally, the tax policy of the Second Polish Republic did not favor the oil industry. On the one hand, the government declared the need to develop this important industry, but on the other hand, it imposed high taxes on it (Masyk, 2017a, pp. 799–801).

Oil refineries in Poland were mostly located near the fields, close to Boryslav, Drohobych, etc. There was only one large plant in Lviv,

and a few more on the border of the Krakow and Silesian provinces. About 58% of all oil refineries in Poland were located in Eastern Galicia. Private refineries, which were mostly in the hands of foreigners, produced almost 3/4 of oil products, 1/4 of which were produced by the state-owned oil refinery in Drohobych (Masyk, 2017b, p. 238).

Although the domestic market was growing, it was not fully sufficient for oil producers. That was why they were forced to boost exports. The situation in foreign markets was not favorable. They pursued a policy of economic self-sufficiency, often imposing bans on imports and contingents. At the same time, prices for petroleum products fell significantly due to overproduction, and Polish raw materials remained among the most expensive. The price was passed on to the domestic consumer. To do this, we kept domestic prices for petroleum products at a level higher than the world market. In fact, Polish citizens themselves subsidized exports. It was impossible to do otherwise, because the oil industry in Poland would have collapsed (Masyk, 2017b, p. 244).

The wood industry

Before the outbreak of World War I, Eastern Galicia was one of the most heavily forested regions of Austria-Hungary. This region became one of the centers of the empire's wood industry. However, the final products were not made of wood here. Local sawmills only processed the wood and transported it to the western provinces of the empire. The reason for this state of affairs was that the wood industry of Eastern Galicia was not in the hands of local entrepreneurs (Sprawozdanie, 1925, p. 128).

From 1914 to 1920, the wood industry worked only for the needs of the army and the reconstruction of the region. After the peace was achieved, the industry had to adapt to new political and thus economic circumstances. It had to be organized in a new way. During the war, the wood industry of the region lost contact with many enterprises that used to make final products from local wood, and it was difficult to quickly establish such production on site. It was necessary to regain the old markets to which wood was supplied and, if possible, to gain new ones (Sprawozdanie, 1925, pp. 128–129).

The authorities, needing a lot of wood in the postwar period, forced industrialists to sell it for nothing, requisitioned it for their own needs, set high railroad tariffs and duties, and they artificially hindered exports. Meanwhile, woodworking companies tried to take advantage of the good situation in foreign markets and export their products as much as possible. In 1919, special institutions were established for this purpose. The first such organization in Galicia was the Timber Society (Towarzystwo Drzewne). Despite local successes, due to the lack of support from the authorities, its activities did not have significant success (Sprawozdanie, 1925, pp. 130–131).

The situation with wood exports improved in the late 1920s. This was when the Syndicate of Wood Stakeholders (Syndykat Interesentów Drzewnych) was established under the patronage of the Industrial and Commercial Chamber in Lviv. The organization supported wood export from Eastern Galicia. At the same time, wood for the reconstruction of the country after the war started to be purchased at market prices, and in 1921, abolished the regulation of its exports. Since then, exports of local wood to Western Europe increased. In addition to the traditional demand in Germany (which was the most important importer of Polish wood), the product was increasingly bought by France, Belgium, Holland, and England. Gradually, wood export to overseas countries began, such as the United States, Palestine, etc. Polish manufacturers were adapting to the requirements of new markets. Polish exports of wood began to increase both in quantity and in assortment (Sprawozdanie, 1925, pp. 132–133).

From 1921 to the beginning of World War II, several periods can be distinguished for Polish wood exports. The first of them lasted until the end of 1924, when it was influenced by the fiscal policy of the Polish state. To stabilize the currency, the government introduced export fees and obliged exporters to return a portion of the foreign currency earned from exports. Because of this, the wood industry began to experience a lack of cash, and production costs increased (Sprawozdanie, 1925, pp. 134–142).

The second period lasted from 1925, when the customs war with Germany began (it lasted until 1935), and until 1929, when the world economic crisis started. At the same time, the German market significantly narrowed for Polish timber exporters. Producers

were forced to completely reorient themselves to the needs of other importing countries. At the same time, they lost a lot, given the difference between these needs and the preferences of the Germans. The State Forests (*Lasy Państwowe*) tried to use the situation in their favor. There was still a demand for raw wood in Germany. The management of the State Forests, with the support of the government, began selling it directly to German traders, bypassing Polish entrepreneurs. This caused a new conflict between the state and the wood industry, which was resolved only in 1932. (*Sprawozdanie*, 1926, pp. 39–42; 1927, pp. 98–104; 1929, pp. 111–116; 1930a, pp. 52–56).

The third period lasted during the world economic crisis (1929–1933). At that time, export opportunities were significantly reduced. Importing countries tried to limit imports to protect their trade balance. The USSR's expansion into European markets through dumping intensified the competition (*Sprawozdanie*, 1930b, pp. 61–63; 1931, pp. 115–121; 1932, pp. 144–151; 1933, pp. 138–147).

The fourth period for the Polish wood industry began in 1933 and lasted until the outbreak of World War II. Since then, the situation in the industry gradually improved. This period was marked by the normalization of relations in forestry. The timber industry, together with government authorities, began working on deforestation plans in 1936. These measures had a positive impact on both forest protection and the timber industry. The plans were designed to protect forests from reckless deforestation and at the same time provide materials for the timber industry. These measures significantly reduced the smuggling of timber abroad and reduced the ability of the State Forests to export, bypassing local industry and trade (*Sprawozdanie*, 1934, pp. 123–131; 1935, pp. 114–121; 1936, pp. 99–105; 1937, pp. 120–128; 1938, pp. 122–129).

In the interwar period, the wood industry in Eastern Galicia had to change several times in order to remain in foreign markets. Despite the constant changes in sales markets, the instability of the Polish and global economies, and the lack of constant government support, the industry has managed to adapt to such realities and successfully compete in the global timber markets. This was achieved thanks to the good internal organization of wood industry entrepreneurs.

Conclusions

After the First World War and the Ukrainian-Polish clashes, Eastern Galicia suffered significantly. Long after the war, it took a long time to restore its economy and adapt it to the needs of the new state. The remoteness from markets and the centralization policy of the Polish government had a negative impact on the economic development of the region.

The majority of the population of Eastern Galicia in the interwar period continued to be employed in agriculture. Ukrainians predominated among the farmers of the region. The policy of the Polish authorities only deepened the interethnic confrontation between Ukrainians and Poles in the Galician countryside.

Cooperation became the economic “face” of Galician Ukrainians. This was primarily facilitated by liberal legislation. Ukrainian cooperatives were well organized and known throughout Europe.

However, Eastern Galicia should not be seen just as an agrarian region of the inter-war Poland. It has become a center for some important industries, primarily oil and timber. However, the governments of the Second Polish Republic did not fully utilize the industrial potential of the region. It was only in the second half of the 1930s that the Polish government began planning to strengthen the industry of Eastern Galicia, but World War II prevented this from happening.

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Roman Masyk – PhD candidate in Historical Sciences, Assistant Professor of economic history, history of the organization of historical science, history of monumental sculpture and local history at the Ivan Franko National University of Lviv, Faculty of History, Department of Local History. His main published work includes *Pamiatnyky ta memorialni tablytsi mista Lvova*. Lviv: Apriori, 2012, *Polske ekonomichne tovaristvo u Lvovi (1921–1939)*. *Naukovi zoshyty istorychnoho fakultety Lvivskoho natsionalnogo universitetu imeni Ivana Franka*, nr 14, (2013), 181–195, and *Pytannia dydaktyky istorii u dialnosti Polskoho istorychnoho tovaristva (20–30-i roky xx st.)*. *Ukraina: Kulturna spadshchyna, natsionalna svidomist, derzhavnist*. *Yuvileinyi zbirnyk na poshanu Bohdana Yakymovycha*, nr 21, (2012), 544–555.