

GERMAN BLACK MARKET OPERATION IN OCCUPIED FRANCE AND BELGIUM, 1940-1944

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Dissertation submitted for the PhD degree, Faculty of History, University of Cambridge, October 1999

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GLOSSARY

bfrs	Belgian Francs	
BCRA	Bureau Central de Renseignements et d'Action	Free French Intelligence Service
BdS	Befehlshaber der Sicherheitspolizei und des SD	Head of the SIPO-SD
DBA	Deutsches Beschaffungsamt (in Frankreich)	German Procurement Office (in France)
ffrs	French Francs	
FK	Feldkommandantur	Field Commander (smallest unit in German military administration)
GFP	Geheime Feldpolizei	Secret Field Police
GESTAPO	Geheime Staatspolizei	Secret State Police (=section IV of SIPO-SD)
HPA	Handelspolitischer Ausschuss	Commercial Policy Committee
HSSPF	Höherer SS- und Polizeifuehrer	Higher Police and SS Leader
KdS	Kommandeur der SIPO-SD und des SD	SIPO-SD Commander
KRIPO	Kriminalpolizei	Criminal Investigations Branch (=section V of SIPO-SD)
KVR	Kriegsverwaltungsrat	Military Administration Councillor
MBF	Militärbefehlshaber	Military Governor
MV	Militärverwaltung * Verwaltungsstab * Kommandostab	Military Administration * Administrative Staff (comprising 'Economic Section' and 'Administrative Section') * Military Staff
MVBez	Militärverwaltungsbezirk	Military Administration District (Intermediate administrative unit of German military government in France)
MVCh	Militärverwaltungschef	Head of Military Administration
OB West	Oberbefehlshaber West	Military High Command West (Combat Troops)
OFK	Oberfeldkommandantur	Higher Field Command (intermediate level administrative unit of German military government in Belgium and

		Northern France)
OKH	Oberkommando des Heeres	Army High Command
OKVR	Oberkriegsverwaltungsrat	Higher Military Administration Councillor
OKW	Oberkommando der Wehrmacht	Wehrmacht Supreme Command
OT	Organisation 'Todt'	The German paramilitary labour organization
RFSS	Reichsfuehrer SS und Chef der Deutschen Polizei	Reich SS Leader and Chief of the German Police (Heinrich Himmler's official title)
RM	Reichsmark	
RMRüKP	Reichsministerium für Rüstung und Kriegsproduktion	Ministry of Arms and War Production (before September 1943: Ministry of Armaments and Ammunitions)
RKK	Reichskreditkassenscheine	Reich Credit Cashier Notes
ROGES	Rohstoffhandelsgesellschaft	Commercial Raw Material Company
RSHA	Reichssicherheitshauptamt	Reich Security Main Office (headed by Reinhard Heydrich, later Ernst Kaltenbrunner)
SD	Sicherheitsdienst des Reichsfuehrers SS	RFSS Security Service
SIPO	Sicherheitspolizei	Security Police (Merger of GESTAPO and KRIPO in 1936)
ÜWA	Überwachungsstelle	Surveillance Service
WIFO	Wirtschaftliche Forschungsgesellschaft	Economic Research Company
WiRüAmt	Wirtschaftsrüstungsamt	Wehrmacht Economic Armements Office
WVHA	Wirtschafts-Verwaltungshauptamt	SS Main Economic Administration Office (headed by Oswald Pohl)
ZAM	Zentrale Anmeldestelle	Central Declaration Service
ZAST	Zentrale Auftragsstelle	Central Contract Service

ACCREDITED GERMAN BLACK MARKET PURCHASING AGENCIES IN FRANCE AND BELGIUM (1942/43)¹

(i) Agencies present in both countries

PIMETEX — Ministry of Arms and Ammunitions Procurement Agency.

Non-precious metals, industrial diamonds, military engineering materials, machines, tools, foodstuffs.

Seat in Paris : 33, avenue des Champs-Élysées

PATEWI — Contract Transfer Service of the Reichsführer-SS (in Paris: SS-ESSEX)

RFSS-Auftragsverlagerung

Textiles, paper, household utensils, grain seeds and spices.

Seat in Paris: 4, rue du général Appert and 27, avenue Marceau

Seat in Brussels: Avenue des Cascades

Army Medical Supply Unit, Heeres-Sanitätspark 561 Brüssel, Heeres-Sanitätspark 541 Paris

Medical equipment

Seat in Paris: Fort de Vanves

Army Vehicle District XXXII, Heereskraftfahrbezirk XXXII (in Paris: Zentrakraft West)

Automobile spare parts and accessories

Seat in Paris: 14, rond-point des Champs-Élysées

Seat in Brussels: 60, avenue des Nations

(ii) Agencies present in Belgium only

- **General Goods Company - Purchasing agency of the military governor, Allgemeine Warengesellschaft (AWG-WABEKO, also 'Organisation Schmidt').**

All types of goods (excluding those purchased by Pimetex, Heeres-Sanitätspark and Heereskraftfahrbezirk)

- **H-FUCHS - Bureau "West" of the Air Ministry. Air Force Textile Procurement Agency**

¹ Institut d'histoire du temps présent (IHTP), Paris. Copies d'extraits d'archives allemandes prises par l'armée américaine en France et en Belgique et conservées à Alexandrie, VA. (Catalogue de microfilms, Série A) Tome III, Bobine 181, Flash 1 : "Abschlussbericht der Überwachungsstelle beim Militärbefehlshaber in Belgien und Nordfrankreich über die legalisierte Ausschöpfung des schwarzen Marktes in Belgien und Nordfrankreich, 1942-1943", 5 ; Archives nationales (AN), Paris. AJ 40 71. Dossier 4, chemise f : Militärbefehlshaber in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Dienstanweisung Oberst Veltjens, 13. Juli 1942; Service des archives économiques et financières (SAEF), Paris. Fonds affaires économiques. Dossier B 49. 476 : Trafic avec l'ennemi : rapports avec le comité de coordination des recherches sur les collaborations économiques. Chemise: 'États indiquant les dénominations et les adresses des bureaux d'achats allemands. Bureaux d'achats allemands de Paris et de la région parisienne.'

Aussenstelle West des Reichsluftfahrtsministeriums - Feldbekleidungsamt der Luftwaffe

Textiles

Seat: Avenue du 11 novembre, Etterbeek

- **Purchasing agency for construction materials (Luftwaffe), Bautechnisches Beschaffungsamt**

Seat: Rue Belliard

- **MINERVA — The Military Intendant in Belgium and Northern France**

Articles for sale in military stores and canteens

(iii) Agencies present in France only

- **Organisation "OTTO" - Abwehr Purchasing Agency**

All raw materials and products (excluding items purchased by SODECO)

Seat: 80, avenue Foch, Paris

- .. **RFSS - Raw Material Procurement Agency (SS-ROME), RFSS-Rohstoffamt**

Raw materials

Seat: 10, place des Etats-Unis, Paris

- **Société d'Etude et de Commerce extérieur, The Reich Commissar for the Unilever Konzern (SODECO)**

Oils, fats and soap

Seat: 77 and 111, avenue des Champs-Élysées, Paris

- **Air Ministry - The Air Force General Intendant *Der Generalluftzeugmeister***

Textiles

Seat: 62, rue Faubourg Saint-Honoré, Paris

- **The Plenipotentiary for the automobile fleet in the West *Der Generalbevollmächtigte für das Kraftfahrzeugwesen West***

Tent fabrics

Seat: 123, avenue des Champs-Élysées, Paris

- **Army Armaments Office *Heereswaffenamt***

Petrol and other fuels

Seat: 9, rue de Presbourg, Paris

INTRODUCTION

Shortly after the war, Georges Bernanos characterised the continuing presence of the black market as one of Europe's general core realities. This statement drew on the experience of five long years of war and occupation, a period during which black markets acquired widespread notoriety. Almost immediately after German troops set foot on Western European soil, the parallel economy started to assert an ever-increasing grip on the daily preoccupations of millions of people who were to spend increasingly disproportionate amounts of their time in the sole endeavour of procuring that vital supplement to their diet. Those with relatives in the countryside could consider themselves lucky, whereas the less fortunate had no other choice than to fall back on the black market. To most contemporaries this wartime subsistence *marché noir* was the principal manifestation of the illegal economy during the occupation. It was later adopted into popular culture via Jean Dutourd's novel *Au bon beurre* and the film adaptation of Marcel Aymé's *La Traversée de Paris*.² The focus of *La Traversée de Paris* is on 'système D', the culture of improvisation and evasion of authority that helped the French overcome adversity. In this contribution the black market is painted with two amiable blackmarketeers smuggling pig halves in suitcases across blacked-out Paris. While a marked difference in character makes these two anti-heroes clash, they finally come to personify the reconciliation of France through joint action against a common enemy. The second important message of the film is that, despite their moral controversy and anti-social effects, black markets were indispensable. It is not hard to see why this burlesque screwball comedy *à la française* has remained the most popular depiction and the epitome of the French wartime black market experience. Its touching and sentimental evocation is an indicator of the public's ambivalent relationship to the black market. This theme is elaborated in another of Marcel Aymé's occupation novels, *Le chemin des écoliers*, when the young Antoine delineates the black market as the heroic survival of the free market economy which was landing tyranny (fascism) a heavy punch on the nose. Therefore, at a time when most rules and regulations were perceived as bearing the mark of the occupier, illegality could hardly be reproachable.³ This corresponded to a consensus on the illegal economy which gained a legitimate place in French hearts because it guaranteed a minimum level of subsistence during four difficult years. Blackmarketeering was interpreted as non-compliant action on the part of the ordinary citizen, whose manoeuvring space in frustrating the occupier's schemes was restricted, but who appeared to have had some success in limiting the parasitic grip on the host economy through illegal trade. It conjured up positive references to the French past where others had compensated for the established authorities' incapability by taking their lives in their hands and initiating self-help. The wartime black market points in the same direction: it embodies an archetypal spirit of defiance and testifies to the French will to make ends meet via alternative circuits of distribution. It is the direct response of the national community - producers and consumers alike - to the challenge of crisis. The sense of purpose and the solidarity as perceived in wartime blackmarketeering, had an enormous appeal to the public mind in the post-war era.

² Jean Dutourd, *Au bon beurre: Dix ans de la vie d'un cremier* (Paris, 1972). Claude Autant Lara., *La Traversée de Paris*, film adaptation of a novel by Marcel Aymé (1956).

³ Marcel Aymé, *Le chemin des écoliers* (Paris, 1946). The quote is taken from the German edition *Der Weg ins Blaue* (Munich, 1989) 43.

However near in measures of time, the mass-consumerist France of the 'trente glorieuses' was hardly the place that would favour a thorough understanding of the material hardship of the occupation. At the same time this 'black market myth' was entirely in tune with the Gaullist political agenda of national reconciliation.

Au bon beurre is situated at the other end of the black market experience, as it rejects the benign representation. While *La Traversée* focuses on the positive myths of French survival culture and of eluding *les Fritz* and their Vichy acolytes, *Au bon beurre* takes a cynical and unequivocal view at black market opportunism and callous wartime profiteering. The story follows the illegal tribulations and rise to wealth of a Parisian *crémier* who changes allegiance at frequent intervals. The portrait of blackmarketeering is that of a welcome opportunity for the *petit bourgeois* to take revenge on the workers and the middle class. It is a virulent critique of the *nouveaux riches* of the occupation who managed the transition to the Fourth Republic unscathed. *Au bon beurre* points to individual efforts. However, wartime blackmarketeering also existed on a more extensive and organised level. By their nature black markets also border on organised crime, which thrives particularly well on the spoils of a vacancy of state power. This is one of the themes of Carol Reed's post-war classic *The Third Man*, probably the most universally celebrated cinematic depiction of the black market universe. The criminal side is epitomised in the cynicism of Harry Lime who remains indifferent towards the children agonising in a hospital as a result of his trafficking of stretched penicillin; a man who while looking down on the crowd from the heights of the Vienna *Riesenrad* sees nothing but ants.

These literary accounts and films have the advantage that they depict, each, a rather complex phenomenon from their characters' subjective perspective. By opening different windows and evoking the multiple significations of the black market they address the principal themes in a way that other sources fail to acknowledge. Besides the fact that they represent the first attempts to thematize wartime blackmarketeering and its significance, they give us an essential idea on the ambivalence of the topic.

The multi-faceted nature of the phenomenon was not lost on the German occupier and, as was the case for the civilian population, the ambivalence of black markets worked for and against them. The benign vision of black markets has done much to blur the realities of the occupation of sophisticated industrial societies and the methods of coercion available to an occupier who could afford to be flexible in confronting an ambiguous phenomenon. Few of the societal phenomena engendered by the German occupation of Europe during the Second World War were as pervasive and omnipresent as the black markets. In their expansive nature they spread their tentacles far beyond the food subsistence sector into the industrial sector. Black markets were all-comprehensive phenomena with a capacity to dominate or stifle economies and societies as a whole. The Greek case, with its hyperinflation and conditions of famine in 1941, is the most dramatic.⁴ This had much to do with the action of the occupier who assumed the ambiguous, contradictory and seemingly auto-exclusive roles of both policeman and active participant. In Poland, the needs of the Reich's military and administrative services were catered for by the black market.⁵ The same goes for the Eastern occupied

⁴ Mark Mazower, *Inside Hitler's Greece. The experience of Occupation 1940-1944* (New Haven and London, 1993).

⁵ Jan Tomasz Gross, *Polish Society under German Occupation. The Generalgouvernement 1939-1944* (Princeton, 1979).

territories where German civilian administration employees realised scandalous profits. In occupied Western Europe, German black market participation went a qualitative step further and outpassed the logic of simple self-organisation in occupied lands. Here, a unique effort was deployed in order to co-ordinate clandestine practices in a centralised infrastructure.

This brings us to the last link: Black market and collaboration. In the aftermath of Liberation, stiff court sentences were meted out to those who had mingled openly with the occupier. The scope of collaboration was particularly obnoxious in the black economy and death sentences were the only appropriate punishment for die-hard collaborators and notorious intermediaries running purchasing agencies that often doubled their dismal business with routine assistance to the German police and secret services. Unfortunately, the Republican officials showed less zeal to elucidate the exact provenance of the goods supplied to the Germans through these black market operators. In fact, an unspecifiable number of industrialists and entrepreneurs owed their economic well-being to exactly the afore-mentioned type of shady middleman. While such business methods allowed them to keep a low profile and protected them against both an incalculable and volatile client (the German occupier) and Vichy's Economic Control, it was an equally well-suited antidote against post-war prosecution. They had little to fear after Liberation, due to a general unwillingness to implement a thorough economic *épuration*, and were free to enjoy the fruits of their wartime activities.⁶ The investigations against the entrepreneur Joseph Joinovici (*le chiffonier milliardaire*), a self-made man who became a billionaire during the occupation uncovered further disquieting features of collaboration and blackmarketeering on the grandest imaginable scale. The 'Joino' case, while unusual in terms of the money accumulated over four short years (4 billion francs), was not exceptional. Characteristically, procedures against this archetypal wartime profiteer were delayed for several years, a state of affairs eventually building up to a full-scale scandal that caused headlines all over the world.

Despite the fascination the topic has exerted on cineasts and writers and despite the lessons that can be drawn from the phenomenon for our understanding of occupation (and, indeed, any situation of crisis that sees a resurgence of illegal economic activity), this topic has raised little interest in the historical guild, so far. Most Occupation histories merely by-pass the issue on levels of varying superficiality. The exploration of the effects of black market proliferation on mutations of social strata rarely surpasses commonplaces; equally little is known about its contribution to moral demoralisation, its links to societal fragmentation and criminalisation, as well as how it fitted into the occupiers' policy of exploitation.⁷ In order to avoid misunderstandings, it may prove useful at this point to draw attention to the areas this study does not cover. It is not a comprehensive study of black markets in wartime Western Europe, a work that could take several lifetimes for Belgium alone. The study also makes no pretensions to qualify as thoroughbred

⁶A paradox made poignantly clear in Jacques Delarue's *Trafics et Crimes sous l'Occupation* (Paris, 1968), 99-100; s. also Henry Rouso, *L'Épuration. Die politische Säuberung in Frankreich* (München, 1991), 192-240.

⁷ Dominique Veillon, *Vivre et survivre en France 1939-1947* (Paris, 1995). One of the other exceptions is Jean-Pierre Azéma's treatment of urban black markets in his classic *De Munich à la Libération* (Paris, 1979). However, this has not led to any serious attempts to quantify the phenomenon.

economic history. Neither is black market formation or the operation of such a market discussed in economic terms; the factual reality of black markets is treated ad-hoc. Equally beyond the scope of this study is the in-depth treatment of the intertwining of rationing and raw material allocation with price control measures. The aim is not to offer a comprehensive account of market control and its techniques, but to define a black market within a specific historical setting. The novelty value of this research lies in its intention to examine how the black economy correlated with the larger political meta-structure. The converging area of occupation government and economic policy touches upon the question of what black markets in occupied Western Europe came to signify in political and macro-economic as well as in social terms. By extension, it seeks to verify a hypothesis defining economic exploitation as the overriding priority and determining element of the occupation of Belgium and France, and to reinforce the argument that the political sphere came to be largely dominated by this economic dimension.

What this study offers is a privileged view on the structure of German occupation government (and of the regime in general), on economic collaboration, on the limitations of coercion in the economic area and on the interdependence of occupiers and occupied. It also wishes to take its place in the debate on ideological precepts and economic pragmatism in Nazi occupation policy. The relationship between German authority in occupied France and Belgium, and the part of these countries' national economies which eschewed control define the study. The evasion of control was based on a variety of factors, however the presence of an occupying force did have clear ramifications. It is incontestable that German manipulation was instrumental for the expansion of black markets, at least in the industrial sector.

One would assume that historians approaching the subject of wartime black markets would be faced with a serious source problem as - by their very nature - black markets leave behind no written evidence. It is perhaps no coincidence that 'black' rhymes with 'blank'. However, the occupation of Western Europe is one of those lucky exceptions in history where a considerable amount of paperwork concerning black markets was created (and has survived), in the declared aim of utilising, combating or controlling them. The mass of available documents corresponds exactly with the extremely multi-faceted nature of the phenomenon. In his selection of documentary sources the historian is faced with two main alternatives: concentration on the German records in order to gain a view 'from above' on policy formulation and implementation, or utilisation of the records of the indigenous administrations, control and police services in order to treat a specific aspect. Very clearly, German sources provide the necessary focus to access the subject and are the better choice in the context of a study oriented around economic exploitation by the occupying authorities. The more the German administration developed an interest in black markets, the better and more diverse are the sources. The concentration on German documents is also a 'feasibility choice'. Firstly, the utilisation of French and Belgian sources is not advisable without a thorough discussion of the intricacies of policies and legal frameworks in the areas of price control, rationing and allocation. This very clearly lies beyond what is feasible in a doctoral thesis. Secondly, the urge to exploit new resources gave the German authorities a superior interest in tackling or coming to terms with the black market problem. In order to achieve this,

they deployed a tremendous effort. The Germans oversaw black markets from a prominent position and had observers strategically posted in many sensitive 'trouble spots'. The records of the German military administrators involved in black market policy reflect urgency; they are relatively compact, poignant, concise, and analytical. The activity reports, industrial sector assessments and final reports of the military administrations strove to attain maximum objectivity. They often surpass the narrow legal confines of indigenous monitoring and repression which, for obvious reasons, was repetitive, misconceived, uninspired and, most importantly, unpopular. The military administrations were also relatively small structures. Qualified personnel were scarce and many of the senior administrators, who had been drawn from the German civil service, were an example of efficiency. In this, they were quite the opposite of many indigenous services which sought to delay or 'go slow' on certain issues, despite their often impressive dimensions. In comparison with the ambiguity of the indigenous authorities and the civilian population, the occupier defined his approach in a fairly straightforward manner. His priority was the exploitation of resources, by whatever means, and even if this required venturing into the black economy as a purchaser.

The attitude of the indigenous authorities is understandable, as their action was shrouded in ambiguity: the convergence of occupier and occupied cannot obscure the fact that public opinion was a factor that needed to be reckoned with, especially in Vichy France. Despite their overall commitment to economic collaboration, the authorities sought to counter outright pillage and safeguard their countries' economic viability. When vital interests were threatened this could lead to non-intervention (or limitation of intervention) and the indigenous services would lie low. Where the black market could alleviate some of the hardship and restore civilian supply, the indigenous authorities often turned a blind eye. To many a Frenchman and Belgian the black market appeared as one of the last bastions of affirmative liberty and this explains why officialdom had to maintain some degree of black market tolerance. In addition, the French and Belgian authorities had little interest in being accused of 'doing the Germans' job' and can appear as rather reluctant executors. They were well advised not to be seen as particularly over-zealous collaborators, especially during the hot phase of German black market involvement when they were willy-nilly reduced to observing the situation. In view of the unlawful German activities, it was out question to operate a black market policy more stringent than that of the volatile and incalculable German occupation machinery. This, together with German protection for notorious black market professionals, seriously stunned the initiative of indigenous law and economic control enforcement.

However, one has to bear in mind the methodological problems of concentrating on one type of sources: Richard Vinen described the intellectual pitfall of relying one-sidedly on German sources as the 'Paxton Syndrome', creating a deformed picture of the historical situation and in particular of the occupied's inclination to collaborate. Naturally, there was a varying discrepancy between how they approached their German interlocutors, and their real intentions and actions.⁸ In no way can German sources take account of this manoeuvring margin available to French or Belgian officials. However, in the case of this study the choice can be justified, as it is not our wish to provide a

⁸ Richard Vinen, *The politics of French business 1936-1945*. (London, 1991), 6/7.

comprehensive picture of the indigenous authorities' reaction to the black market. The centrepiece is the occupier's standpoint to the phenomenon. Nevertheless, a minimum of French and Belgian official sources, originating from bodies dealing with the issue of German black market intervention has been included.

Part One of the study prepares the ground for a concise account of practical policies and strategies adopted by the German occupier in Part Two. It provides orientation on structural factors leading to black market formation and introduces the specific elements necessary for gaining an understanding of the scope and peculiarities of the problem in the historical context of the study. Equal space is allocated to a general treatment of the responses of occupier and occupied. The erosion of supply and generalised scarcity conditioned the economic situation in Western Europe after the 1940 military campaign. Even before the termination of hostilities this motivated dissimulation on a massive scale, and the hoarding of raw materials and finished products. Pressure on supply was accrued through excess purchasing power, a feature seriously aggravated by the transfer of occupation costs from the occupier to the occupied. Over the months, a progressively large share of these payments was to resurface on the black markets, where it helped the German occupier to mop up all types of goods. A second dissimulation drive, prompted by the fear of requisitions, followed in autumn 1940 when the indigenous administrations took stock of the productive capacities in the occupied countries. Equally determining was the need to fend off the inflationary effects of rationing, price control and tight economic control on business viability through the retention of stable-value goods. As the occupation progressed in time, many entrepreneurs contributed to a steady supply of the black market by manipulating their official allocations and diverting raw materials. This phenomenon was much underestimated by the German authorities endorsing black market purchasing. They fell victim to the 'myth' that the amount of hidden stocks of pre-war quality was inexhaustible. Similarly significant was the German failure to foresee the danger black-market induced inflation posed to the value of the French and Belgian payments, and to an orderly exploitation of the territories' productive capacities.

Part Two of the study offers a detailed account of German black market exploitation and its implications. German resource crisis following the end of the *Blitzkrieg* in late 1941 led to the uncoordinated intervention of an ever-increasing number of Reich services on Western Europe's black markets. Due to their excessive out-and-over-bidding, black market prices remained in constant progression, thereby causing major havoc to the official markets and to German occupation budgeting. Finally, in summer 1942 central services in Berlin and chief administrators in the occupied countries took concerted action by creating a central purchasing system (ÜWA) under the auspices of Colonel Veltjens, a close Göring collaborator. This system, accrediting a limited number of purchasers, and establishing and monitoring price ceilings, managed to alleviate the worst type of abuse. However, black market expenditure peaked during the Veltjens period; and rather than siphoning-off black market supply, the entire operation funnelled black production, thereby creating a draining effect on official production. Unrelenting German demand and purchasing power caused the unnecessary deviation of finished products into the black economy where they were bought at several times the official rates. Renewed resource crisis in late 1942 forced the German

occupier to abandon his black market venture and to rely to a greater extent on the indigenous authorities. The latter made increased economic collaboration conditional on the cessation of black market procurement, a step taken on Göring's order in spring 1943. Thereafter, severer repression of economic offences and improved resource management achieved a large measure of economic compliance in the industrial economy. Rural black markets, however, remained largely indomitable. They escaped the German stranglehold and one can argue that in many cases peasant refusal to comply with German-inspired production and delivery quotas constituted petty resistance or defiance to the occupying authority. The occupier's difficulty in harnessing the rural context is reflected in the structure of the study which dedicates a considerably larger share of attention to black markets in industrial products or strategic raw materials in the urban areas. The privileged view of the urban context also allows a number of observations on another important feature of occupation history, the monitoring and manipulation of black market professionals by the occupier's secret services and police forces. This not only allowed access to additional resources, but also to a great amount of secret information that was only available in this subterranean universe.

There is no elegant way around the fact that most of the German documentation on the technical operation of the ÜWA⁹ system in Part Two refers to Belgium. This points to one methodological short-coming of the study, due to the fact that the quality and the density of the available material is not always equally strong for both countries. The reasons for this disparity lie as much in the ramifications of structural differences separating the two military administrations and their practice of government, as in loss of archives at the end of the occupation. This asymmetry of material pervades the entire text, which has therefore been devised to aim at complementarity rather than exhaustivity. The argument it supports relies on the utilisation of the strengths of each country's material, and focuses its attention on the occupier, not on the occupied. This problem could have been avoided by an approach concentrating on German sources pertaining to Belgium alone; however, this would have diminished the relevance of a study that wishes to stress the common ground of German occupation policy throughout Western Europe. In order to come to a conclusion on German black market operations (and how this fitted into the broader context of German occupation policy), comparison is a powerful tool. It is also important to recall that besides their specifics, the two occupation regimes also offered much scope for common ground. Thus, the documentation established by the Brussels administrations allows for analogies and points to similarities in France. With a few exceptions, the ÜWA system operated along the same lines in Belgium as in France. Ideally, a study dealing with black markets in occupied Western Europe should have included the Netherlands. However, this was eschewed for methodological and deontological reasons. The epistemological problems confronted in dealing with two comparable military governments would have been magnified through the inclusion of the German civilian administration in the Netherlands.¹⁰ The disparities of scale as they existed between civilian and military government in occupied lands

⁹ The central surveillance agency overseeing black market purchases in Western Europe and Serbia from mid-1942 to spring 1943.

¹⁰ The civilian administrators in the Netherlands were invested in more power than their military colleagues in Belgium and France. This increased the Netherlands' immunity to outside intervention and put an effective check on the activities of military agencies.

would probably have invalidated the comparative approach. In return, the inclusion of the Netherlands, which experienced a much lower frequency of German black market intervention, would have added little value to the study.

German black market exploitation points to a self-evident incapacity to procure necessary goods via the legal markets. As a result, one of the key questions is whether German black market exploitation in the occupied territories was a negative test case for the inconsistencies of Germany's economic organisation, owing to acute, on-the-spot problem solving in a chaotic war economy, or whether the utilisation of these channels served as clever devices for even speedier exploitation. Did it complement other forms of exploitation or was it an obstacle to them? We will also not shy away from deductions on the Nazi regime's capacity as an operative system in securing economic efficiency in occupied lands.

We will seek to verify the hypothesis that the flaws of German war mobilisation until 1942/43 had their counterpart in the failure to mobilise Western resources in an efficient manner. It is not a coincidence that 1942 was the peak year of German black market exploitation. The treatment of the black market issue compares with the chaos and lack of co-ordination in the war economy until that date. It also reflects the absence of coherent design in occupation policy, which added to the turmoil. Black market exploitation was an ill-designed, irrational and improvised short-term outlet, based on the all-pervading myth of an abundance of hidden supplies of pre-war quality. The second myth was the belief that paper money was of no importance and could be dumped on the black market without any negative effects. The danger of this myopic vision was painfully brought back when the Germans ran critically low on occupation monies towards the end of 1942. German black market policy lacked a visionary strategy as much as a sound factual basis and it ceased as a practice of massive exploitation after the adoption of Speer's principles of reconversion in Western Europe during 1943/44.

The following axiom will provide the lever to access the subject matter and allow us to countercheck our conclusions on a quasi permanent basis throughout the entire study: The state of wartime mobilisation and production in Nazi Germany was reflected in economic policy in the occupied Western territories. In fact, wartime mobilisation and production inside Germany translated into distinct phases and practices of exploitation in occupied Europe. These various phases were echoed in the occupier's approach to France and Belgium. The issue of whether the exploitation of Western European resources was successful or unsuccessful, rational or irrational is thereby reflected in black market policy. However, before engaging in this task, we will have to establish a basic understanding of the importance of *Blitzkrieg* and war production in Germany and probe the relevance of extant theorisation of conquest and exploitation in the context of occupied Western Europe.

***Blitzkrieg* and War Production**

The economic history of World War II is a subject which began to flourish with the publication of the first seminal works in the 1960s. However, prior attempts at exploring the economy of Nazi Germany had been made: in

Communist Eastern Europe (and particularly in East Germany) writing was driven by political motivations determined to provide the ideological link between capitalism and fascism. Meanwhile in a West Germany joining the Western alliance (and where business was playing a vital role in post-war reconstruction), relations between economy and politics in the Third Reich were highly unlikely to raise much interest. The *Institut für Besatzungsfragen* in Tübingen, which existed from 1948-1960, epitomised this reluctance to come to terms with the immediate past. Although the institute produced some surprisingly interesting work, its business sponsorship, which turned it into an effective tool for fending off post-war damage claims, could not fail to have an impact. Neither was the time ripe in Western Europe. In France the Reparations Commission (*Commission Consultative des Dommages et des Réparations*), set up to evaluate the damage caused by the occupation, turned out a bulk of official publications in the immediate post-war years. Other unpublished material was either locked away at the *Archives nationales* or handed over to the *Comité d'histoire de la deuxième guerre mondiale*, founded in 1949 in order to co-ordinate further research on the war and the occupation years. It certainly is no overstatement to say that until the 1980s the majority of works fostered by the *Comité* were not too eager to explore French business behaviour or economic collaboration and thereby reflected the official character of this state-funded institution.¹¹ In a parallel direction, discussion on the war period in Belgium was almost monopolised by the 'Royal Question'.

The first pioneering studies of Eberhard Jäckel and Hans Umbreit¹² only attributed marginal interest to economic issues: Jäckel was more interested in the political aspects of German rule and especially the role of Hitler which, he concluded, was central. Umbreit, a military historian, focused his study on the German military hierarchy in occupied France. Although he accredited some space to the economic departments of the military administration - the most important German agencies in the occupied territories - his first publication had little to say about exploitation strategies in the occupied territories. A first step to close this gap was taken through Alan S. Milward's research in the mid-1960s.¹³ Milward's efforts culminated in *The New Order and the French Economy* and *The Fascist Economy in Norway*, published in 1970 and 1972. As happens with pioneering studies, much of his thesis has undergone revision, but this scholar laid the foundation for future debate thirty years ago. A central part of his thesis is based on the concept of *Blitzkrieg* strategy. In Milward's view *Blitzkrieg* comprised both a military strategy and an economic policy, and was the only way in which Germany could wage war without overstraining her resources and risking social and economic tension. Germany's unfavourable position in resources was to be improved by waging and winning such short *Blitzkrieg* wars. Consequently, the Reich leadership always provided industry with just the necessary resources to be able to meet the limited targets of *Blitzkrieg* economy, while the occupation and exploitation of ever-new territories drained the resources needed for the next expansionist move. Milward presented *Blitzkrieg*

¹¹The prime impulses came from mainly foreign (mostly anglo-saxon) scholars: Alan S. Milward, Robert O. Paxton, Michael Marrus. In 1981 the *Comité* changed its name to *Institut d'Histoire du Temps Présent*. Only since then has there been a constant and equally satisfying output.

¹²Eberhard Jäckel, *La France dans l'Europe de Hitler* (Paris, 1968); Hans Umbreit, *Der Militärbefehlshaber 1940-1944* (Boppard am Rhein, 1968). Though relying heavily on German documents, the focus of Robert O. Paxton's *Vichy France. Old Guard and New Order 1940-1944* (New York, 1972) is turned towards the Vichy regime, the French Right and French society's interaction with the regime. The discussion of German occupation policies *sui generis* is not covered by this study.

¹³A.S. Milward, *The German economy at war* (London 1965).

strategy as a clever balancing act based on devices to fine-tune and reconcile military, social and economic factors. *Blitzkrieg* strategy is opposed to 'Total War': after the failure of the Russian version of *Blitzkrieg* in winter 1941, the prospect of a long war crept upon the Reich leadership, now forced to convert the remains of civilian production to military production. Increases in German armaments output between 1942 and 1944 were the result of this process of switching, which converted hitherto unused capacities. According to Milward, Germany had precisely conceived *Blitzkrieg* in order to rule out a long war, which bore the danger of bleeding dry, something Hitler had wanted to avoid at all costs.

Timothy Mason has offered a variant on this theme.¹⁴ While agreeing with Milward on the principle of an existing *Blitzkrieg* strategy, his theory stresses the structural factors by which it was conditioned and the circumstances under which such plans were eventually implemented in 1939. *Blitzkrieg* in his analysis was not a tool Hitler chose at his liking and which was launched at the time he considered most appropriate for an attack, but became a vital necessity in a context of domestic crisis. Mason claims that dissension had reached a climax by 1939. Forced to make a choice between rearmament or maintaining living standards, Hitler, in his unwillingness to sacrifice either, went to war in order to improve the situation by extensive pillage in the conquered territories. War would keep the lid down by diverting attention from domestic problems, rallying people to the battle call and strengthening national unity. *Blitzkrieg* was not the brainchild of Hitler's smart *Kalkül*, but a compromise solution which did not match his real intentions.

The prime weakness of *Blitzkrieg* theories has been their incapacity to prove the existence of clever re-adaptation measures, which would have made switching from civilian to military production possible. Doubt remains about the German war economy's capacity to integrate such sophisticated policies of flexibility. In his *War and Economy in the Third Reich*¹⁵, an anthology of studies published between 1973 and 1990, Richard Overly argues that authors claiming Hitler had voluntarily restricted the military economy in order not to strain German domestic demand, and adopted a 'brilliant' strategy of military and economic *Blitzkrieg* fail to take account of the precise nature of German economic reorganisation after 1936. The regime's course was two-fold, on the one hand aiming at strengthening military capability and on the other at restructuring the productive base and creating strategic resources, much needed to fight a prolonged war. By 1939 most of the so-called 'civilian production' had already been switched to the latter, indirect form of rearmament. Overly also insists that the outbreak of war in 1939 was not timed by Hitler in order to contain civil unrest, supposedly generated by the policy of austerity in Germany. In his view it was clearly based on a miscalculation that the Allies, having lost their last trump card with Germany's successful overture to Soviet Russia and the signing of the Hitler-Stalin pact, were not prepared for armed conflict, neither from a military nor from a political point of view. They would therefore not take the risk of general war by intervening in the 'Polish crisis'. At this stage neither economic restructuring nor 'armament in depth' (*Tiefenrüstung*) - both scheduled for completion in 1942/43 - were sufficient to fight a major war. The partisans of the two basic tendencies in armament policy wasted

¹⁴Timothy Mason, *Sozialpolitik im Dritten Reich. Arbeiterklasse und Volksgemeinschaft* (Opladen 1977).

¹⁵OVERLY, Richard J. *War and Economy in the Third Reich*. Oxford, 1994.

most of the time until the arrival of Todt and Speer in January 1942 with bitter in-fighting on priorities. All this did was to encrust inadequacy and put an effective freeze on new initiatives or reform attempts. Increases in productivity were corroded and German armaments output stagnated. Quite rightly Overy stresses that '*many of the problems faced by the German war effort were the result, rather than the cause, of the premature outbreak of a large-scale European war.*'¹⁶ Cut off from overseas imports, Germany also had to continue spending more on indirect military spending, such as the exploitation of raw material resources within occupied Europe or the development of synthetic fuel plants.

More research became available in the 1980s through Rolf-Dieter Müller's study of German economic mobilisation published in volume V of the series *Das Deutsche Reich und der Zweite Weltkrieg*.¹⁷ Müller's is the most thorough analysis of German economic war mobilisation, based entirely on original research. In contrast to Overy who focuses on disproving the validity of a *Blitzkrieg* concept, Müller looks at archival material from all the services engaged in the bitter infighting and unravels the interdependency of all direct and indirect influences on the operation of the war economy. The extent of mismanagement becomes clear through Müller's analysis: not only had Germany stagnated in a drive to greater productivity, but the relative advantage in armaments production at the onset of war had in fact been lost by 1941. This was largely the result of the lack of a central planning- and decision-making body for all aspects of armaments production. Initially, the military *Wehrwirtschafts- and Rüstungsamt* was in the best position to take such a function and convert the economy to war needs. General Thomas took appropriate steps for reorganisation and total mobilisation after the Polish campaign, but this move was successfully opposed by the civilian sector. A compromise was agreed upon, which called for the decentralisation of arms manufacture and delayed the expansion of the arms sector until the beginning of the expected *Materialschlachten* with the Allies. Other steps like the initiative of the civilian Ministry of Armaments under Todt to step up production during a first critical stage in supply in winter 1939/40, were sabotaged with equal success and practically reversed in the summer of 1940, a time that brought complacency and Nazi *hubris* to ever increasing heights. The reasons for the inadequacy of the military-run armaments industry were as much self-inflicted as exogenous: first of all, the military's pre-eminence was largely neutralised by its lack of efficiency, in particular its failure to direct resources and to engage in mass production. It was a general military understanding that mass-produced goods could not stand the test. Any move in this direction was anathema to the constant demand for excellence in standards. Consequently, a German tank was produced on as slow and lavish a basis as a Rolls Royce, an unforgivable miscalculation in an economy characterised by scarcity. But matters were made even worse still by the frequent interventions of the military into the production processes. With a total lack of planning and ignorance of business methods, the military-directed economy (*militärische Kommandowirtschaft*) gave manufacturers operating under non-market conditions no incentives to increase productivity. Disunity and rivalry among the services did not do much good

¹⁶ibid., 18-31

¹⁷Rolf Dieter Müller, 'Die Mobilisierung der deutschen Wirtschaft für Hitlers Kriegsführung', in: Bernhard R. Kroener, Rolf-Dieter Müller, Hans Umbreit, *Organisation und Mobilisierung des deutschen Machtbereichs. Kriegsverwaltung, Wirtschaft und personelle Ressourcen 1939-1941* (Das Deutsche Reich und der Zweite Weltkrieg, vol. 5 (I), Stuttgart, 1988, 349-689).

either, and faced with massive resistance the military failed to campaign successfully for the centralisation of war production in their hands. The unexpected fortunes of war against France only served to support the status quo and the result was an economy of transition for a period of two years, characterised by improvisation and short-term targets. Only in the face of crisis in 1941/42 were Todt and Speer able to carry through their reforms tailored on the principle of business self-responsibility. Müller concludes that lacking any capacity for a proper self-assessment, the *Third Reich* was largely ignorant of how to run a war economy, and how to tune existing policies to the needs and aims of war. Unlike the Western democracies, Germany needed a dictatorial intervention in order to convert from peacetime to war. The greatest weakness of the Nazi regime was its incapacity to maintain mobilisation after the initial thrust in 1939, and find a new balance between the diverging interests and areas of authority. Faced with interior conflict, the *Führerstaat* was unable to react with rational opinion- and decision-making. This brings Milward's thesis under direct attack: 1941/42 was not the famous 'end of the *Blitzkrieg*', as the necessity to arm for a long war had been clear to everybody from the start. Germany had simply lacked the means to put this realisation into practice. Bernhard R. Kroener, the author of the third study¹⁸ in the afore-mentioned volume of the *Militärgeschichtliches Forschungsamt* corroborates Müller's findings in his examination of the *Third Reich*'s personnel management from 1939-1942. As far as the campaigns against Poland and France were concerned a *Blitzkrieg* concept had never existed, and in both cases it was the military planners who imposed their demands for adequate supplies in arms and men on an unwilling Nazi leadership. Only the Russian campaign of 1941 qualifies as a planned - and failed - *Blitzkrieg*. This failure was largely due to the swift military success in France, which served to reinforce arrogance and prejudice against an enemy regarded as racially inferior.¹⁹

Milward has insisted on the importance of 'New Order' in Hitler's political thought. In his opinion Nazi economic policy in Europe was the practical implementation of these theoretical concepts. These concepts were based on ideas of decreasing Europe's dependence on foreign imports and extending the foundations of autarky laid down in pre-war Germany to the rest of the Continent. Demands that could not be met by what was available within Europe were to be satisfied by imports from a future German colonial empire in Africa. Rightly, Müller has argued that for this model to work, one requirement would have been the increase of German exports to other European countries. However, trade between Germany and the sophisticated economies of Western Europe was entirely one-way. At no time during the war was Germany in a situation to replace transatlantic trading partners, nor did the will to do so exist. Thus European trade and commerce were falling way beyond the pre-war level. Many of the recent studies share the view that there was no such thing as a Nazi master plan, neither for the exploitation nor for the remodelling of European

¹⁸ Kroener, 'Die personellen Ressourcen des Dritten Reiches im Spannungsfeld zwischen Wehrmacht, Bürokratie und Kriegswirtschaft 1939-1942', in: Kroener, Müller, Umbreit, *Organisation und Mobilisierung des deutschen Machtbereichs. Kriegsverwaltung, Wirtschaft und personelle Ressourcen 1939-1941*, 693-1001.

¹⁹Kroener, 'Die personellen Ressourcen des Dritten Reiches im Spannungsfeld zwischen Wehrmacht, Bürokratie und Kriegswirtschaft 1939-1942', in: Kroener, Müller, Umbreit, *Organisation und Mobilisierung des deutschen Machtbereichs. Kriegsverwaltung, Wirtschaft und personelle Ressourcen 1939-1941*, 1001. *Barbarossa* was the only German campaign launched on a time schedule in mind. Because of false calculations of enemy strength not all means had been committed..

economies. Nowhere does this assertion ring truer than for the countries of occupied Western Europe. It is obvious that not all fancy memoranda drawn up by Berlin think-tanks made their way onto Hitler's desk. Freymond argues that 'New Order' was a wholly inflated propaganda concept, designed to reassure political and economic leaders, especially in France, in their illusions about what life would be like as Germany's 'junior partner'.²⁰ Finally, in the interest of continued production, economic structures in Western Europe were not modified but merely readapted to the German model, so as to provide the German occupation regime with the necessary data on domestic production and foreign trade. The only comprehensive action that qualified for the establishment of post-war hegemony was taken in South-Eastern Europe. Clearly, another attempt based on the idea of *Mitteleuropa*. In this part of the continent German economic policy was eager to neutralise all British and French economic influence, e.g. by the surrender of all financial assets. Exactly what future lay ahead for Western Europe was uncertain, at least for the duration of the war. Economic decisions in France were even more a matter of acute crisis management than elsewhere and demonstrate the virtual absence of long-term perspectives in German economic modelling. Capital interlocking, a standard German practice to acquire an economic power base in Central and Eastern Europe, was equally rare.²¹

German administrators in Western Europe had a choice between extensive pillaging yielding immediate profits, but with only short-term effects on the Reich's supply, and a systematic, long-term profit from utilising production capacities. The military were divided on the issue: whereas *Wehrmacht* High Command in Berlin was not opposed to enjoying the immediate fruits of victory, the German military administrators in the territories often felt that such action was anathema to the re-establishment of law and order. They insisted that blind plundering would eventually make the territories become a strain on Germany. Polycracy in the Third Reich was one of the determining factors in shaping events: from the beginning of the occupation Göring, in his quality as head of the Quadrennial Plan, had obtained special powers from Hitler to co-ordinate economic policy in Germany and in occupied Europe. This enabled him to intervene directly in the administration of the occupied territories. The sheer number of Göring's special envoys is a vivid reminder that the stake was not a simple dispute over respective areas of authority, but Göring's personal ambition. As Umbreit says, the bitter in-fighting between German services in occupied territory was a close function of the state of affairs in Germany. Acquiring and retaining power in certain areas of Europe was a matter of 'prestige' in the Reich.²² German economic policy (as other policies) was an amalgam of improvisation, short-term profitability thinking and the usual piecemeal perspective for which Nazism seemed to have such a prodigious talent. Contrary to the image of German might and the solidity of conquest, Europe under German management got off to a bad start and was faced with the 'administration and exploitation of shortage'.²³

²⁰Jean Freymond, *Le IIIe Reich et la réorganisation de l'Europe 1940-1942. Origines et projets* (Geneva/ Leiden, 1974), 184-187.

²¹Freymond, *Le IIIe Reich et la réorganisation de l'Europe*, 184-186; A. S. Milward, *The New Order and the French Economy* (Oxford, 1970), 100-04. The cases of *Mines de Bor* and *Franccolor* were rather the exception to the rule.

²² Hans Umbreit, 'Les pouvoirs allemands en France et Belgique', in: Etienne Dejonghe (ed.), *L'occupation en France et en Belgique* (Actes du Colloque de Lille, 26-28 avril 1985, vol. 1.), *Revue du Nord*, 2 (1987), 22-25.

²³Overly, *War and Economy in the Third Reich*, 18-31.

Conquest and Exploitation

How successful was the economic exploitation of Western Europe and how large an incentive existed for the occupier to draw on the black economy? Both Liberman²⁴ and Warmbrunn²⁵ have qualified German practices of exploitation as a relative success; this positive assessment is based on the fact that the Germans utilised large proportions of the occupied economies. Both authors argue that the results would have been much lower, if the authorities and populations had not chosen to comply, and that the principal German achievement was to make the best of all tendencies gravitating towards collaboration. In this context Liberman recalls the relative German failure to utilise Belgian resources in World War I as compared to World War II. Liberman argues that Western Europe's sophisticated industrial societies were more vulnerable to coercion and repression than the agricultural societies of Eastern and South-Eastern Europe. The level of exploitation attained in the former is a clear indicator that attempts to cease co-operation or to launch a form of organised resistance in the economic sector had more difficulties to overcome than in other parts of Europe. Liberman attributes shortcomings in production to mismanagement and the lack of combustibles, such as coal and fuel, and concludes that these two factors were the objective obstacles to an even higher level of exploitation.²⁶ Coercion functioned fully and kept a check on the indigenous populations and their political and economic elites. Previously, in his *German rule in Russia 1941-1945*²⁷ published in the 1950s, Alexander Dallin had already compared the relatively substantial economic contribution of France and Belgium to the chaotic and unsystematic exploitation of the Eastern territories: German expectations in the strategic advantage gained through the conquest of the 'Russian granary' had far exceeded the real possibilities of exploitation. Although it is hard to contest the general validity of Liberman's findings, they do not imply that the Germans maximised the available potential in Western Europe. They simply did much better than during World War I, and much better than other occupiers faced with similar situations. However, that the German approach to economic mobilisation had serious structural flaws is impressively underlined by the failure to fully maximise its own domestic potential. In his *'Why the Allies Won'*, Richard Overy points to the USA and the Soviet Union as exemplary cases of maximising the production potential through industrial mobilisation, rationalisation and mass production. In this area, like in many others, Germany wasted precious time during crucial periods and gambled away her strategic advantage.²⁸ This and similar failures reveal structural deficiencies which may have something to say about the rationality of German black market operations.

²⁴ Peter Liberman, *Does Conquest Pay? The Exploitation of Industrial Societies* (Princeton, 1996).

²⁵ Werner Warmbrunn, *The German Occupation of Belgium 1940-1944* (New York, San Francisco, Bern, Baltimore, Frankfurt am Main, Berlin, Wien, Paris 1993), 191-93.

²⁶ *ibid.*, 67.

²⁷ Alexander Dallin, *German rule in Russia 1941-1945. A Study of Occupation Politics* (2nd edn., London 1988).

²⁸ Richard Overy, *Why the Allies Won* (London, 1996), 180-208.

Liberman's résumé also stands in stark contrast to John Gillingham's conclusions in his *Belgian Business in the Nazi New Order*.²⁹ While Liberman argues that the figures point towards a relatively successful wartime mobilisation of Belgium's capacities, Gillingham interprets the 60-66% of pre-war level of production attained during the occupation as a failure of German economic policy.³⁰ Gillingham affirms that the use of the substantial financial means available to Germany through the occupation payments was characterised by waste, thereby preventing the rational use of available resources. In Gillingham's view German participation in the black market, together with a proliferation of construction projects for military purposes, was the major manifestation of wasteful practices. Gillingham's interpretation is somewhat corroborated by the views expressed in the military governments; in its summer 1941 report the military administration in Belgium described the high debt incurred through the abuse of the Reich's clearing account as a 'complete write-off' which, ultimately, deprived Belgian dispositions to economic collaboration of their principal incentive, the promise of material gain.³¹

The present study argues for a reappraisal of both positions outlined above, stressing the considerable need to qualify and nuance the picture. The truth probably lies somewhere in-between the views expressed by Gillingham and Liberman, and no attempt will be made to resolve the question of success-failure of the Nazi exploitation of Western Europe. In fact, it may be quite impossible to provide a definite and positive answer to such a general question; the examination of the occupier's approach to the black economy does not have the capacity to illustrate either to a sufficient degree. What can be done, though, is to provide separate answers on German efficiency during various phases and in certain problem areas. Thus, it will be argued that coercion was, indeed, a powerful tool in harnessing industrial societies, but that the black economy also demonstrated the limits of coercion. The study will also argue that black market policy is an ideal looking glass in order to study the weight Nazi polycracy brought upon economic mobilisation. This was by no means a political system that favoured the rational exploitation of occupied lands. Important in-sight will also be gained from an assessment of the rationality of the motivation and implementation of German black market exploitation.

²⁹ John Gillingham, *Belgian Business in the Nazi New Order* (Gand, 1977).

³⁰ *ibid.*, 190/91.

³¹ Centre d'études et de la seconde guerre mondiale, Brussels (CERHSGM). 'Tätigkeitsbericht Nr. 17 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Juni 1941 bis 1. September 1941'.

I. CONTEXTUALISATION: ILLEGAL ECONOMIES AND THE EXPLOITATION OF FRANCE AND BELGIUM DURING THE SECOND OCCUPATION

1. Aspects of Black Market Formation in France and Belgium

Scarcity and Excess Purchasing Power

War preparation had created a relative abundance of supplies in Western Europe. Dramatic changes occur after the breakdown of public life following the German invasion of May/June 1940. The indigenous authorities and the German administrations soon realised that scarcity was to become chronic. This scarcity was accentuated by full-scale pillage immediately after the onset of occupation, which included the taking of booty and the appropriation of extensive raw material stocks. State property was requisitioned, private property acquired by enforced sales.³² Supplies from overseas dwindled and vital coal and fuel imports could not be replaced through continental reserves.³³ Hitherto, the importation of cheap raw materials from overseas had given French and Belgian industry a competitive advantage. With this gone, French industrial plants, in particular, produced at greater cost as they lagged behind the Germans in terms of equipment and were very labour intensive, at yet lower output.³⁴ In France the reconstruction of capacities destroyed during the military campaigns was only to take place where it met with German interests. This, like the political provisions of the armistice, was clearly guided by the logic of diminishing France's potential in Europe on a long-term basis. By summer 1942 scarcity had reached an extent that black market procurement generalised, especially with those firms threatened in their existence. Commerce and the artisanal sector were guided by similar considerations to secure their livelihood. The German administration in Belgium noted that this business survival reflex overrode fear of punishment. Black market procurement was now also extending to waste and *Ersatz* materials which, up to this point, had constituted no economic value. As an example, Belgian coalmines and coal wholesalers engaged in illegal sales of slack as industry combustibles.³⁵

Price and wage freezes were introduced from the beginning of the occupation, but these measures were wholly inadequate in absorbing inflationary pressure. The French wartime experience is a reminder of Keynes's dictum that price control and rationing are no guarantee for price stability, as both measures do not attack the crucial issue of

³²Milward attests that until the end of 1941 Germany's main profit from the French economy was accounted for by booty, s. Alan S. Milward, *War, Economy and Society 1939-1945* (Harmondsworth, 1987), 82.

³³Müller, 'Die Mobilisierung der deutschen Wirtschaft für Hitlers Kriegsführung', in: Kroener, Müller, Umbreit, *Organisation und Mobilisierung des deutschen Machtbereichs. Kriegsverwaltung, Wirtschaft und personelle Ressourcen 1939-1941*, 391-96; Henry Rousso, 'L'économie: pénurie et modernisation', in: Jean-Pierre Azema, Francois Bédarida, *La France des années noires. Tome 1: De la défaite à Vichy* (Paris, 1993), 427-451.

³⁴BA. RW 35 304. Der Chef des Verwaltungstabs an den Chef der Militärverwaltung in Frankreich. Lagebericht Wirtschaft, August/September 1941.

³⁵CERHSGM. Tätigkeitsbericht N° 21 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1.6.1942 bis 1. September 1942.

excess purchasing power. In the same measure they are little effective in spreading inflationary pressures more equally.³⁶ A purchasing power overhang caused by German demand exacerbated these pressures. To satisfy this demand they designed a variety of monetary manipulations: A first step in this direction was the devaluation of the French franc against the RM by 20 %, setting it at an artificially high exchange rate of 20 French francs for one RM.³⁷ The Belgian franc's exchange rate was lowered from a pre-war ratio of ten RM for 100 francs to eight RM for 100 francs.³⁸ This enabled troops to enter upon a buying spree, behaviour nurtured by the extreme scarcity of many consumer items in Germany. The overvaluation of the mark was also designed to give German industry a considerable competitive advantage and cut the price of imports to Germany.³⁹ Secondly, all occupied countries agreed to pay substantial levies to the German occupier after the cessation of hostilities. In France, the levies were camouflaged as 'occupation and billeting costs', a provision made by clause 18 of the armistice convention. Similar arrangements were made in Belgium; in both countries payments exceeded the costs of up-keeping an army of occupation. In addition, Germany coerced all European countries to sign clearing agreements and ran up huge commercial debts. Foreign payments to Germany accounted for 38,4% of her war budget; of this France contributed the bulk (two-fifths).⁴⁰ The vast sums at Germany's disposal were primarily destined to pay exports to Germany and finance the military infrastructure in the occupied countries. The burden on French finances becomes apparent in the calculation that total occupation costs accounted for one-and-a-half times the French tax revenue during 1940-44. In terms of the French national income they gobbled 33% in 1942, and 50% in 1943.⁴¹ Thus, France lived through the occupation with a doubled budget which covered 40% of its expenditure through taxation, and the remainder through the emission of bonds and central bank advances.⁴² However, the centrepiece of French financial management was the so-called *politique du circuit*. This was based on the following: in order to strengthen the French franc against the inflationary onslaught, demand was compressed through price and wage control and the limitation of other sources of income such as stock exchange dividends which were not allowed to rise beyond a predetermined one to two percent per session. The issue of treasury bonds was devised as the principle solution to limit money circulation and direct

³⁶J. M. Keynes, 'How to pay for the war', in: D. Moggridge, *The collected writings of John Maynard Keynes*, XXII, *Activities 1939-1945. Internal war finances*. (London, 1978), 40-49.

³⁷In August 1939 the official RM-frs exchange rate was fixed at 15,25. However, real prices situated the mark at about 10 or 11 frs in June 1940, s. René Sédillot, *Histoire des marchés noirs* (Paris, 1985), 117.

³⁸ Warmbrunn, *The German Exploitation of Belgium 1940-1944*, 240.

³⁹However, the overvaluation of a victor's currencies was by no means a German prerogative. The US and Britain did likewise in Italy and Germany, where they overvalued by 200-300% after the end of hostilities. In the case of the US, Petrov suspected a *political desire to punish Germany* behind this move, s. Vlad Petrov, *Money and conquest. Allied occupation currencies in World War II* (Baltimore, 1967), 252.

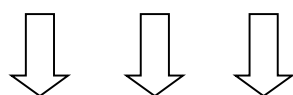
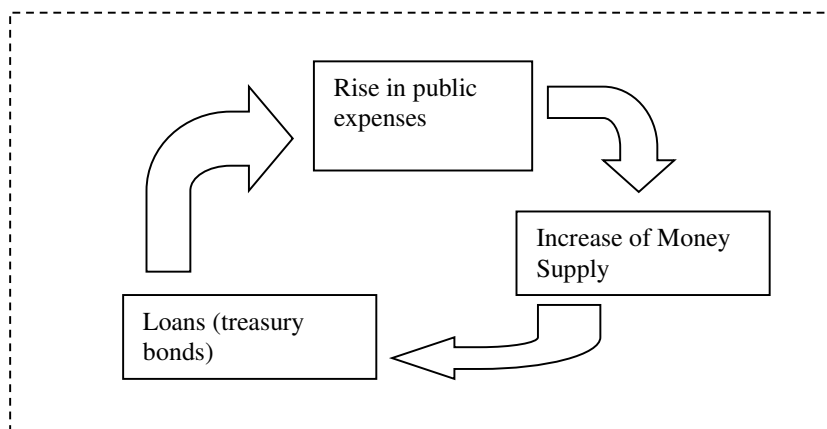
⁴⁰Milward, *War, Economy and Society 1939-1945*, 38; 138. The peak of such monetary exploitation was reached in Belgium, during the budgetary year 1942: 41 billion Belgian francs, i.e. 67% of her budget, went to Germany.

⁴¹Alfred Munz, *Die Auswirkungen der deutschen Besetzung auf Währung und Finanzen Frankreichs* (Tübingen 1959), 75/76.

⁴²Sédillot, *Histoire des marchés noirs*, 111. Money creation was more endemic in the occupied countries than in such war waging countries like Germany, Britain and the US. While the French tax revenue stood at 90 billion francs in 1942, expenses during that year were fourfold and totalled 385 billions, of which 247 billion alone were due for occupation and billeting costs, and the German clearing debt, s. report of the *Handelspolitischer Ausschuss* (HPA) to the German Armistice Delegation, Economic section, on the subject of the French budget, 10 October 1942, in: Ludwig Nestler, *Die faschistische Okkupationspolitik in Frankreich 1940-1944* (Berlin, 1990), 242/243.

cash savings back into the Treasury; thereby preventing monetary resources escaping into investments, speculation or illegal purchasing.⁴³

Figure 1. Closed Circuit Policy



Capital Flight

Deployment in =>

Money hoarding
Savings accounts
Banks
Valuables
Real estate speculation
Stock market
Black market

The French circuit remained fairly intact during 1940/41, but the increased German drain on the occupation account in 1942 accelerated its collapse. By 1943, it became clear that the relative stability resulting from the closed circuit policy merely reflected the lack of choice for savers and investors, and masked the considerable losses of the French economic tissue.⁴⁴ Economist Henry Laufenburger described the Vichy authorities' record of financial management as 'deplorable'. He criticised the purely consultative role of the budget committee created by law of November 16, 1940, which left all financial prerogatives in the hands of the authoritarian government. Funds were attributed according to circumstances and on pure whim:

⁴³Archives nationales, Paris (AN). F 60 1429. Vice-Présidence du Conseil. Section des études générales, documentation classifiée par administration ou par matière, 1941-43. Commission interministérielle pour la répression marché noir: Prix et contr_ le économique.

⁴⁴Michel Margairaz, *L'État, les Finances et l'Économie. Histoire d'une conversion 1932-1952*, vol 1 (Paris, 1991), 542-50.

D'un trait de plume il crée des services et des emplois nouveaux, relève des traitements, acquiert des matériels. Il paie, et le crédit budgétaire intervient ensuite pour régulariser la dépense, les crédits sont détournés de leur affectation. Les Finances de la France sont mises au pillage.⁴⁵

Money circulation in France rose more than five-fold during the war years and stood at 587 billion francs in July 1944.⁴⁶ Official post-war Belgian documents set the increase of currency circulation during the occupation at 236%. However, the real increase may have been as high as three-fold.⁴⁷ A fair percentage of this capital was being hoarded and estimates for France ranged in the area of 150 billion francs in late 1944.⁴⁸ Firms under-reported, doctored their accounts and dissimulated funds in their accountancy.⁴⁹ This is corroborated by the conclusions of a German spring 1943 report stating that bank deposits were far behind money circulation and that the German black market funds pooled into the French economy had not re-entered the normal circuit.⁵⁰ From a monetary point of view, the two countries' economic health was more apparent than real. Post-Liberation France was left with a debt that had risen from 400 billion to 1,400 billion francs between 1938 and 1944, only one-third of which was covered by inflation.⁵¹ Similarly, the increase of Belgian debt from a pre-war 66 billion bfrs to 156 billion bfrs at the end of the occupation corresponded with the surplus of money circulation during the same time span.⁵² The period from 1938 to 1943 also witnessed a significant decrease of real national income in France.

Table 1. Nominal and Real National Income in France 1938-1943 (in billions frs)⁵³

	1938	1941	1942	1943
Nominal National Income	310	375	465	550
Nominal National Income (excl. estimated black market benefits)	310	330	400	475
Real National Income ⁵⁴	310	225	222	200

The imbalance between the level of exploitation and the slump of productivity in Western Europe served to accentuate inflation.⁵⁵ In France, the industrial production index decreased from 100 in 1938 to 29 in 1944.⁵⁶ Finally,

⁴⁵Henry Laufenburger, *Les finances de 1939 à 1945* (Paris, 1947), 39 pp.

⁴⁶Bundesarchiv—Militärarchiv, Freiburg (BA-MA). RW 35/265. Militärbefehlshaber in Frankreich, Abteilung Finanzen; money circulation was 111 billion francs in December 1938.

⁴⁷According to German wartime estimates, s. Warmbrunn, *The German Occupation of Belgium 1940-1944*, 242.

⁴⁸L. Baudin, *Esquisse de l'Economie française sous l'occupation allemande* (Paris, 1945), 173.

⁴⁹Laufenburger, *Les finances de 1939 à 1945*, 39 pp.

⁵⁰BA-MA. RW 35 290 Militärbefehlshaber in Frankreich, Wirtschaftsbericht, Januar-März 1943.

⁵¹BA-MA. RW 35/265. Militärbefehlshaber in Frankreich., Abt Finanzen; Laufenburger cites a slightly lower figure, 1,400 billion francs, s. Laufenburger, op. cit., 39.

⁵²P. G. Meisterhans, 'Die öffentlichen Finanzen Belgiens während der Okkupationszeit 1940-1944 und ihre Sanierung nach der Befreiung' (Ph.D. dissertation, Université de Fribourg, 1951).

⁵³AN. AJ 40 368. Militärbefehlshaber in Belgien und Nordfrankreich. Vierteljahrsberichte der OFK 670, Lille für den Zeitraum 1. Oktober bis 31. Dezember 1943, 21. Januar 1944.

⁵⁴Calculated on the basis of the wholesale price index of 17 agricultural products.

⁵⁵E. Pertz, 'Oorlog en economie, België '40-44' (BA. dissertation, Univeristy of Leuven, 1976), 82.

with the Germans manipulating monetary policy for their purposes and introducing vast amounts of currency into the economy, stabilisation became a Sisyphean task. In Belgium, upward trends in prices were detected from July 1940, starting in agricultural markets, but then also spreading to the metal and textile industry. While coinciding with the introduction of rationing and price control, the German price monitors noted that nothing justified levels that outmeasured all sound proportions.⁵⁷ The situation in France in January 1941 was already characterised by a marked surplus in purchasing power: debitory accounts were on the decline, deposits on the rise and the banks' crediting had become a rather secondary matter. Equally, rediscounting at the Banque de France was at a low: commercial banks were now investing in short-term bonds, a move industry showed little inclination to imitate.⁵⁸

After the war, Belgium became the model for financial recovery in Europe, engineered through speedy monetary reform: this involved blocking, sweeping up and, finally, annulling 60% of total monetary assets. Populist reasons and fear for monetary credibility repelled the French government from taking similar action. Thus the time bomb laid by public finance during the occupation exploded when the floodgates of economic control were lifted after Liberation.⁵⁹ Inflation continued to soar in the immediate post-war period and by 1948 the French franc's purchasing power had slumped to 5% of its pre-war value.⁶⁰ The Vichy technocrats were little aware of the terrible gift they had made to post-war France; even in retrospect, the narrow-mindedness of their perspective and their ignorance of modern economic theory does little to explain their naive delusions.

The Pitfalls of Price and Wage control

By July 1940, French price indexes had increased 150% in retail business and 100-200% in wholesales. Transport problems and the disruption of communications and commercial relations also led to a 100% price increase in the agricultural markets in August 1940. Price transgressions were nurtured through deficient price marking practices, in particular in the luxury goods sector, an area of particular interest to German purchasers.⁶¹ Dissimulation and hoarding became a commonplace response to the chaotic conditions of defeat and the massive requisitions carried out by the German occupier. A 1943 BCRA report estimated, that already at the outbreak of war in 1939, French industrialists had hidden parts of their stocks which were inventoried as gains in their business accountancy. Following the restoration of order in August 1940, mandatory declaration of stocks, rationing and an array of

⁵⁶Laufenburger, *Les finances de 1939 à 1945*, 39 pp.

⁵⁷CERHSGM. Tätigkeitsbericht N° 1 der Militärverwaltung in Belgien und Nordfrankreich, 2. August 1940.

⁵⁸BA-MA. RW 35 286. Der Chef des Verwaltungstabs an den Chef der Militärverwaltung in Frankeich. Lagebericht Wirtschaft, Dezember 1940/Januar 1941.

⁵⁹Alfred Munz *Die Auswirkungen der deutschen Besetzung auf Währung und Finanzen Frankreichs* (Tübingen, 1959), 131-34; Piatier, A. 'La Vie économique de la France sous l'Occupation', in: Arnoult, P., Billig, J., Boudot, F., et al., *La France sous l'Occupation* (Paris 1959), 70-72.

⁶⁰Munz, *Die Auswirkungen der deutschen Besetzung*, 134.

⁶¹BA-MA. RW 35 303. Militärbefehlshaber in Frankeich. Lagebericht Wirtschaft, Juli 1940.

economic control measures were introduced during autumn 1940. An animal census in Southern farms was carried out in autumn 1940, a step designed to counter the emergence of illegal meat markets. Thereafter, slaughtering was tightly regulated.⁶² This context prompted a second dissimulation drive. Certain foodstuff holders also evaded declaration because they feared further German requisitions.⁶³

The French price law of October 1940 had a positive effect on the agricultural sector, leading to increased harmonisation between production and consumption regions, and the Mbf's economic section argued that it was necessary to extend this type of regulation to all prime agricultural and food products. But whereas agricultural prices remained stable, prices in other areas continued to be on the rise, although the civilian population's panic purchases had ceased. Meanwhile German demand had shifted to textile and leather goods, driving up price levels again, a tendency supported by the blocking of the demarcation line.⁶⁴ All through winter 1940, the head of the military administration in France assumed that the increases in raw material prices were the natural continuation of tendencies which had already been acknowledged by the French authorities at the beginning of the war. By then, prices for industrial products had risen three-fold and wholesalers had adopted the practice of false or no invoices.⁶⁵

Apparently, the Southern zone of France fared no better than the North. In September 1940 prices for essential consumer items were higher in the non-occupied zone of France than in the occupied zone.⁶⁶ In winter 1940/41 textile prices in Lyon and Marseille went up 50 to 80% within a few weeks. How much responsibility German demand had for this can only be guessed, but purchasers were definitely spreading news of considerable textile stocks in the unoccupied zone.⁶⁷ An Autumn 1941 informers' reports from the unoccupied zone of France claimed that '*a truly rational and stringent organisation of supplies could make ends meet with the existing resources*' and that everyone had adapted to improvisation and *système D*.⁶⁸ As a general rule, prices diverged greatly between the French regions, although, by 1943, they were again lower in the Southern zone than in the North, with some regional variations. Nice had, in fact, become the most expensive city in the whole of France, with price levels twice as high as in other French cities.⁶⁹ A private memorandum on the food black market submitted to the *commission interministerielle pour la repression du marché noir* in 1941 criticised the inherent negative rigorism of Vichy's economic control system. The author, a Vichy resident, deemed that it did not make sufficient allowance for realities, in particular that state control could not serve as a ubiquitous substitute to private initiative. It suggested that price control and rationing should only extend to foodstuffs whose production and distribution were genuinely controllable.

⁶²Sédillot, *Histoire des marchés noirs*, 111 pp.

⁶³AN. 3 AG 2 352. BCRA. 'Les autorités d'occupation et l'organisation du marché noir', NM 144, 15 February 1943.

⁶⁴BA-MA. RW 35 303. Militärbefehlshaber in Frankreich. Lagebericht Wirtschaft, Oktober 1940; RW 35 285. Wirtschaftsbericht über die Lage im Bereich des Militärbefehlshabers Frankreich, Oktober 1940.

⁶⁵BA-MA. RW 35 303. Der Chef des Verwaltungstabs an den Chef der Militärverwaltung in Frankreich. Lagebericht Wirtschaft, November 1940; dito, Dezember 1940/Januar 1941.

⁶⁶BA-MA. RW 35 284. Der Chef des Verwaltungstabs an den Chef der Militäerverwaltung in Frankreich. Lagebericht für Monat September, 2. Oktober 1940.

⁶⁷RW 35 286. Militärbefehlshaber in Frankreich, Wirtschaftsbericht Dezember 1940 bis Januar 1941.

⁶⁸BA-MA. RW 5/v. 37. V-Mann Bericht über die politische und wirtschaftliche Lage im unbesetzten Frankreich. Stimmungsübersicht, 30. September 1941.

⁶⁹AN. 3 AG 2 352. BCRA. 'Les autorités d'occupation et l'organisation du marché noir'.

The second black market favouring factor was the absence of a central command and the intervention of the prefects. In theory it was the task of *ravitaillement général* to allocate food resources. However, discretionary prefectural price-fixing powers constituted a constant source of friction.⁷⁰ Such measures backfired, due to the existing price gaps between surplus and deficiency *départements*. As a result prices varied considerably from one region to another; and while some foodstuffs were strictly rationed in one, they were freely available in others. Some departments issued export bans, others encouraged importation.⁷¹ The lack of price harmony, especially in the food markets, made products flee the departments with the lowest prices for the towns and cities.⁷² Similar suction existed between the occupied and the unoccupied zones of France, and between the eastern departments of France and Germany.⁷³ What piecemeal an effect prefectural price-fixing powers could have, was demonstrated when the prefect of Eure lowered the grain price from 220 ffrs to 155 ffrs per kilogram in August 1940, 'in order to support the needy.' Faced with peasant protest, he then raised the price to 175 ffrs, until succumbing to the German authority which re-established the price at its previous level.⁷⁴

A March 1941 report of the economic section of the military governor of France remarked that the entire price structure was counter-productive to a sane development of the French economy and that black prices had become the real prices. As a prime culprit the military administrators singled out military purchasers and their failing price discipline.⁷⁵ German services showed their ignorance of the necessity of price control measures by maintaining that 'money played no role, as the bill was being footed by the French government.' Often it was not the French firms that refused to show their books, but their German partners. Nevertheless, the report went on to criticise price revision clauses upon which many French firms insisted, protecting them against unexpected price rises.⁷⁶ In late 1941, senior German administrators also started attributing part of the blame to the Vichy government for their apparent populism in turning a blind eye to the developing black market. By autumn 1942 some German price controllers in North Western France openly admitting that successful resource management and victory over the black market was 'unlikely', owing to the population's lack of discipline and deficient control of producers and consumers alike.⁷⁷

⁷⁰AN. F 60 1009. Commission Interministerielle pour la repression du marché noir. Memo 'Le Marché Noir', étude par Hubert Mansion, Vichy, 20 Septembre 1941.

⁷¹AN. F 60 1009. Commission Interministerielle pour la repression du marché noir. Memo 'Le Marché Noir', étude par Hubert Mansion, Vichy, 20 Septembre 1941.

⁷²AN. AJ 40 899. Lageberichte der Wirtschaftsabteilung beim Befehlshaber für Nordwestfrankreich für September und November 1941, 19. März 1942.

⁷³AN. AJ 41 99. Direction des services de l'armistice. Marché noir. Comptoir Textile de Remiremont, rapport sur la situation du marché vosgien, 18 janvier 1941; BA-MA. RW 35 303. Militärbefehlshaber in Frankreich. Lagebericht Wirtschaft, Oktober 1940; RW 35 285. Wirtschaftsbericht über die Lage im Bereich des Militärbefehlshabers Frankreich, Oktober 1940.

⁷⁴BA-MA. RW 35 303. Militärbefehlshaber in Frankreich. Lagebericht Wirtschaft, August 1940.

⁷⁵AN. AJ 40 899. Lagebericht der Wirtschaftsabteilung beim Befehlshaber für Nordwestfrankreich für Monat März 1941, 23. März 1941.

⁷⁶BA-MA. RW 19 376. Bericht als Beitrag zur Geschichte des Wirtschaftsrüstungsstabs Frankreich und des Wehrwirtschaftsstabs Frankreich für die Zeit bis 31. März 1943.

⁷⁷AN. AJ 40 899. Lageberichte der Wirtschaftsabteilung beim Befehlshaber für Nordwestfrankreich für Mai-September 1942, 7. Oktober 1942.

As a result of the unstoppable progression of prices in the legal markets, the military administration in France conceded a number of salary rises, even though this was contrary to its policy of stabilising prices. The first such salary rise came in May 1941, when hourly wages were raised by 1.15 frs in Paris and by 0.50 frs in the provinces.⁷⁸ In Belgium the first 8% salary rise was authorised on June 1, 1941. In order to ascertain the psychological effect of these measures, it was vital to prevent the price-wages spiral from being set in motion.⁷⁹ German reports from North Western France in autumn 1941 registered an inextricable 'imbroglio' in the salary sector and recommended further regulation, starting with the building industry and its affiliated branches. The wages structure had been impacted by the arrival of German employers offering longer working hours, promising better pay and providing free meals and other benefits.⁸⁰ Some French employers and, to some extent, the official administration, resorted to identical recruitment methods and also introduced higher wages.⁸¹ Parisian firms increased wages through bonuses and uncontrollable working hours, in order to absorb the deliberate price incentives granted to the agricultural sector.⁸² From March 1942, Sauckel, the labour plenipotentiary, to prevent losing a competitive advantage in attracting foreign labour for work in Germany, where the pay was higher, opposed all wage rises. In spring 1943, after representations from the Vichy government, Sauckel agreed to endorse a modest wage rise in the metallurgy sector, followed by coal and ore mining, and the iron industry. Further prospective wage rises in the textile industry, building, the chemical industry, banking and insurance were thwarted by the intervention of Sauckel in late 1943. Following his proposal to drop French wages to 1938/39 levels, he was at loggerheads with the military administration for some time.⁸³ Sauckel's labour recruitment programme contributed in no small way to the labour markets turning black in 1943. The phenomenon assumed modest proportions in the large, centralised industries such as mining and metallurgy, where only certain senior executives were allocated 'black salaries'. It was, however, rather predominant in other, more scattered sectors such as the textile industry. Small and middle-sized enterprises, together with the myriads of sub-contractors and homeworkers providing essential services for the German contract transfer programme, had definitely made it part of their operating system. Black labour earnings were high: in October 1943 French gendarmes discovered a clandestine soap production site in Perreux (Marne), with a daily output of 200 kilograms, sold at 110 francs per kg. Four individuals who were each paid 500 francs per day ran this factory.⁸⁴ By the end of the occupation Parisian hourly wages for qualified and non-qualified labourers had risen by 45% in comparison to 1940, often supplemented by bonuses, advances or other devices. Obligatory and voluntary social contributions paid out by

⁷⁸Umbreit, *Der Militärbefehlshaber in Frankreich 1940-1944*, 332-33.

⁷⁹ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

⁸⁰AN. AJ 40 899. Lageberichte der Wirtschaftsabteilung beim Befehlshaber für Nordwestfrankreich für die Monate September und November 1941, 22. September und 21. November 1941.

⁸¹AN. AJ 40 899. Lageberichte der Wirtschaftsabteilung beim Befehlshaber für Nordwestfrankreich für die Monate September und November 1941, 22. September und 21. November 1941.

⁸²AN. AJ 40 899. Lageberichte der Wirtschaftsabteilung beim Befehlshaber für Nordwestfrankreich für März-Mai 1942, 20. Mai 1942.

⁸³Umbreit, *Der Militärbefehlshaber in Frankreich 1940-1944*, 332/333

⁸⁴AN. AJ 41 395. Organismes issus de l'armistice de 1940. Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les Territoires occupés, octobre 1943.

Forges & Acieries de la Marine et d'Homecourt, a steel company, rose from 12.7 million in 1935/36 to 55.9 million in 1942/43.⁸⁵ By 1944, the number of weekly working hours in the civilian sector in Paris had risen from 40 to 48 hours and more, and qualified workers doubled their income.⁸⁶ This could blow up gross wage rises to 75 % and more, a figure still comparing unfavourably to the minimum 152 % rise in living costs.⁸⁷ Other methods were designed to keep workers happy and avoid social strife: many companies purchased or diverted raw materials from official allocations and exchanged them for extra food. *Forges & Acieries de la Marine et d'Homecourt* increased its food bill from 4.6 million francs in 1941/42 to 7.7 million francs in 1942/43. By 1943, this form of supply, initially practised by the Germans for those working in the contract transfer programme, had increased many workers' and clerks' independence vis-à-vis the black market.⁸⁸ The total number of French workers receiving their sustenance in factory canteens rose from 700,000 to 1 Million during 1943.⁸⁹

Belgium, before the war one of the cheapest countries in Europe in terms of living costs⁹⁰, had imported over 50% of its food from overseas, thus enabling the country to maintain low wages. With the cessation of foreign imports, Belgium, whose only major natural resource was its coalmines, entered into dire straits. As in France, stocks were diminishing rapidly, with replacements only available on German markets, but at higher prices. The establishment of secret stocks, as documented in the case of 2,500 tons of sugar and 3,000 litres of petrol seized in July 1940, was a logical consequence.⁹¹ Speculators and other Belgians interested in countering currency devaluation created secret stocks of stable-value goods. Thus non-ferrous metals, linen and leather disappeared from the markets, especially in the countryside, and were buried in the ground or walled up. Belgium paid particularly high prices and thus attracted black market goods from as far away as Southern France, Spain, Portugal and even Northern Africa.⁹² Conditions for the development of barter were also very favourable, due the proximity of agricultural exploitation and industrial production. Buying 'on the black' often predisposed getting active on the sales side first, and illegal trading generalised at an earlier stage than in France.⁹³

⁸⁵AN. AJ 40 853. Studien des Deutschen Instituts für Wirtschaftsforschung. 'Löhne und Einkommen im zivilen Sektor der Pariser Wirtschaft', März 1944. Gn-me et Rhone and other Parisian factories were paying their workers premiums of 5 to 8 francs an hour, s. AN. AJ 40 899. Lagebericht des Befehlshabers für Nordwestfrankreich, 1. Januar - 31. März 1943.

⁸⁶AN. AJ 40 853. Studien des Deutschen Instituts für Wirtschaftsforschung. 'Löhne und Einkommen im zivilen Sektor der Pariser Wirtschaft', März 1944. At the same time obligatory and voluntary social contributions paid out by Forges & Acieries de la Marine et d'Homecourt had risen from 12,7 million in 1935/36 to 55,9 million in 1942/43.

⁸⁷BA-MA. RW 35 263. Militärbefehlshaber in Frankreich. Tätigkeitsbericht der Abteilung Preisregelung.

⁸⁸AN. AJ 40 853. Studien des Deutschen Instituts für Wirtschaftsforschung. 'Löhne und Einkommen im zivilen Sektor der Pariser Wirtschaft', März 1944. At the same time obligatory and voluntary social contributions paid out by Forges & Acieries de la Marine et d'Homecourt had risen from 12,7 million in 1935/36 to 55,9 million in 1942/43.

⁸⁹Bundesarchiv-Reichsbestände, Berlin (BA-R). RW 35 305. Wirtschaftsbericht der Militärverwaltung in Frankreich, Oktober-Dezember 1943.

⁹⁰Belgian living costs were 65% of those in Germany, s. CERHSGM. 10 Tage-Bericht N° 1 der Militärverwaltung in Belgien und Nordfrankreich, 2. August 1940.

⁹¹CERHSGM. 10 Tage-Bericht N° 1 der Militärverwaltung in Belgien und Nordfrankreich, 2. August 1940.

⁹²RW 36 211. Militärbefehlshaber in Belgien und Nordfrankreich. Wirtschaftsüberwachung, betr. Schwarzmarkt in Belgien, 3. Juni 1943.

⁹³BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

Rationing was introduced in Belgium in autumn, coinciding with the regulation of resource management and the virtual disappearance of hoarded stocks. In January 1941, the food situation in Belgium was described as 'extremely precarious', with bread-less days being no rarity. In Brussels, the price for certain basic commodities had surpassed German levels, although bargains were still possible in the luxury goods sector (in particular furs and gems).⁹⁴ This trend continued well into the following summer, when the German administration claimed that the food situation in Belgium was the worst of all the occupied territories.⁹⁵ Unsurprisingly, the new regulations were not abided by. A German *razzia* in Brussels in early 1941 found that a mere 10% of restaurants was following the rules. The black market supply of the remainder was sophisticated: a black market organisation comprising several thousands of members throughout Belgium was discovered in February; 400,000 eggs, 30 tons of meat, 10 tons of coffee and 3,000 litres of cooking oil were confiscated, and handed over to *Secours d'Hiver* and official trade organisations.⁹⁶ As in France, the overall success of price-fixing in Belgium was most considerable in primary sectors such as coal, steel, iron, gas, and in services such as telecommunications, utilities, rent and transportation. Electricity production and consumption left practically no leeway for underreporting or dissimulation. Heavy industry was an equally unsuitable ground for fraud, as the amount of coal and raw material allocations determined the amount of re-expeditions.⁹⁷ Redundancy of control was, above all, reflected in the prices for rationed basic food and consumer items, which rose between 150 and 400 % from May 1940 to August 1944.⁹⁸ The evolution of black market prices for the latter was far more substantial, from 400 to 2000%. Thus, depending on their measure of black market procurement, by the end of the occupation the average Belgian family could end up spending between two and four times the amount paid for the same basket of food before the war.⁹⁹

Steering the Economies: Resource Management and Contract Transfer

Resource management was at the heart of the direction and control of the economy and administration in the occupied territories. Resource management (*Bewirtschaftung*) is a generic term incorporating the central allocation of raw materials, the surveillance and monitoring of stocks and capacities, and their commercialisation. In Germany, these

⁹⁴BA-R. R 2 274. Reich Ministry of Finance. Report on situation in Brussels by Government Councillor Eckhardt, 23. January 1941.

⁹⁵CERHSGM. Tätigkeitsbericht N° 17 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1.Juni 1941 bis 1.September 1941. This probably held true for Western and Northern Europe, but already the Greek case disproves this claim; however, it points to the administrators' self-assessment of their difficult task.

⁹⁶CERHSGM. Tätigkeitsbericht N° 14 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. February 1941-28. February 1941.

⁹⁷In Rochebrunne-Hazera's view it was above all the small textile and shoe manufacturers who were most successful in fraud, s. Jean-Claude Hazéra, Renaud de Rochebrunne, *Les Patrons sous l'occupation* (Paris, 1995), 173.

⁹⁸BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

⁹⁹Warmbrunn, *The German Occupation of Belgium 1940-1944*, 246/47; Meisterhans, 'Die öffentlichen Finanzen Belgiens', 74 pp.

tasks were assumed by the *Hauptstellen*, the self-governing bodies of industry and agriculture. They also registered the placement of German orders with foreign contractors.

The foundation of similar hierarchical business and industry organisations in Western Europe was based on the *Hauptstellen*. As was the case with the German counterpart, their main task was to direct the flow of raw materials and supplies, and provide guidance on questions of internal management. The principles of implementation adopted were similar to those in Germany, including central distribution, and the methods developed over the years comprised on-site factory audits and production controls, standardisation, business concentrations and manufacturing bans for certain products. However, Warmbrunn cautions his readers by asserting that the Belgian *Warenstellen* remained paper tigers, with the exception of the organisations created for the production and marketing of coal and steel. Richard Vinen holds out much the same assessment for the French *comités d'organisation*.¹⁰⁰ The German authorities knew that the real key to commanding industry in the occupied countries was the supply system, and in particular the allocation of coal.¹⁰¹ The second most important element was the control of raw material allocation. As a part of European reserves, raw material stocks were placed in trust and civilian consumption was reduced to minimum subsistence levels in order to free capacities for exportation to Germany. Industrial production was converted to the use of domestic or European resources. This included the enlargement of the domestic raw material base through the introduction of new production techniques, the development of *Ersatz* materials and the reintegration of abandoned cultures, as in the case of linen production in Belgium. The military administration's orders and ordinances should not be viewed in a perspective of enforcing effective control - which was impossible - but rather as indicators of a psychological nature and signals to the occupied. Collaboration appealed to economic common sense and promised to limit the negative effects of occupation. The population would be supplied with all essentials and the bulk of the economic basis would get through the war unscathed.¹⁰² Werner Warmbrunn described the principles of German-Belgian economic co-operation as a 'marriage of convenience' based on a compromise between on the one hand the secretary-generals and Belgian business, and on the other the German military administration. Although the administration was in no position to guarantee sufficient supplies and the inviolability of the Belgian workforce, the pattern of co-operation persisted. However, the success of resource management in both countries was hampered by the fact that the authorities had not managed to establish a comprehensive survey of all available resources in the first months of the occupation. Therefore the Germans could only make sure that official supplies went to their most favoured firms first, and subject undesirable industrial activity to bans, and other reduction or concentration measures.¹⁰³ The second obstacle to effective resource management was the arbitrary intervention of German services, especially in France. The situation there was particularly volatile owing to the lack

¹⁰⁰ Vinen, *The Politics of French business*, 138-141.

¹⁰¹ Hazéra, Rochebrune, *Les Patrons sous l'occupation*, 103-114.

¹⁰² BA-MA. RW 36 260. Abschlussbericht der Abteilung Wirtschaft über Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber in Belgien und Nordfrankreich. Gruppe Gewerbliche Wirtschaft (Wi 8). Ausführungen zur Bewirtschaftung In Belgien.

¹⁰³ Warmbrunn, *The German Occupation of Belgium 1940-1944*, 198 pp.

of unified German authority and the possibilities of interference from a national government retaining a sizeable autonomy.¹⁰⁴

Starting in August 1940, German industry was encouraged to use the available Western capacities. Göring's ordinance of August 26, 1940 launched *Auftragsverlagerung* (contract transfer), a procedure instituted in order to guarantee the frictionless distribution and co-ordination of all German contracts and purchases. However, this should not be interpreted as a major shift in German policies. It should rather raise awareness of the inherent contradictions and the irrationality of a system where economic rationality coexisted with practices of pillage, in all its conceivable forms. Effective German mobilisation in France was limited to certain key sectors such as aircraft, heavy vehicles, optical and communications instruments, and bauxite from Southern France. The Franco-German clearing agreement of November 14, 1940 was another indicator of change. Price formation in export trade was not subject to French price control, and the clearing agreement sanctioned the modelling of prices on the basis of pre-occupation RM rates. Considering the alteration of exchange rates, this instituted formal losses of up to 23% on the part of French contractors.

The services implementing *Auftragsverlagerung* were the *Zentrale Auftragsstellen* (ZAST) and contracts were geared towards civilian goods whose production had been abandoned in Germany as a consequence of wartime conversion. ZAST contracts have to be dissociated from export trade, as they resembled 'partnership ventures' between German business and entrepreneurs in the occupied territories. These industry relations entailed the on-site deployment of German industrial engineers who would take a close look at internal production procedures, in order to achieve maximum output. The foreign contractors served as the prolonged arm of their German 'partners' in the manufacture of their own standardised products.¹⁰⁵ Later in the occupation, *Auftragsverlagerung* tasks also comprised *Wehrmacht* procurement and business consulting for German firms and services.¹⁰⁶

Like many other institutions ZAST was a paper tiger, despite Göring's sanction, and up until 1943 *Auftragsverlagerung* was characterised by relatively sluggish growth. German producers remained sceptical about passing orders in Western Europe, not least because of the excessively bureaucratised procedures and the fear of competition in their own markets. The concentration of German production on armament meant that manufacturers and commerce disposed of little space to integrate exchange with other areas of occupied Europe. They welcomed the occasion to draw on the rich supplies, in particular the cheap quality raw materials, but there was less margin for more sophisticated economic exchange.¹⁰⁷ The rise of inflation under the severe monetary and financial restrictions in the occupied territories discouraged many a potential interested party in Germany. In early 1941, *Reich* group

¹⁰⁴ Warmbrunn, Werner, *The German Occupation of Belgium 1940-1944*, 191-93.

¹⁰⁵ BA-MA. RW 35 263. Militärbefehlshaber in Frankreich. Tätigkeitsbericht der Abteilung Preisregelung.

¹⁰⁶ BA-R. R 11/89. ZAST Frankreich. Bericht für Zeitraum Oktober 1940 bis Dezember 1941.

¹⁰⁷ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

'Commerce' circulated a comprehensive survey, tellingly titled 'The 32 steps of a modern tale of agony', condemning the inconsistencies and over-bureaucratised features of *Auftragsverlagerung* which created, above all, delay. The comprehensive listing of all shortcomings ended with the following anecdote: after having battled to obtain both the authorisation to commence production and a contract certificate, a French manufacturer finally receives the transport authorisation for two rail trucks. However, as only one becomes available, parts of the fulfilled production order are loaded onto it and sent off, while the remainder stays behind. On arrival at the border, the truck is not allowed entry into Germany, on the grounds of the discrepancy between the number of trucks specified in the transport order and the fact that only one truck had arrived at the border checkpoint. Result: the truck is sent back to France.¹⁰⁸ Even though the military administration claimed that the *Reich* group 'Commerce' description did not correspond with the actual realities, it provides hints on how *Auftragsverlagerung* was received in German business circles.

Delivery was further delayed by the fact that German firms commissioned foreign industry with the production of their own products and that the conversion of facilities, especially in metallurgy, could take an undetermined amount of time. After the significant decrease of available raw materials in 1941, French contractors started submitting lists of all materials necessary, before committing themselves to any production programme.¹⁰⁹ Where iron and steel were required, the entire process was effectively blocked owing to the infrequency of raw material deliveries from Germany. An early 1942 ZAST report attributed the blame for this dismal state of affairs to the complexity of resource management instructions, on which various allocation services based their intervention, and the division of France into areas of differential resource management. As a result, the delays in effectual raw material allocation often amounted to several months.¹¹⁰ Despite a gradually increasing number of German industry transfer projects in France in early 1942, ZAST actually had to turn down a number of demands due to material shortages in summer 1942. This indicates that military procurement practices were obstructing the initial purpose of *Auftragsverlagerung*.¹¹¹ ZAST also admitted that its intervention in price policy was of a more consultative nature. The mainly commercial perspective of their German clients complemented the great autonomy *Auftragsverlagerung* granted foreign exporters. To speed up deliveries, German partner firms often turned a blind eye to price discipline, despite the decision of the *Reich* price commissar of February 17, 1941 that German imports were not to transgress price limits in Germany.¹¹² However, lowering prices made little sense to German exporters, as Germany's strict foreign currency regulations did not allow them to retain eventual currency savings. In addition, German contractors had a positive interest in driving up French export prices, in order to consolidate their own competitive export position for the post-war period.¹¹³ The same held true in Belgium, where *Reichsstellen* representatives lowered prices for industrial raw materials in autumn 1940, while prices for German industry exports to Belgium were

¹⁰⁸ AN. AJ 40 774. Zast Frankreich an Militärbefehlshaber, Abteilung Wirtschaft, Generalreferat (Dr Burandt). Zusammenstellung der Reichsgruppe Handel 'Die 32 Stationen eines modernen Kalvarienberges', 13. Mai 1941.

¹⁰⁹ BA-R. R 11/89. ZAST Frankreich. Bericht für Zeitraum Oktober 1940 bis Dezember 1941.

¹¹⁰ BA-R. R 11/89. ZAST Frankreich. Bericht für Zeitraum Januar-Februar 1942.

¹¹¹ BA-R. R 11/89. ZAST Frankreich. Bericht für Zeitraum Juni-August 1942.

¹¹² BA-MA. RW 35 263. Militärbefehlshaber in Frankreich. Tätigkeitsbericht der Abteilung Preisregelung.

¹¹³ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

increasing by up to 200%.¹¹⁴ Belgian industry knew how to counter this threat: four months later cases of price increases of 10% and more above Reich levels started to feature in German reports. This had an inevitable slowing-down effect on *Auftragsverlagerung* and some larger projects failed to be realised for precisely this reason.¹¹⁵

A number of German private firms did not bother to go through ZAST procedures and negotiated directly with their foreign partners. No doubt, corruption favoured the handful of free-booters and black sheep of the Reich business community that were trying to gain access to these markets, but many of them preferred to remain in Germany. Their involvement was small in comparison with the military sector.¹¹⁶ This indicates clearly that the bulk of the black market problem was by no means created by civilian demand from business in the Reich, but was a uniquely military affair. The price controlling sections in the military administrations had discretionary powers over German importers who could be granted greater price flexibility, if they made a convincing claim of increased cost prices. Business in the occupied territories could be forced to comply through threats of closure. However, the lack of ZAST authority over those services installed in the occupied territories that had easy access to occupation money was the Achilles heel of *Auftragsverlagerung*, in Belgium as well as in France.¹¹⁷ They received global ZAST permits and could only be brought to report on the amounts spent, while ZAST was left in the dark on price formation, modes of payment and the sources of their raw material procurement. ZAST officials in France complained in December 1941 that extensive placements (up to 50% of all German contract transfers to the French economy) had simply by-passed them.¹¹⁸ ZAST activity was most successful in the automobile sector and least successful in the naval sector into which it had no insight at all. ZAST was similarly little informed on the true scope of the utilisation of the textile industry and was left in the dark about commercial ventures dealing with non-ferrous metals.¹¹⁹ Clearly, this amounted to an effective *carte blanche* to engage in the black market, in particular as military personnel only feared military courts. Their practice of law was, however, far from stringent.¹²⁰ In September 1942, the black market referat at the military administration in Brussels heavily criticised the manner in which the special military courts created by order of August 13, 1942 were dealing with economic delinquency. A number of particularly striking examples of negligence were cited: in Verviers the case of two butchers had been taken out of Belgian jurisdiction on the understanding that Belgian courts never passed sentences that went beyond the minimum sanction of a one-year prison term. This was deemed insufficient for a particularly severe case of black slaughtering they had been engaged in, and the case was handed over to a German court. Unfortunately, the German court ruled even more leniently and

¹¹⁴CERHSGM. Tätigkeitsbericht N° 10 der Militärverwaltung in Belgien und Nordfrankreich, Oktober 1940.

¹¹⁵CERHSGM. Tätigkeitsbericht N° 14 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum Februar 1941.

¹¹⁶Private sector incursions were more frequent in Central and Eastern Europe, s. BA-R. RW 35 824. Abschlussbericht der ZAST in Belgien und Nordfrankreich, 1941-44.

¹¹⁷Franz O. Gilles, *Verwalteter Beutepartikularismus. Finanz-, Verwaltungs- und Wirtschaftskontrolle und NS-Besatzungspolitik in den von Deutschland besetzten Gebieten. Ein Tagungsbericht* (Berlin, 1991), 27.

¹¹⁸BA-R. R 11/89. ZAST Frankreich. Bericht für Zeitraum Oktober 1940 bis Dezember 1941.

¹¹⁹BA-R. R 11/89. ZAST Frankreich. Bericht für Zeitraum Oktober 1940 bis Dezember 1941.

¹²⁰Gilles, *Verwalteter Beutepartikularismus*, 27.

let the culprits off the hook with a fine of 6,000 bfrs, a sum way below their profits. In another case, Dr Schlumprecht, an important official at the Brussels Economic Section, commented the acquittal of a German and his black market intermediaries with a sardonic hand-written 'found guilty and acquitted'. They had been caught red-handed purchasing 18,000 towels out of legal production for a German service, but were cleared by the relevant German court. In another view expressed by a senior German official, the harsh judgements in political cases compared unfavourably to the leniency dealt out to economic delinquents.¹²¹

Auftragsverlagerung in Belgium and the Netherlands presented fewer problems than in France with its heterogeneous economy. ZAST activity in Belgium was also facilitated by pre-war commercial links between German firms in the Rhineland and Belgian business.¹²² It converged with the plans of the military administration to steer the economy through tight management of resources and their allocation; the banning of certain goods from production, business closures and other measures reducing civilian consumption later complemented this. This had a particular effect on the leather, textile and tobacco industries.¹²³ However, as in France, there never was an obligation to submit German purchases in Belgium to the authorisation of the military administration. It was also left in the discretion of the purchasers to document themselves on the price levels and report excessive demands to the administration or ZAST. Effectively such discipline was never attained during the whole period.¹²⁴ By September 1941, Belgian industry was becoming more and more reluctant to accept fixed prices before the final stage of a contract was reached. This was partly due to raw material scarcity, but also because capacities were fully used, thus extending delivery deadlines over several months. Many entrepreneurs introduced conditional clauses into the contracts they signed with their German clients, adapting them to eventual price and wage increases.¹²⁵

When Belgian raw material stocks decreased, the black market was fuelled through *Auftragsverlagerung*. Belgian industry became rather canny in justifying their demands for larger allocations than necessary. The most frequent explanation was 'less rational work procedures' than in Germany. Subsequently, some of these materials were branched off for black market production. Large charities such as the Belgian Red Cross and the *Secours d'Hiver* sold some of their raw material allocations for the production of goods that fetched the highest prices on the black market.¹²⁶ Where German commercial purchases of finished goods in Belgian warehouses was concerned, ZAST intervention was dropped, encouraging German business to purchase through whatever channels available. The choice was conscious, as it was erroneously hoped that this step would eventually drain Belgium of all secret stocks. However, all it did was to stimulate black market production further.¹²⁷ Other black market encouraging features of

¹²¹BA-MA. RW 36 11. Militärbefehlshaber in Belgien und Nordfrankreich. Gruppe I Referat Schleichhandel an Dr Jaeck, 23. September 1942

¹²²BA-R. RW 35 824. Abschlussbericht der ZAST in Belgien und Nordfrankreich, 1941-44

¹²³According to Nestler, the majority of firms in these industries were closed in 1942/43, s. Ludwig Nestler (ed.). *Die faschistische Okkupationspolitik in Belgien, Luxemburg und den Niederlanden 1940-1945* (Berlin, 1990), 43.

¹²⁴CERHSGM. Tätigkeitsbericht N° 17 der Militärverwaltung in Belgien und Nordfrankreich, September 1941.

¹²⁵CERHSGM. Tätigkeitsbericht N° 17 der Militärverwaltung in Belgien und Nordfrankreich, September 1941.

¹²⁶BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

¹²⁷BA-R. RW 35 824. Abschlussbericht der ZAST in Belgien und Nordfrankreich, 1941-44

the ZAST set-up were the inefficiency of the payments system and the lengthy currency control procedures.¹²⁸ In April 1941 German firms complained that payment transfers to Belgian suppliers were taking up to ten weeks.¹²⁹

Real change only came in the aftermath of Hitler's directive 'Armament 1942' of January 10, 1942, the reorganisation of German war production and the appointment of Speer and Sauckel. On July 25, 1942 ZAST *Frankreich* became part of the centralised *Deutsches Beschaffungsamt* (DBA-German procurement agency) in France. Total ZAST control over the military contracts inside Belgium was improved towards the end of 1942, when Belgian industry was ordered to decline any contract without ZAST approval. On October 1, 1942 ZAST duties in France were further extended to the supervision of all building contracts and in February 1943, after mandatory declaration of all black market purchases since 1940 had taken retroactive effect, ZAST slowly assumed authority to chaperone other services such as ROGES and the quartermaster's office in France, two of the most heavily involved services on the French black market.¹³⁰ The March/April 1943 report heralded that the scope of German industry contracts had increased considerably in the two months, despite continuing purchases on the black market.¹³¹ After the battle of Stalingrad and the declaration of 'total war', further steps were initiated in order to integrate the occupied territories into German war production: in March 1943 raw material allocation in France was taken under the authority of *Zentrale Planung*, and the Speer-Bichelonne agreement of September 17, 1943 aimed at France's unlimited incorporation into German war production planning.¹³² By 1943, French industrial prices had superseded the German ones; this led to the adoption of a procedure that subsidised German *Auftragsverlagerung* imports, termed *Verbilligungsverfahren* (price reduction procedure). Its implementation was once again supervised by the military administration.¹³³ The military governor's interdiction of all contracts exceeding 5,000 RM that did not dispose of a ZAST number was finalised through an ordinance of August 19, 1943. Military procurement agencies ceased to function after November 1943, but even then *Organisation Todt* remained steadfastly defiant in its refusal to comply, until the very end of the occupation.¹³⁴

2. Dimensions of the Black Economy

Louis Baudin's sobering assessment of a wartime penury extending well beyond raw materials, commodities and labour, was clad in appropriate terms in his post-war study *Esquisse de l'Economie Française sous l'Occupation Allemande*. In his view there was also an unprecedented penury of information and statistics; this trying lack of data

¹²⁸BA-R. RW 35 824. Abschlussbericht der ZAST in Belgien und Nordfrankreich, 1941-44

¹²⁹CERHSGM. Tätigkeitsbericht N° 16 der Militärverwaltung in Belgien und Nordfrankreich, April 1941.

¹³⁰BA-R. R 11/89. ZAST Frankreich. Bericht für Zeitraum Januar-Februar 1943.

¹³¹BA-R. R 11/89. ZAST Frankreich. Bericht für Zeitraum März-April 1943.

¹³²Nestler, *Die faschistische Okkupationspolitik in Frankreich*, 57 pp.

¹³³BA-MA. RW 35 263. Militärbefehlshaber in Frankreich. Tätigkeitsbericht der Abteilung Preisregelung.

¹³⁴BA-R. RW 35 824. Abschlussbericht der ZAST in Belgien und Nordfrankreich, 1941-44

applied not only to the shadow economy, but even to the official sector whose real dimensions remained shrouded in mystery.¹³⁵ This statement brings back some of the difficulty historians are faced with in reaching conclusions about economic performance during the occupation. We should bear in mind that in many cases estimates are the only type of information available.

Nowhere could this hold more true than in an assessment of the black economy: In his *entrevue* with Ribbentrop on December 19, 1942, Pierre Laval estimated the dimensions of the French black market at 15% in the food sector and at 10% in the other sectors.¹³⁶ We may assume that Laval would have had a tendency to minimise, but not altogether to deny the phenomenon. Unsurprisingly, no figures were available for black market production. René Sédillot's estimates of an illegal production ranging between 10 and 30% of the total are similar (if not more precise). *Ravitaillement général* evaluated mere black market profits in the food sector at 92 billion ffrs for the period 1942/43.¹³⁷ Money circulation on the French black market in 1942 was estimated at 60-70 billion francs, while the part of illegal black market profits in French national income between 1941 and 1943 was 12 to 14%.¹³⁸ As early as March 1941, German administrators in Northwestern France claimed that black market prices had become the 'real prices'. This alarmist cry may have been a trifle too rash, but it is certainly no exaggeration to say that the spread of black markets was founding a new 'common law' of commercial exchange. In Belgium, black production was termed 'the most lucrative business'; and in both cases it was admitted that this state of affairs owed much to the *Wehrmacht's* high purchasing power.¹³⁹ The BCRA estimated in 1943, that no economic activity survived in France that could avoid the rule of paying a supplement 'under the table'.¹⁴⁰ The generalisation of black market conditions was predominant in those sectors that were worst hit by scarcity: The spring 1944 sugar trial involved 10,000 tons of this particularly scarce foodstuff, an amount equalling 50% of the French security stock.¹⁴¹ Many sectors of activity came to rely exclusively on the black market for their raw material procurement: The few surviving paper scraps on the *bureau d'achat* Odicharia, one of the most active in all respects, record an preliminary visit to Etablissements Hulot in Boulogne-sur-Seine in spring 1944. Before the war, Hulot had been one of the top manufacturers of cutting and stamping presses, with a share of 25% of French national production in 1939. Owing to rigorous quality standards Ets. Hulot survived the subsequent transition without much loss and attracted German navy contracts for presses and ultrasonic devices. However, at the time Hulot received the author of the report, his business had been greatly impacted by the departure of 240 of his 300 workers to Germany, and forced him to concentrate on processes that

¹³⁵BAUDIN, *Esquisse de l'économie française sous l'occupation allemande*, Preface.

¹³⁶ADAP, Bd. IV, Unterredung Laval-Ribbentrop, 19. November 1942.

¹³⁷Compared to a French state budget of 135 billion ffrs. Sédillot, *Histoire des marchés noirs*, 111 pp.; Michel DAVID, *Le Marché Noir* (Paris, 1945), 49. The figure for black market turnover was, of course, much higher.

¹³⁸BA-MA. RW 35 263. Tätigkeitsbericht der Abteilung Preisregelung beim Militärbefehlshaber in Frankreich

¹³⁹AN. AJ 40 899. Lagebericht der Wirtschaftsabteilung beim Befehlshaber für Nordwestfrankreich für Monat März 1941, 24. März 1941; BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

¹⁴⁰3 AG 2 352. BCRA. 'Les autorités d'occupation et l'organisation du marché noir', Rapport NM 144, Date 15 février 1943.

¹⁴¹Thierry Naël, 'Le marché noir et sa repression sous l'occupation dans la région parisienne 1940-1944' (MA dissertation, Université Paris IV, 1978).

required no qualified workforce such as the production of shovels. However, the visitor, probably an Odicharia envoy, was also told that normal market supply of the necessary raw material, sheet steel, was out of question and that this would increase the cost price notably.¹⁴²

The Agricultural Black Market

Pre-occupation French agricultural prices were determined by the cost of cheap imports from the colonial Empire. The nature of her agriculture was therefore extensive, forcing French farmers to produce at competitive market rates and abandon the cultivation of less profitable terrain. An indicator of this situation was the large extent of fallow.¹⁴³ Under occupation, agricultural prices had to reflect the difficulties of domestic production and give signals for the painful conversion from extensive to intensive farming. In summer 1940, French agriculture was seriously depleted of manpower, fertiliser, horses, transport facilities, replacements and fuel. Out of a total of 600,000 farmers and agricultural workers taken prisoner, Germany was to release only 50,000, in 1942. Iron contingents for agriculture slumped from 320,000 in 1938 to 48,000 in 1942.¹⁴⁴ Therefore, agricultural prices were increased in 1940. They were to act as incentives, encouraging farmers to increase their efforts and abandon or limit the growing to certain kinds of crops in favour of others (such as potatoes and oil plants), in order to fill the gaps left by decreasing grain and oil imports.¹⁴⁵ This price incentive policy yielded positive returns in 1940/41. However, in 1942, as agricultural production factors reached the limits of their potential and rural black markets spread, the positive effects of this policy diminished.¹⁴⁶ Unexpected price rises in the industrial economy were also instrumental in hampering a further boost in agricultural output.¹⁴⁷ Bread was the only foodstuff whose price did not increase beyond a mere 17% during the occupation, thanks to heavy state subventions.¹⁴⁸

The spread of the black market in the countryside has to be placed in the context of the heavy impositions that were bearing upon agriculture; Michel David, in a more patriotic interpretation, went as far as calling the agricultural black

¹⁴²AN. F 7 15153. Bureau d'achat Odicharia. Rapport preliminaire de la visite effectu   le 1 mai aux Ets Hulot, 40 rue de la Saussier  , Boulogne-s-Seine.

¹⁴³BA-MA. RW 35 305. Der Chef des Verwaltungsstabs an den Chef der Milit  erverwaltung in Frankreich. Lagebericht Monat April/Mai 1942. Eroerterung des Problems 'Die landwirtschaftliche Erzeugung Frankreichs'.

¹⁴⁴Gustavo Corni, Horst Gies, *Brot-Butter-Kanon. Die Ern  hrungswirtschaft in Deutschland unter der Diktatur Hitlers* (Berlin, 1997), 513 pp.

¹⁴⁵BA-MA. RW 35 263. Milit  erbefehlshaber in Frankreich. T  tigkeitsbericht der Abteilung Preisregelung. These prices were still 50-60% below corresponding Reich prices. German agricultural price levels were not attained before 1944; BA-MA. RW 35 305. Der Chef des Verwaltungsstabs an den Chef der Milit  erverwaltung in Frankreich . Lagebericht f  r Monat April/Mai 1942. Eroerterung des Problems 'Die landwirtschaftliche Erzeugung Frankreichs'.

¹⁴⁶BA-MA. RW 35 305. Der Chef des Verwaltungsstabs an den Chef der Milit  erverwaltung in Frankreich . Lagebericht Monate Oktober-Dezember 1942.

¹⁴⁷AN. AJ 40 899. Lagebericht der Wirtschaftsabteilung beim Befehlshaber f  r Nordwestfrankreich f  r Monat M  rz 1941, 23. M  rz 1941

¹⁴⁸They amounted to 9,6 billion ffrs in 1943, s. BA-MA. RW 35 263. Milit  erbefehlshaber in Frankreich. T  tigkeitsbericht der Abteilung Preisregelung.

market '*a means to provoke the failure of German impositions*'.¹⁴⁹ This was a typical post-war view, which attributed the initiative in taking first steps to the farmers. In fact, farmers' prime motivation for massive dissimulations seems to have been the necessity to cover costs and retain the viability of business over the difficult years. By engaging in the black market, peasants were adopting to a *système D* culture that was to become the hallmark of economic exchange during the occupation. Another popular myth is 'peasant greed' based on a desire to take revenge over the city for the losses inflicted by modernisation. Such wartime profiteering existed, but there is little available evidence to suggest that a majority of peasants transgressed the narrow moral confines of their rural communities. They were motivated by their suspicion of a largely incomprehensible economic control, and their attempts to evade it made them no different to other Frenchmen. Many also applied double standards in their black market transactions by charging French civilians and German services at differing rates. Roderick Kedward's research on Resistance in Vichy France draws a predominantly positive image of relations between the peasant population and resistance fighters in the *maquis*, many of whom were city-folk who relied heavily on farmers' support in order to survive. He also operates a clear distinction between urban and rural black markets, asserting that it was the former that was impregnated with collaboration and war profiteering.¹⁵⁰

French farmers and commercial traders were particularly successful in withdrawing meat from the official circuits: While the commissions d'achats collected 614,000 tons in 1943, a year that witnessed a massive increase of impositions, a figure representing about half this amount, 310,000 tons, was diverted onto the black market.¹⁵¹ Naturally, peasants were better off in this system than most other Frenchmen; however, even they had to be extremely flexible in an ever-changing and volatile situation, and there was as much to lose for them as for any other *patron* in wartime France. Some responsibility for peasant defiance of economic regulations was also due to the inefficiency of Vichy's agricultural organisation. In March 1942, many prefects in the occupied zone criticised the lack of prevision and the bureaucratic inflexibility of the collecting system, which did not comply with the normal harvesting schedule. Instead of allowing the constitution of family stocks or the collection through wholesalers, a large part of potato cultivation in their departments had been left to rot in the fields, and the remainder had found an outlet on the black market.¹⁵² Faced with procurement problems in January 1942, farmers in Nièvre were bartering their products against industrial products, such as shovels, which had all but vanished from village workshops.¹⁵³ When local trade in Yonne started to demand payment 'in kind' on top of the official prices, some months later, barter became a generalised phenomenon.¹⁵⁴ The authorities' efforts to curb this type of business transactions proved wholly

¹⁴⁹ DAVID, *Le Marché Noir*, 49; Corni, Gies, *Brot-Butter-Kanonnen*, 513 pp.

¹⁵⁰ H. R. Kedward, *In Search of the Maquis: Resistance in Rural France, 1942-1944* (Oxford, 1993).

¹⁵¹ DAVID, *Le Marché Noir*, 49; Corni, Gies, *Brot-Butter-Kanonnen*, 513 pp.

¹⁵² AN. AJ 41 362. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports des préfets de la zone occupée, mars 1942.

¹⁵³ AN. AJ 41 362. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports des préfets de la zone occupée, février 1942.

¹⁵⁴ AN. AJ 41 362. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports des préfets de la zone occupée, mai 1942.

ineffective. In Seine-et-Oise peasants developed an ingenious method of selling at higher prices, without being in infraction with the law: claiming that they were suffering from lack of feed supply, many of them simply auctioned their livestock.¹⁵⁵

As Vichy impositions grew severer in summer 1943, small cattle farms found it a struggle to survive at all. Veal production was greatly endangered by impositions reaching the scale of two-thirds to three-fifths of all milk cows in Lozère farms. Larger farms found it easier to cope with the balancing act of covering costs through black market sales and satisfying the demands of the Vichy administration at the same time. The prefects of the Southern zone no longer withheld their criticism of the extreme rigour and inflexibility with which the *commissions d'achats* collecting impositions for *ravitaillement* were exercising their duties. The imposition of 100 cattle per trimester at Chateauneuf (Cher) was far above the normal rate of a monthly ten cattle. This was not the exception and the September 1943 *synthèse des rapports préfectoraux* cites a number of hardship cases that were brought to the attention of Vichy: The first was that of a Montrodat (Lozère) resident with an invalid husband and a son who was a PoW in Germany, running the family farm by her own. Having lost one cow through sickness, the last remaining one was requisitioned by the commission, as it was being taken to nearby Aumont for covering. In the same *canton*, two bovines were also seized from another woman who had already surrendered 11 of her 15 animals during the preceding two years.¹⁵⁶

Worst hit in absolute terms were country dwellers not engaged in agricultural production. Their rations were set lower than city rations, mostly because the authorities assumed that they would take advantage of the possibilities for bartering food in the countryside. They were left to fend for themselves. Food supply to the cities was prioritised and little provision was made for the distribution of certain foodstuffs in the countryside. In the Doubs the situation was so serious that the prefect came to fear a population transfer from the countryside to the towns.¹⁵⁷ And indeed, things were getting worse for this part of the rural population. In April 1943, the prefect of Haute-Marne warned against new regulations restricting their meat attribution:

L'arrêté du 15 février 1943, modifié par l'arrêté du 27 février 1943, prescrivant une nouvelle réglementation de l'abattage familial a pour résultat pratique de priver les artisans et ouvriers habitant les communes rurales et ne pouvant élever qu'un porc par an, de toute attribution de viande au titre du ravitaillement général. Ils devront en effet remettre à la mairie de leur commune une quantité de tickets correspondant à 30 % de l'animal abattu; soit au minimum 30 kgs, quantité qui correspond [...] aux rations annuelles de 6 personnes [...] A l'avenir ils n'élèveront plus des porcs ou ils élèveront en fraude [...] Il semblerait heureux de revenir à la précédente réglementation et de se borner à amputer les feuilles de tickets de viande d'un nombre plus restreint de tickets.¹⁵⁸

The Belgian situation was only somewhat different. This may come as a surprise, considering that the country lacked a broad agricultural base comparable to that of its Southern neighbour. Moreover, Belgium had a much higher density

¹⁵⁵AN. AJ 41 362. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports des préfets de la zone occupée, avril 1943.

¹⁵⁶AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. septembre 1943.

¹⁵⁷AN. AJ 41 362. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports des préfets de la zone occupée, mai 1942.

¹⁵⁸AN. AJ 41 362. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports des préfets de la zone occupée, avril 1943.

of population and a heavy deficit of food and feed imports. The fact that the conqueror refrained from 'living off the land' in Belgium brought little relief. Many observers had predicted a food catastrophe. After the war, Professor Baudhuin, the fiercest critic of wartime food management, called the performance of the Belgian food administration, the CNAA (*Corporation nationale de l'agriculture et de l'alimentation*) 'the administered famine' (*la famine dirigée*), which transformed Belgium into a 'nation of frauds'.¹⁵⁹ Contrary to the policy followed by their colleagues in Switzerland and in the Netherlands, where crop areas were massively increased, the Belgians took no decisive steps to curb livestock production and reduce grassland, which accounted for over 80% of acreage. As late as 1943 only half the 200,000 acres of pasture the German had ordered to be ploughed under had been converted.

Despite this sobering appraisal, it is impossible, in hindsight, to fully uphold Baudhuin's indictment in its severity. His interpretation proves valid for the first two years of the occupation, when the food situation in Belgium probably was the worst in the whole of Western Europe. On the other hand it takes no account of the gradual improvement in 1942. Against all odds, delivery and distribution of cereal grains for human consumption saw a 144 % increase between 1941 and 1944. Even more impressive was the increase of the potato harvest. Potatoes offered the highest calorie yield per acre possible and thus became the cornerstone of sustainable food management. By 1943, their supply was available to an extent that led to the extinction of the black market in potatoes.¹⁶⁰ In comparison to France, price incentive policy in Belgium, at first geared towards the replacement of cattle raising through grain and potato farming, was relatively successful in that it allowed the authorities to distribute full official rations. In 1943, after the severing of Northern Africa, price incentives were also used to boost the cultivation of oil seeds such as colza. Although Belgian prices had to be doubled in comparison with Reich prices, colza was cultivated on 25, 000 ha.¹⁶¹

The reasons for what Walter Warmbrunn termed a 'qualified success' are difficult to elucidate. Warmbrunn himself accredits some merit to the scorned CNAA, whose '*major effort went into the task of persuading farmers to deliver their products at legal prices*'.¹⁶² In assembling and keeping at its disposal comprehensive statistical material, the Brussels *Militärbefehlshaber* was also in a better position to gain an overview than the colleagues in France were. Belgian pre-war statistics were very patchy, especially in the agricultural sector. This information gap was no doubt influenced by the essentially negative Belgian attitude towards domestic agriculture. With the profound change operated after the cutting of transatlantic imports, the German administration introduced a bi-annual census of surface and livestock, which it complemented by monthly reports on seed provisions and harvest prospects. On August 11, 1941, the military administration founded a statistical office, an institution designed to assist the steering of the Belgian economy. By mid-1942 a statistical handbook had been made available; one year later a second, more

¹⁵⁹Karl Brandt, *Management of Agriculture and Food in German-Occupied and other Areas of Fortress Europe. A Study in Military Government* (Stanford, 1953), 457.

¹⁶⁰Warmbrunn, *The German Occupation of Belgium 1940-1944*, 214.

¹⁶¹BA-MA. RW 36 257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht der Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

¹⁶² Warmbrunn, *The German Occupation of Belgium 1940-1944*, 215.

comprehensive economic report titled *Wirtschaftszahlen Belgien* (Belgian Economic figures) appeared which discussed long-term tendencies and gave structural and functional background information.¹⁶³ On his 1943 inspection tour of the occupied territories, General von Unruh who had been charged by Hitler to weed out cushy Western Europe for Eastern front canon fodder, also visited the Statistical Office in Brussels. In his report he commented that the military governor in Belgium disposed of statistical material - and consequently of a concise overview of the economy and administration of his zone of command - as no other administration in occupied territory.¹⁶⁴ As a result, the German administration in Belgium had a relatively good picture of agricultural production possibilities and, likewise, of those proportions diverted into black market channels. The general picture was positive: thus, out of a total of 1,59 million tons of sugar beet repertoried in 1942/43, only 8,2 % were left unaccounted. At the same time, allowance was made that some of the deficit may have also been used for other purposes such as cattle feed.¹⁶⁵

The picture that emerges with regard to black market formation points to the fact that the conversion from livestock breeding to plant growing proved a menace to the viability of many farms. Legal prices in Belgium were just as uncompetitive as in France. Farmers' reluctance to abide by them is expressed in the preservation of their main source of wealth, livestock, and in particular their cattle and cows. At the same time they complied with the authorities on the issue of increasing potato and grain crop production and providing a stable supply of these two items at official prices. This view is further reinforced by the fact that the only serious cuts farmers allowed in their livestock was with regard to hogs and poultry. While cattle and cows only declined moderately, the number of hogs and poultry - a sector where losses incurred less dramatic long-term effects - decreased by 50 and 30 % respectively from 1941 to 1943.¹⁶⁶ Consequently, we should assume that, apart from the period 1940-1942 with its generalised food black market, farmers would have been most inclined to elude authority in the threatened livestock sector. With official prices as uncompetitive as in France, the agricultural black market with such animal products obeyed to a cost-covering and profit-making logic. The bulk of black market transactions took place in this sector. Nowhere is there any evidence suggesting that the agricultural black market in Belgium assumed the chaotic proportions of its French counterpart. This is most likely due to the absence of German demand on a scale that could make a difference.

¹⁶³BA-MA. RW 36 258. Abschlussbericht der Abteilung Wirtschaft über Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber für Belgien und Nordfrankreich. Statistische Vorraussetzungen für die Wirtschaftslenkung.

¹⁶⁴BA-MA. RW 36 258. Abschlussbericht der Abteilung Wirtschaft über Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber für Belgien und Nordfrankreich. 24. September 1943: Bericht des Generals von Unruh bzgl. Überprüfung der Verwaltung der besetzten Gebiete.

¹⁶⁵CERHSGM. MV 9 576. Rückschauende Betrachtung über die Ernährungslage Belgiens im Wirtschaftsjahr 1942/43.

¹⁶⁶Warmbrunn, *The German Occupation of Belgium 1940-1944*, 218.

The Industrial Black Market

The road to black market formation in the industrial economy was largely determined by the structure and health of its branches to withstand the altered conditions and challenge of occupation. In the industrial economy, there was little incentive for the authorities to grant price incentives, for the real problem here was the scarcity of raw materials and not an inadequate use of capacities. Accordingly, from a purely economic point of view, increases made far less sense than in the agricultural sector.¹⁶⁷ Low, stable prices were also a means of directing the economy and preventing unwanted investment, money hoarding and black market formation.¹⁶⁸ In spite of this, price increases were inevitable, considering the scarcity of raw materials, energy and transports. Salary rises and full employment were further contributory factors. In France, the stabilisation of industrial prices proved much more effective than in the agricultural sector.¹⁶⁹ In the few cases where price increases were officially authorised, such as in the Belgian furniture industry, this had greater repercussions on raw material prices than it benefited manufacturers.¹⁷⁰

A marked distinction exists in the quality of German sources dealing with this particular aspect. Very clearly, structural factors outlined above gave the Brussels administrators considerable advantages over their Paris colleagues. Accordingly, their written contributions are of comparatively superior quality. In the French case, no equivalent exists for the detailed and exhaustive post-occupation case studies measuring the success of economic control and economic steering, sector by sector. This should be taken into account.

The iron industry played a central role in the system of price-fixing and any price rise there had to be absorbed by the rest of the economy. Price fixers had to be aware that rises in this sector entailed inevitable repercussions on the overall price structure. Even before the war the financial situation of the Belgian iron and steel industry had worsened steadily, due to high transport costs for coal that had to be brought to the Liège and Charleroi ironworks, and a unilateral dependence on providers. The military administration estimated that this led to monthly losses of around 180 Million bfrs, a situation seriously limiting Belgian producers' willingness to cooperate. Scarcity-inflicted raw material changes and underused capacities were further cost-raising factors. This presented a particular danger to the German contract transfer programme, especially in those cases where raw materials had to be shipped from Germany,

¹⁶⁷ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

¹⁶⁸ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

¹⁶⁹ Prices rose by 100% in the industrial economy and by 200% in the agricultural sector, s. BA-MA. RW 35 263. Militärbefehlshaber in Frankreich. Tätigkeitsbericht der Abteilung Preisregelung.

¹⁷⁰ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

where cost prices were higher. Although wages remained stable, pressure to increase prices did not subside. Finally, in September 1943, the long-demanded price increase of ironworks products in Belgium to Reich levels took effect, a solution allowing for a renewal of profits. This was also an important step in curtailing black market production, which operated mainly through the iron and steel trading companies in industry ownership.¹⁷¹

Belgian metal production capacities provided a fitting adjunct to Germany's economic potential and constituted an important contribution to German resource mobilisation in Europe.¹⁷²

Table 2. Percentage of the Belgian and German share in world metal production (1938)

	Copper	Lead	Zinc	Tin
Germany	3,5	10	13	4,8
Belgium	7	5	14	4,3

In contrast to the iron and steel industry, the metallurgical sector was also highly profitable because it focused on single-part production.¹⁷³ Metal prices had been fixed on May 10, 1940, on levels marginally exceeding the pre-war world market prices.¹⁷⁴ The vital interest of this industry was further acknowledged through the adoption of German price levels in 1943.¹⁷⁵ Belgian statistics were good in this field and provided a comprehensive instrument for economic policy; however, black market production was fuelled through raw material attributions in the framework of *Auftragsverlagerung*. Already at the beginning of the occupation, German specialists calculated that allocations overstepped the use of raw materials by 40%.¹⁷⁶ Black market purchases of non-ferrous metals in France commenced in 1941, yielding an estimated additional 10% on top of the quotas allocated to Germany in the framework of official deliveries.¹⁷⁷ In April 1942, PIMETEX, the Armaments Ministry purchasing agency, bought 10,000 tons of metals on the Belgian black market. Although this represented a mere 5% of total German metal purchases in this country, it created lasting havoc: 95% of these purchases originated from the official scrap metal market, another serious

¹⁷¹BA-MA. RW 35 286. Der Chef des Verwaltungstabs an den Chef der Militärverwaltung in Frankeich. Lagebericht Wirtschaft, Dezember 1940/Januar 1941; RW 36 259. Abschlussbericht der Abteilung Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber in Belgien und Nordfrankreich. Eisenschaffende Industrie.

¹⁷² A pitfall of Belgian metal production, however, was its almost total reliance on imports, s. BA-MA. RW 36/261. Abschlussbericht Abteilung Wirtschaft über Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber für Belgien und Nordfrankreich. Metallproduktion.

¹⁷³ BA-MA. RW 36/257. Militaerbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

¹⁷⁴BA-MA. RW 36 259. Abschlussbericht der Abteilung Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber in Belgien und Nordfrankreich. Eisenschaffende Industrie.

¹⁷⁵ BA-MA. RW 36/257. Militaerbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

¹⁷⁶BA-MA. RW 36/261. Abschlussbericht Abteilung Wirtschaft über Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber für Belgien und Nordfrankreich. Metallproduktion.

¹⁷⁷AN. F 37 196. Dommages subis par la France et l'Union française du fait de la guerre et de l'occupation ennemie (1939-1945). Part imputable à l'Allemagne, vol 5.

loophole area, which it took the military administration six months to straighten out again after the cessation of black market purchasing in 1943.¹⁷⁸

In contrast to the iron industry and metallurgy, the processing industry was the most difficult branch of the Belgian economy to direct, due to its extreme fragmentation. Characteristically, black market purchases exacerbated the entire situation, creating a vicious circle of evasion, black market production and redundancy of the existing control measures. Combat troops stationed in Belgium were the prime offenders, and it was not before late 1942 that ZAST assembled an accurate picture of the extent of blackmarketeering in this sector. The final word in this area was not spoken before December 1943, through a directive of the Reich Ministry of Armaments and War Production signed Albert Speer. Only then did Wehrmacht purchases cease in this market.¹⁷⁹

Textiles production provided the second largest manufacturing base in pre-war Belgium, but was as dependent on raw materials imports as other industries. The only exception to this was linen production, an area whose fragmentation rendered resource management extremely difficult. Even though production was finally concentrated in 30 firms, the evasion of control remained the rule rather than the exception: no other textile branch was regimented by an equal number of ordinances and instructions. Linen cultivation receded in 1942 and again in 1944, when the Belgian authorities objected to further linen production, which was competing with food cultivation.¹⁸⁰

Official rag collection decreased rapidly from 1941 on, as rags were being diverted as raw materials for black textile production. The greatest slump, in 1942, was directly linked to German black market textile purchases (at 10- to 15-fold prices). Owing to the structure of this market, regulation was practically unfeasible. Rags continued to escape onto the black market, a situation that only improved after the abandonment of German black market purchases.¹⁸¹

Rabbit furs were another Belgian commodity that aroused German covetousness: in winter 1941/42 Belgium produced 300,000 fur jackets and 250,000 fur gloves for the Eastern front, more than the total deliveries of the other occupied territories and Germany put together. As a general rule German procurement was continually 2 to 3 % above the official figures. In black market terms, this was very low, indeed; but things were soon spoilt in the fur trade, as well, through uncontrolled purchasing.¹⁸²

With a total output of 100,000 tons of animal skins, pre-war France was the fourth-largest producer of leather in the world. One-fifth of this went into export and France had achieved self-sufficiency in shoes (50 million pairs in 1939). Germany's case was quite the opposite, as her consumption was 50% dependent on leather imports. However, the

¹⁷⁸ BA-MA. RW 36 259. Abschlussbericht der Abteilung Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber in Belgien und Nordfrankreich. Eisenschaffende Industrie.

¹⁷⁹ BA-MA. RW 36 259. Abschlussbericht der Abteilung Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber in Belgien und Nordfrankreich. Eisen- und Metallverarbeitende Industrie.

¹⁸⁰ BA-MA. RW 36/262. Abschlussbericht Abteilung Wirtschaft über Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber für Belgien und Nordfrankreich. Textilindustrie.

¹⁸¹ BA-MA. RW 36/265. Abschlussbericht Abteilung Wirtschaft über Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber für Belgien und Nordfrankreich. Lumpen.

¹⁸² BA-MA. RW 36/272. Abschlussbericht Abteilung Wirtschaft über Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber für Belgien und Nordfrankreich. Kaninchenfelle; RW 36/261. Militärbefehlshaber in Frankreich. Abschlussbericht. Sachgebiet Lederwirtschaft-Zahlen.

final report on the effectiveness of black purchases in the French leather industry draws a sobering picture, as only 6% of French contributions in this sector originated from black market procurement.¹⁸³ This figure compares poorly with the actual percentage of black slaughters¹⁸⁴ in France, which represented about 30% of the total figure in 1943; this implies that the Germans never fully broke into this rural market. Lack of success in this area also provides a plausible explanation why the Abwehr's organisation 'Otto', the most experienced clandestine purchasing agency, was charged with setting up an extensive network of animal skin collectors in the French countryside in 1942/43. France also produced an annual average of 100 Million rabbit skins which were processed in 1,000 tanneries. No figures are available for this market, but the black market purchasing campaign provoked, as was the case in Belgium, massive slumps in the official market: In 1943, one single black *Luftwaffe* purchase alone comprised 9 million rabbit skins, enough to fill 72 rail trucks.¹⁸⁵

As concerns other parts of the French economy, the relatively clear pattern of black market formation in Belgium cannot be used as a model for France. We have already had an opportunity to study this discrepancy in the preceding section on the agricultural black market. Price rises in the agricultural sector impacted the wage-price structure, thereby causing a spin-off in the industrial economy. The military administration's autumn 1942 economic activity report bore testimony to the dilemma of industrial prices chasing agricultural prices. The whole gravity of the situation becomes evident when we consider that Vichy was, in fact, committing massive subventions to the stabilisation of agricultural prices. Subventions for bread and agricultural products were, in fact, swallowing up over 12% of the 100 billion franc tax revenue.

Table 3. French subventions (1943)¹⁸⁶

	in billion ffrs
Bread	9,6
Other agricultural products	2,859
Industrial products	<u>5,774</u>
	18,233

In the case of coal mining, salary payments in 1942 already constituted 70% of production costs. The continuing rise of living costs necessitated two readjustments of the coal price in the course of 1941/42. Therefore the administration viewed it as a 'binding necessity' to halt the movement of agricultural prices; this was all the more imposing as, by this time, no further gains in agricultural output could be reaped from price incentives.¹⁸⁷

¹⁸³BA-MA. RW 36 261. Militärbefehlshaber in Frankreich. Abschlussbericht. Sachgebiet Lederwirtschaft-Zahlen.

¹⁸⁴ The leather and animal skins black market bore a direct relation to black slaughters.

¹⁸⁵BA-MA. RW 35 261. Militärbefehlshaber in Frankreich. Abschlussbericht. Sachgebiet Lederwirtschaft-Zahlen.

¹⁸⁶BA-MA. RW 35 263. Militärbefehlshaber in Frankreich. Tätigkeitsbericht, Abteilung Preisregelung.

¹⁸⁷BA-MA. RW 35 305. Militärbefehlshaber in Frankreich. Wirtschaftsbericht Oktober-Dezember 1942.

Perhaps the greatest single handicap French industrial production had to face during the occupation was the scarcity of combustibles and fuel. The military administration declared this the crucial obstacle to French economic performance and singled it out as the source of low capacity utilisation rates of 25 to 50% in spring 1942. This put further pressure on wage costs. Overall, with an average 30% of its economy mobilised for the Nazi war effort, the French contribution lagged behind Belgium and the Netherlands, both of whom mobilised 44 % of their economic potential for Germany.¹⁸⁸ Steel, chemical and cement factories were most directly afflicted by coal and fuel scarcity, with the repercussions trickling down to practically all sectors.¹⁸⁹ French pre-war coal consumption had ranged between 65 and 70 million tons a year. The occupation brought profound change: the most important coal-mining region of Northern France was severed from France; the 6 Million tons mined in the second most important area of production, Lorraine, were totally unavailable due to German annexation of the Eastern-most departments. Pre-war French domestic production had accounted for 45 million tons; the other third had been covered by imports, mostly from Britain and Germany. This gap had to be filled and therefore many mines in the Southern zone fallen into disuse due to unprofitability, were reopened. Coal production output in this part of the country increased by 40%, but the replacement by domestic coal raised prices. Also, British coal had a higher energetic value than French coal, thus placing a second financial burden on industry to absorb an efficiency decrease of 20%.¹⁹⁰ In parallel, similar materials scarcity, such as the lack of phosphorous ore, forced additional costs upon the steel and iron-processing industries.¹⁹¹

In comparison to Germany, the pre-war availability of cheap raw materials and food had slowed down modernisation and lowered French productivity. Due to its lesser competitiveness, fixed costs in French production were higher, at lower output.¹⁹² The introduction of *Ersatz* materials did not bring any solution to this dilemma and the removal of qualified workers in 1943 made matters worse.¹⁹³ French manufacturers were urging the Vichy government to introduce flexible prices, as the time lags between price decisions (marking the beginning of production) and delivery dates took too little account of price rises.¹⁹⁴ Delays of payment were another factor souring business relations and led to a noteworthy intervention by the French armistice delegation on behalf of the French aeronautical industry, in autumn 1943. Challenged on the point, the German side, after prior contact with its Aero-Bank in Paris, admitted that this problem had become a generalised feature of Franco-German exchange.¹⁹⁵ Although money liquidity in industry

¹⁸⁸Liberman, *Does Conquest pay?*, 43.

¹⁸⁹BA-MA. RW 35 305. Militärbefehlshaber in Frankreich. Wirtschaftsbericht February-March 1942, 'Der Kohle-, Elektrizitäts- und Treibstoffmangel in Frankreich'.

¹⁹⁰AN. F1a/3853. MMLA. France Politique. 1er trimestre 1943.

¹⁹¹BA-MA. RW 35 286. Militärbefehlshaber in Frankreich, Dezember 1940 - Januar 1941.

¹⁹²BA-MA. RW 35 305. Militärbefehlshaber in Frankreich. Wirtschaftsbericht August/September 1941.

¹⁹³In Germany, full employment had a depressing effect on cost rises, s. BA-MA. RW 35 263. Tätigkeitsbericht, Abt. Preisregelung Militärbefehlshaber Frankreich.

¹⁹⁴BA-MA. RW 35 305. Militärbefehlshaber in Frankreich. Wirtschaftsbericht Oktober-Dezember 1942.

¹⁹⁵AN. F1a/3852. MMLA. Délégation française auprès de la Délégation allemande d'armistice pour l'économie. Compte-rendu de l'entretien du 2 octobre 1943 entre M Hartlieb et M Daum, sur les difficultés financières des sociétés aéronautiques et retards dans les paiements.

and commerce was extraordinarily high, the scarcity of basic raw materials, commodities and, finally, labour encouraged black-market tendencies.¹⁹⁶

While admitting that their scope and value were impossible to evaluate, the post-war government commission assessing French war damages estimated that German clandestine occupation purchases of industrial products and non-ferrous metals were generally underestimated. Starting in 1941, their prime logic was to provide a supplement to the official programmes, which presupposed transactions at official prices. All in all, the report evaluated that clandestine purchases in this area amounted to 10% of official programmes, with black price coefficients reaching between 4 and 10.¹⁹⁷ Automobile factories Peugeot, Renault, Citroën and Ford, all of which were working for the German occupier, bought the majority of their non-ferrous metals on the black market. Particularly sought after items were aluminium, bronze, copper, wolfram, industrial diamonds and lead.¹⁹⁸

With total French occupation exports of textile and textile products amounting to 431,150 tons, these items were among the most sought after; textiles were also the archetypal black market item in France.¹⁹⁹ Shortages of fuel and power sent this industry on a constant downward curve during the occupation, a fact expressed in the drop in the number of textile factories from 12,000 in 1938 to between 8,000 and 9,000 in 1942. The number of workers employed in this sector during the same period declined even more proportionately.²⁰⁰ Closures and concentrations were actively encouraged by the German administration and the industry reacted to this challenge by stepping up its black market activities. As long as textile manufacturers continued to be covered by clients as powerful as the *Luftwaffe*, this state of affairs would linger on. However, when the 'golden age' drew to a close, the German occupier soon got to grips with black textile production. The 1943 Kehrl plan officializing the increase in the delivery of French textiles to Germany is probably the most striking reminder of the relative ease with which compliance and a reorientation of the French textile industry from black to white production was accomplished. As was the case with the simultaneous increase of meat deliveries to Germany, Vichy would not have agreed to such a measure without the end of active German blackmarketeering in this sector. With its hands now untied to harness this formerly indomitable sector, Vichy made a conscious choice for economic collaboration, on the naïve understanding that French civilian consumption would be allowed to benefit from rationalisation.²⁰¹ However, these high hopes were shattered, when the German authorities reduced civilian textiles consumption further in 1943.²⁰²

¹⁹⁶BA-MA. RW 35 717. Militärbefehlshaber in Frankreich. Abhandlung 'Das französische Preisproblem'.

¹⁹⁷AN. F 37 196. Dommages subis par la France et l'Union française du fait de la guerre et de l'occupation ennemie (1939-1945) Part imputable à l'Allemagne, vol. V.

¹⁹⁸AN. F1a/3852. MMLA. Informations reçues le 27 mai 1944, 'Organisation de la distribution d'automobiles et de pièces détachées dans les pays occupés'.

¹⁹⁹BA-MA. RW 35 244. Schlussbericht der Militärverwaltung in Frankreich 1940-44.

²⁰⁰AN. F1a/3852. MMLA, News Digest, 9 March 1943.

²⁰¹Gillingham, *Belgian Business in the Nazi New Order*, 90.

²⁰²In February 1944, a Free French report stated that from March 1, 1944 all remaining textile stocks were to be requisitioned, obliging manufacturers to work exclusively under German orders, s. AN. F1a/3852. MMLA, février 1944. France économie. Informations diverses: 'Manque de textiles et de cuirs'.

The Retail Sector

In his seminal study of Greece under the German occupation Mark Mazower spotted two positions that helped ensure enrichment: proximity to the dwindling supply of goods and proximity to power.²⁰³ Thus, producers and retailers were both in a strategically unique position to assume a preponderant role in the black market universe. Retailers' black market initiation could commence through the sale of parts of the supply margin covering loss and damage. As an example, in France these margins constituted 13% for apples and 10% for meat. Some retailers sold the damaged or spoilt goods at official prices, and sold corresponding amounts of impeccable goods at black market rates. Others obtained beneficiary margins by manipulating weight, consistency and ration tickets. Another procedure was to operate a strict application of the rules, which set the distribution of a number of scarcer foodstuffs for certain regular days. This enabled butchers (to name an example) to withhold meat from consumers who arrived on a 'meatless' day. Powerless and ignorant of the intricacies of economic regulation, many simply swallowed the bitter pill.²⁰⁴ Legal commerce also provided an effective cover for neighbourhood blackmarketeering which relied on intermediaries, such as concierges, waiters, barmen, couriers and barbers who came in contact with a large number of people.²⁰⁵ How well stocked some retailers still were as late as 1943, became clear after several raids on coastal towns in Northern France. During these raids a number of commercial businesses were hit, laying bare enormous stocks of black market goods in their backshops. There was, indeed, '*little regular commerce*', as one gendarmerie report commented wryly in March 1943.²⁰⁶ During the same period the majority of Brussels retailers was already forced to buy from suppliers at prices exceeding the official levels, if they wanted to receive any supplies at all.²⁰⁷ However, even though turnover decreased due to lack of supply, they were always on the winning side, being able to raise margins or sell on the black.²⁰⁸

Retail business was clearly oversized in both countries; pre-war Belgian commerce by 30%²⁰⁹, a trend continuing well into the occupation years. In 1942 alone, 11,657 commercial businesses were extended or founded in France, with an over-representation of intermediary commerce and *marchands ambulants*. In February 1944, total

²⁰³Mazower, *Inside Hitler's Greece*, 61.

²⁰⁴Baudin, *Esquisse de l'Economie française sous l'occupation allemande*, 134-50.

²⁰⁵AN. AJ 40 853. Studien des Deutschen Instituts für Wirtschaftsforschung. März 1944: 'Arbeitseinsatzmässige Notwendigkeit der Nachpruefung der Geschaefstgruendungen u Erweiterungen im französischen Handel'. Februar 1944: 'Zum Problem des Arbeitseinsatzes. Beschäftigung im Bereich Handel.'

²⁰⁶AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative a l'état moral et matériel de la population dans les Territoires Occupés, mars 1943.

²⁰⁷CERHSGM. Tätigkeitsbericht N° 23 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum Januar bis März 1943.

²⁰⁸AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative a l'état moral et matériel de la population dans les TO, March 1943.

²⁰⁹BA-MA. RW 36 211. Militaerbefehlshaber in Belgien und Nordfrankreich. Wirtschaftsüberwachung, betr. Schwarzmarkt in Belgien, 3. Juni 1943.

employment numbers in the sector were estimated at 2 million. Astonishingly, the textiles business, a branch that had suffered most under the occupation, saw one of the greatest increases of commercial outlets, while other sectors where supplies still remained, experienced no such increases. These business foundations were not justified by the state of the economy. They point to tendencies determined to gain access to sectors where black market conditions promised swift and easy profits. No doubt, the French authorities' easy-handed connivance was conditioned by the fact that many of those demanding an entry in the register of commerce were attempting to take cover from the ravages of the German labour draft. But this does not explain all. The problem posed by the clampdown on commerce also had political implications: Concerns about an impending proletarianisation of the middle classes played as much a role as the fact that many elderly and single individuals found a livelihood in this sector.²¹⁰

In Paris many retailers are said to have behaved like 'local tyrants', organising distribution and waiting queues at their own whim. In view of their unpopularity, retailers were hardest hit by economic control measures in France. After the war, *contrôle des prix* admitted that most of the service's wartime activity had been in this sector. Popular judgement of the utility of economic control showed marked differences of appreciation between the countryside and the cities: Parisians did not blame the reality of the black market on economic regulation, but rather on the non-observance of regulations, tax and control evasion, and those areas where economic liberalism still subsisted. On the other side, country-dwellers in Sarthe were openly hostile to all forms of regulation.²¹¹ A natural reaction emanating from the incredulity at having to comply with regulations that appeared wholly absurd in a context of agricultural abundance.

Investment and Speculation

The establishment of secret supplies was also favoured by the fact that certain raw materials or foodstuffs constituted investments whose value rose with every day of continuing undersupply. The Germans' desperation to procure certain materials of vital interest to their war production only served to accentuate these tendencies. This was reflected in the official and unofficial investments markets. An informer's report of October 1941 referred to the Vichy government's difficulties in containing upward trends in the stock market. The generalisation of capital flight made shareholders very unwilling to part with their investments; the upward soar in the markets continued until early 1943, when the change in the military situation incited some selling. The pressure caused by free capital looking for opportunities was also bearing on the real estate market where prices rose five-fold during the first year of the occupation. The government introduced a number of fiscal manipulations in order to take off some steam and the stock exchanges were held to intervene and limit fluctuation rates to 1-2% per session. Such tampering with the markets led to an

²¹⁰AN. AJ 40 853. Studien des Deutschen Instituts für Wirtschaftsforschung. März 1944: 'Arbeitseinsatzmässige Notwendigkeit der Nachprüfung der Geschäftsgründungen und Erweiterungen im französischen Handel.' Februar 1944: 'Zum Problem des Arbeitseinsatzes. Beschäftigung im Bereich Handel.'

²¹¹AN. AJ 41 362. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports des préfets de la zone occupée, mai/juin 1942.

inevitable capital shift to the black stock exchange, which soon came to outmeasure turnover on the official stock market. Thence official stock market prices provided nominal guidance, while black prices took on the role of 'real market prices'.²¹² The black markets in capital investments operated openly at the Paris stock exchange and in other large towns of the occupied zone, and shares, gold and foreign currency were the prime objects of trade. Payment consisted of a 100-700% premium based on market prices in the Southern zone. Neither the French nor the German police dared to intervene, as the majority of buyers were German nationals.²¹³

The German Institute of Economic Research in Paris closely monitored Price evolution on the official, black and grey markets. In one of its studies it examined the political and military factors influencing the fluctuation of gold prices in Paris in 1943. By then, gold had become the most solid investment in occupied Western Europe: many Frenchmen had fled the franc, the gold market was well organised and prices remained stable. In fact, the gold black market was the most compact and overseeable of all investment sectors. Its greatest quality remained in the fact that it was fairly independent in its price formation and took little notice of developments in other black markets. Most of the buyers in France were French (and, starting from summer 1943, also Italian) and supplies were routed through Belgium or Switzerland. On arrival in France they were split between the black stock exchanges of Paris and Marseille. Starting in autumn 1941, gold rates fell whenever political or military developments pointed towards an allied victory, which was assimilated with the discontinuation of scarcity and the end of wartime inflation. Characteristically, all through 1943, events on the Italian front bore greater significance on the operation of these markets than events on the Eastern front. Speculation was running high and during the second half of 1943 gold was being sold in Paris in order to buy Swiss francs.²¹⁴ The constant devaluation of the French franc, fears of an imminent allied landing and public disorder gave the gold market further impulses in 1944. The gold market was the principal guidance for other capital investment black markets, whose price movements were remarkably similar. The landings in North Africa and the German defeat at Stalingrad led many holders of black stocks to fear an Allied victory and provoked a price drop in most investment sectors.²¹⁵ This coincided with the German black market U-turn in spring/summer 1943, causing further dramatic price plunges. Many holders were caught unaware and found themselves falling between two stools: While mounting repression gave them enough reason to abandon this business and tie their capital into more profitable ventures, the sudden losses in black investments (which were acquired at higher rates), commanded a wait-and-see approach until market recovery.²¹⁶

In Belgium, the black currency market was on the rise towards the end of 1943, due to the overvaluation of precious metals and certain 'hard' foreign currencies. This was, no doubt, a side effect of German black purchases in Western Europe of foreign currencies, obligations and gold, all of which were sold in non-belligerent countries. In addition,

²¹²BA-MA. RW 5/v. 37. V-Mann Bericht, Anfang Oktober 1941.

²¹³AN. 3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. Etat-major particulier du Général de Gaulle-Renseignement fournis par la Source 48475, 11 mars 1943.

²¹⁴AN. AJ 40 990. Deutsches Institut fuer Wirtschaftsforschung Paris, 'Politische Bestimmungsgründe des Goldpreises am schwarzen Markt in Paris im Jahre 1943', April 1944.

²¹⁵CERHSGM. Tätigkeitsbericht N° 23 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum Januar bis März 1943.

²¹⁶AN. 3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. REX/25400, rapport, date de reception: 23 juin 1943.

German military personnel in search of stable investments or currencies that still were tradable items were attempting to log onto this market. The amount of criminal energy unleashed is documented in the military administration's March 1944 report, which speaks of 'incidents' between German security forces and military personnel claiming a number of deaths.²¹⁷ In Mai 1944, the Brussels administration reported that fear of inflation was generalising hoarding tendencies; manufacturers were withholding important stocks or branching-off goods from running production in the hope that resource management regulations would be suspended in the event of an allied landing.²¹⁸

²¹⁷ CERHSGM. Tätigkeitsbericht N° 26 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum Oktober-Dezember 1943, 1. März 1944.

²¹⁸ CERHSGM. Tätigkeitsbericht N° 28 der Militärverwaltung in Belgien und Nordfrankreich für April 1944, 10. Mai 1944.

3. The Indigenous Administrations

Economic Control

In Belgium each *Warenstelle* and some of the ministries had their individual control services. A *Kommissariaat voor Prijzen en Lonen* (commissariat for prices and wages) was founded relatively early in the occupation, on August 20, 1940, as a section of the Belgian Ministry of Employment. This was the only institution in occupied Europe that united price and wage control under one roof and many of its regulations were implemented under the watchful eyes and with the guidance of the military administration.²¹⁹ Belgian economic control provided a welcome niche for former military personnel and officials who were incapable of exercising their profession or who simply wanted to avoid the labour draft. Most had never received training for the tasks they were assigned, and the few gifted operatives soon left the service to seek employment in the private sector where pay was better.²²⁰

The German administration in Belgium had no praise for the Belgian control services, which despite their large number of staff (one control agent per 1,500 inhabitants), they judged an inferior tool in comparison to their French counterparts who had to make do with a ratio of 1 to 3,000.²²¹ Above all, this was linked to lack of initiative. Merely in the food sector two severe Belgian ordinances of June 28, 1941 and June 19, 1942 concerning the black meat trade and black slaughters, provided for adequate prison sentences ranging between one and five years.²²² Similar criticism was pointed in the direction of the Belgian courts whose jurisdiction did little to deter from blackmarketeering. Patriotism accounted for an attitude that was comprehensive towards any form of dissimulation from the Germans. Accordingly, the practice of law was lax. In its April 1941 report the military administration resumed the situation as follows:

The Belgian example shows that artificial price-fixing measures require untarnished state authority, a powerful administration, the co-operation of the population, its comprehension for administrative action, and an operative market regulation. It is equally important that the population be attributed the full amount of official rations.²²³

It was also known to the German administration that several Belgian public organisations were involved in the black market, mostly in the food sector. *Secours d'hiver* involvement was uncovered when an undercover agent in German pay was approached with the intention of procuring ÜWA authorisations. Other information indicated that they were running a large secret warehouse in Ypres, holding 700 tons of peas and beans. Similar activities were known of the Belgian Red Cross and the Belgian Railways' welfare office, which was buying textiles with the assistance of the

²¹⁹ BA-MA. RW 36 257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht der Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

²²⁰ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

²²¹ AN. AJ 40 368. Militärbefehlshaber in Belgien und Nordfrankreich. Vierteljahrsberichte der OFK 670, Lille für Zeitraum 16. Juni - 30. September 1943, 29. Oktober 1943.

²²² BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

²²³ CERHSGM. Tätigkeitsbericht N° 16 der Militärverwaltung in Belgien und Nordfrankreich, April 1941.

Wehrmacht traffic directorate.²²⁴ The Belgian control services were very unenthusiastic about German plans to render resource management more efficient through increased centralisation. In 1943 the Belgian Ministry of Economic Affairs blocked the creation of a central *Warenstelle* destined to co-ordinate all other individual *Warenstellen*. The military administration had no means to push its exigencies, as it was highly dependent on the collaboration of the *Warenstellen* for its resource management to yield any results at all. In striking difference to France, the introduction of corporatism was confronted with severe resistance and the military administration had to admit in its final report that it had proven a *complete failure*. As much as the streamlining of the German war economy had proven a success in enforcing discipline, similar interventionist practice was likely to cause more friction when used in the steering of an alien economy.²²⁵

In France the economic control effort was more centralised and work was divided between three large bureaucracies, along the lines of allocation (*répartition*), rationing (*ravitaillement*) and economic control (*contrôle économique*). French price fixing policy was monopolised within the Ministry of Finance's *direction des prix*. Equally, price control was based under the authority of the Ministry of Finance until 1942, and then again in 1944. The organisational structure was as follows: *direction générale de contrôle des prix*, *services régionaux*, *services départementaux* and the Parisian *service de contrôle des prix* based at the *préfecture de police*. The *police économique*, forming part of *surêté nationale*, was utilised by the price controllers for searches and investigations. The central body was the *Service central du contrôle des prix*, created on November 1, 1940. On a local level in the provinces, prices were fixed by the departmental and regional prefects who presided the price committees; certain topical cases could also solicit the work of the *comités d'organisation*. A price law was codified on October 21, 1940. This attributed the right to fix agricultural producer prices to the Ministries of Agriculture and Finance, whereas the prefects retained price fixing powers in the local markets and retail business. Renamed *direction générale du contrôle économique* in June 1942, it was placed under the authority of the secretary-general of the Police. This was an important year in the life of wartime economic control, as the *direction générale* commenced with the centralisation of price control from the local to the national level. Darnand's take-over of police authority in late 1943 led to his integration of the *police économique*, whereas *contrôle économique* was referred back to the Ministry of Finance. All in all, price control and economic police in Paris disposed of 1,400 officials and clerks in 1943. Many were former customs officers with little commercial or business knowledge and of the 1,000 agents with external, outside-office duties, a mere 70 had the training and expertise to carry out complex evaluations. In the whole of France the numbers were 4,700 in late 1943. Although the German administration criticised the poor state of the French practice of accountancy and the inadequate salaries of civil servants, the service became the most important control medium in Vichy France: in 1942, 49% of interrogations had been initiated by them, compared to the 33% that had been followed up by the

²²⁴ BA-MA. RW 36 211. Militärbefehlshaber in Belgien und Nordfrankreich. Gruppe I Schleichhandel an Dr Schlumprecht, betr. Bekämpfung des Schwarzhandels, 22. Dezember 1942.

²²⁵ BA-MA. RW 36 260. Abschlussbericht der Abteilung Wirtschaft über Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber in Belgien und Nordfrankreich. Gruppe Gewerbliche Wirtschaft (Wi 8). Ausführungen zur Bewirtschaftung In Belgien.

gendarmerie and the 13% by the police. Gendarmerie became active in black market repression in late 1941 and operated mostly in the countryside. Starting in 1942, mixed gendarmerie brigades were created.

Repression of economic offences relied heavily on denunciations and on *direction générale* directives or the services's own initiative. Various laws in 1940/41 gave officers the right to claim sight of the books and undertake house searches. Price control in the provinces concentrated on the most important consumer items and was mainly directed against retailers. The number of interventions there was much weaker than in Paris, ranging between 9,000 and 10,000 per month in 1944.²²⁶ Over 80% of interventions carried out by the two services of Nancy and Besançon in July 1944 concerned foodstuffs, agricultural products and basic consumer items. The German final report on price control in France estimated the total number of interventions during the occupation at 500,000, a figure that appears much too low.²²⁷ During 1941 alone, the activity of French control services led to court procedures against over 20,000 delinquents. More than 141,000 fines drew revenue of over 441 Million ffrs; 232 Million ffrs were seized in goods, 56,7% of which were textile fabrics.²²⁸ Figures for 1942 were still quite similar to the 1941 figures, but 1943 witnessed a marked upwards trend in terms of registered interrogations and fines collected. Administrative punitive measures became available after the passing of new laws in March 1942, but they showed little effect due to the adverse influence of German black market purchasing on indigenous control activities. French economic control measures could only become more rigorous after the end of the German black market in 1943. This is reflected in the following table: fines collected through administrative proceedings almost doubled in comparison to 1942. Internment on orders of the prefects even quadrupled.

Table 4. Repression of black market and price regulation offences in France, 1942-43 ²²⁹

	1942	1943
Cases examined	199,485	379,405
Cases closed without procedures	19,633	26,118
Cautions	27,117	33,249
Handed on to French judiciary	20,654	31,916
Insolvency proceedings	126,410	196,010
Fines (insolvency proceedings)	478 mill ffrs	757 mill ffrs
Fines collected (insolvency proceedings)	443 mill ffrs	678 mill ffrs

²²⁶In July 1944, the Besançon service carried out a total of 390 price controls in Doubs, s. BA-MA. RW 35 263. Militärbefehlshaber in Frankreich. Tätigkeitsbericht der Abteilung Preisregelung.

²²⁷BA-MA. RW 35 263. Militärbefehlshaber in Frankreich. Tätigkeitsbericht der Abteilung Preisregelung.

²²⁸AN. F 60 1009. Commission interministerielle pour la repression du marché noir. Communication du Ministère des Finances, 'Un an de lutte contre le marché noir jusqu'au 31 décembre 1941', 26 avril 1942.

²²⁹BA-MA. RW 35 263. Militärbefehlshaber in Frankreich. Tätigkeitsbericht der Abteilung Preisregelung.

Fines (administrative proceedings)	56 mill ffrs	107 mill ffrs
Bans from professions on prefectoral orders	304	535
Internment on prefectoral orders	452	2274

From 1942, *the service de contr_ le* also effected frequent spot-checks in restaurants which were important black market outlets; this area was also tightly supervised by the SIPO-SD, the German police, from spring 1943; however, without them being able to enforce rigorous price discipline, as many black market restaurants continued to be covered by German protection.

If we take account of the serious obstacles to economic law enforcement, such as lack of qualified personnel, low wages and German intervention, it would be erroneous to indict the French authorities with inactivity. It can, however, be no surprise that the dimensions of the problem largely outstripped the state's possibilities of reaction and that they were merely treating the symptoms of a generalised disease. Their efforts proved as little effective against the new realities of economic exchange, where black prices were a closer reflection of 'real' cost prices than the official prices, as against an organised black market which had the consent of the occupier. The examples of the two 'kings' of the French black market, Joinovici and Szkolnikov, both of whom continued their activities up to the last days of the occupation, bring back this point in a particularly unequivocal manner. The control services' concentration of most of their action on mopping up the retail trade indicates an admission of defeat to tackle black industrial production.

The vacancy left by the authorities' relative absence led to distortions of their role. Public opinion in both countries was biased against the tightening of economic control because it coincided with the beginning of German rule. Therefore economic control tended to be regarded as an activity which was first and foremost designed to suit the interests of the occupier; however, the control services were by no means a pro-German bastion. German black market purchases and insufficient personnel numbers often reduced the enforcement agencies' remaining zeal, thereby preventing control from becoming fully effective. In both countries the most damaging element weighing on the control services' good will were the frequent interventions of German services in favour of local blackmarketeers. In one case the Paris Gestapo summoned two particularly zealous *contr_ le économique* agents, whom they accused of 'sabotaging the German war effort', and interrogated them for two days. Other agents were forced to leave their posts. M. Zimmerger, departmental director of *contr_ le économique* in Ardennes, was denounced in January 1944 by a local blackmarketeer claiming that Zimmerger was closing his eyes to 'patriots' (i.e. members of the resistance, n.b.) organising their meat supplies in the area. When the claim could not be substantiated, he was liberated the following month. However, 54 officials and agents suffered a more serious fate by being deported to Germany, where seven of them were executed or died of other causes.²³⁰

²³⁰ BA-MA. RW 36 257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle; Service des archives économiques et financières, Paris (SAEF). Fonds affaires économiques. Dossier B 16.039 : Direction Générale de la concurrence et des prix. Enquêtes Économiques,

Tolerance, Impotence and Inner stability

Quite similar to their Belgian counterparts, the Vichy authorities could not afford to indefinitely disregard public opinion in the economic area. A striking reminder of Vichy's uneasiness was the fact that the exorbitant occupation payments never figured in the official budget, under the pretext that they were running over a special account. An unnamed representative of the French Ministry of Finance commented that, psychologically, the French were not prepared for such an inclusion, which would have a negative effect on the state's creditworthiness.²³¹

This approach axed around the inner stability of the regime manifested itself in its sedate intervention in the black market: the law of March 15, 1942 discriminated between two types of offences in food blackmarketeering. Firstly, transactions characterised by mere profit aims were liable to penalty. These stipulations concerned producers, retailers and all those who engaged in repeated and extensive blackmarketeering which could be assimilated to a professional activity. The second type of offence was largely tolerated and concerned private individuals engaged in subsistence purchasing or bartering. In this, the government had the support of the Catholic Church which endorsed this dualism.²³² However, the use of false invoices, forged documents or beneficiary margins entered into the first category of offence.²³³ Vichy's operation of a dual system and its reluctance to deliver a deadly blow on the black market was based on the following considerations: firstly, fear that such an unpopular measure could back-fire, as partial tolerance of the black market provided an effective safety valve against public criticism. The massive non-compliance to rationing measures was regarded as the lesser evil, especially as German food demands attained higher and higher levels in 1943. Naturally, the government did not want to operate severe measures against an 'institution' which was seen in terms of a patriotic duty and as one of the last remaining out-lets of national self-determination. This situation was best tackled by selective action against black market retailers, a step with considerable propaganda value. Then there was the hope that it would allow for a partial dissimulation of the national production, thereby reducing German impositions. The difficult task of drawing a clear line between, on the one hand, individual and family provisioning, and on the other, organised trafficking and economic fatalism which interpreted the black market as the inevitable and natural result of scarcity, provided further leeway.²³⁴ Equally lax was Vichy's anti-inflation policy. An effective combat would have largely benefited the German occupier by

situation économique outre-mer, enquêtes sur les prix (Rapports Monsieur Lemenager), 'Le contr_ le des prix en France, 1939-1950' (janvier 1953), 580 pp.

²³¹BA-MA. RW 35 304. Der Chef des Verwaltungsstabs an den Militärverwaltungschef in Frankreich. Lagebericht Wirtschaft, Juni/Juli 1941.

²³²Instruction de Mgr. Suhard, cardinal-archevêque de Paris, 'Semaine religieuse de Paris', 13 décembre 1941, in: Baudin, *Esquisse de l'économie française sous l'occupation allemande*, 134-50.

²³³Baudin, *Esquisse de l'économie française sous l'occupation allemande*, 134-50.

²³⁴3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. Etat-major particulier du Général de Gaulle à Londres. 'Situation de l'agriculture et du ravitaillement en France', 25 janvier 1943.

steadying the value of the occupation payments and facilitating the draining of the production.²³⁵ Therefore Vichy collaboration on inflation was only to be obtained if coupled with concessions. Despite the fact that Vichy missed no occasion to raise German fears of the spectre of inflation, this remained one of the principal pawns in all Franco-German negotiations deliberating the alleviation of some of the burdens of occupation. The first 1942 quarterly sector report from the German administration in Northwestern France reproached the French government for not challenging the black market in order to raise its esteem with the workers. It also claimed that workers were abandoning German employment in favour of employment in the French administration or the private sector, due to the payment of artificially raised, black salaries. This was particularly obvious in the booming building industry which was running high on German contracts.²³⁶ A defiant attitude also appears in official endorsement of prefects refusing to submit reports on the number of infractions against market regulations to the German *Kommandanturen*, in spring 1942.²³⁷

The other overriding theme determining Vichy's approach to the black market was its sheer impotence. Due to uncompetitive food prices in the official markets in summer 1943, direct farm purchases reached dimensions such that provincial marketplaces were entirely depleted of fruit and vegetables. In September 1943 Lyonnais and Southerners swamped the Limousin, a food surplus region.²³⁸ Certain municipalities disposing of their own means of transport proceeded to buying directly: In the Creuse the authorities granted a premium of 2 frs per kilogram of apples and in Ardeche almost the entire fruit harvest went onto the black market.²³⁹ Official food distribution became so deficient in summer 1943 that traffickers were obtaining staggering returns on their investments: one blackmarketeer buying butter at 100 frs per kilo in the countryside and reselling it at 400 frs, admitted having made 20,000 frs per week.²⁴⁰

The deterioration of conditions in Southern France in 1943, reflected what had already come to characterise economic depletion in the Northern zone. Many official services no longer observed regulations and the *ravitaillement* of Limoges openly agreed to pay black market rates by passing so-called *contrats de culture* with potato farmers. Barter deals received official endorsement: when the gendarmerie called on the nail factory of Vuillafans near Ornans, they were presented a Ministry of Production directive recommending bartering of nails

²³⁵ This is the tenor of Munz's study, *Die Auswirkungen der deutschen Besetzung auf Währung und Finanzen Frankreichs*.

²³⁶AN. AJ 40 899. Lagebericht der Wirtschaftsabteilung des Befehlshabers für Nordwestfrankreich, 15. Januar-15. März 1942.

²³⁷AN. F 60 1482. Militärbefehlshaber, Verwaltungsstab an Délégation Générale dans les territoires occupées, 13 avril 1942.

²³⁸AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. Septembre 1943.

²³⁹AN. AJ 41 362. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports des préfets de la zone occupée, juin/juillet 1943.

²⁴⁰AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les territoires occupés, June 1943

against foodstuffs for their workers. The same observation on barter was made at the Peugeot factory in Sochaux.²⁴¹ In the Creuse, agencies were founded that organised the barter of potatoes against Midi wines.²⁴² Self-organisation was spreading and in October 1943 the prefecture of Hérault struck a similar potato-wine deal for their employees based in Montpellier. Scandal was rife when it was uncovered that this deal had received all necessary official sanction and that 59 SNCF trucks had been reserved hastily for the transport of the 59 tons. The report then continued to affirm that such acts were *creating hostility against the government which public opinion rendered responsible for all abuse*.²⁴³

The erosion of the Vichy power base became evident long before the final collapse of the regime in 1944. One secret BCRA source even went as far as accusing certain high officials of the Vichy administration of blackmarketeering with the Germans. The new situation in summer 1943, when joint Franco-German police collaboration focused on chasing formerly accredited French speculators, is said to have secured them a virtual monopoly. Trade with the Germans was said to have been effected on the basis of half the black market rates practised up to that point.²⁴⁴ Even without such double-deals, disorganisation and laxism were sufficient to topple the system: a Ministry of Finance employee in Chinon used a service vehicle for his clandestine operations and openly boasted about his good contacts with local wine producers. Many notorious blackmarketeers were also well-established figures in the economic control bureaucracy: the vice-president of the commission d'achat in Luçon had been convicted on several occasions, and in Auxerre four *ravitaillement général* employees were implicated in a traffic of bread ration coupons.²⁴⁵ However, even the Free French pleaded comprehension for *ravitaillement* officials trading their influence: with a salary of 1,200 ffrs per month, a sum which could buy a mere four kilograms of honey, many of the low-level employees had no other choice.²⁴⁶

Well-intended steps designed to boost production were deployed in such amateurish fashion that the effects were all too often counter-productive. For every 0,5 acres converted to linen cultivation and every four quintals (400 kilograms) of seed surrendered to *ravitaillement général* in the Somme, farmers received 64 litres of high quality olive oil as a reward. In summer 1943, however, far higher amounts were attributed, and one farmer even received 1,000 litres. In addition, farmers were allowed 60 kilograms of woven linen per acre. Needless to say, that most of these desperately sought after goods quickly dissipated in the black market where a litre of olive oil easily fetched 1000 ffrs. Similar aberrations occurred in Brittany and Picardy, where farmers having fulfilled their obligations

²⁴¹AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les territoires occupés, juin 1943.

²⁴²AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. Septembre 1943.

²⁴³AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. Octobre 1943.

²⁴⁴3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. Rapport REX/25400. Date de réception: 23 juin 1943.

²⁴⁵AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les territoires occupés, mai 1943.

²⁴⁶AN. 3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. BCRA. Etat-Major particulier du Général de Gaulle. Rapport ARQ 2, Bru 5. Situation matérielle et morale en Zone occupée.

received free wine, a rather rare and expensive commodity in these predominantly cider-drinking areas.²⁴⁷ However, perhaps one should remember, that the situation was, indeed, dramatic and desperate in many areas in 1943. The authorities' may well have made a conscious decision to choose the lesser of two evils - the fuelling of the black market in non-essential consumer items - in order to sustain mere subsistence levels in more essential products, thereby avoiding full-scale famine and deprivation.

Despite the geographical proximity and the similarity of the occupation system set up in Belgium, the case of its authorities could not have been more different. A number of factors combined to a situation where the Belgian authorities had fewer imponderables to deal with than their French colleagues. Whereas 1940s France still remained dominated by agriculture and small and middle-sized business, Belgian economic life was comparatively monomorphous, it being centred on its heavy industry. This was particularly evident in the relations between the authorities and Belgian industry, which - in contrast to Vichy France - were close. The state of affairs was reflected in the Galopin committee, the Belgian administration's lifeline to business. Another vital factor was the higher development of the Belgian banking system and its primordial role in industrial investment. This had no equivalent in France. Vichy bias towards rural France found expression in ideological as well as political terms. One example of this economic policy was the heavier subsidising of agriculture as compared to industry. Economic control had a greater impact on the comparatively compact industrial economy. Agricultural exploitations were also the prime beneficiaries of *la relève*, which again had an asymmetrically negative impact on industry.²⁴⁸ The compactness of the Belgian territory and economy is just as important in order to understand the Belgian authorities as are psychological factors: Belgians never had to contend with the syndrome of defeat that afflicted France after the 1940 *débâcle*. In fact, some of their elites had prepared themselves for occupation as long before as 1936.²⁴⁹ The profundity of chaos, disorientation and sheer shock was therefore markedly lower than in France. All this made Belgian heavy industry more protected than its French counterpart, but also more dependent on the good-will of an occupier who had few scruples in making use of most forms of coercion. This argument carries even more weight when applied to the less protected sectors of Belgian civilian society. Thus the unilateral orientation of Belgian economic structure and the lack of economic imponderables increased vulnerability. In terms of exploitability, it exacerbated Belgian proneness to succumb to coercion. Apart from the financial payments issue, there was never enough headroom for the Belgian authorities to drive forward concessions similar to the policy engaged by Vichy. This facilitated the task of the occupier to impose his will. We shall not pretend that Vichy's political bartering scored many tangible results; however, what it did achieve was to create delay. It also made the Germans wary of the many French imponderables which they often felt uneasy to tackle without Vichy collaboration. In as crucial an area as the black economy, which could serve as an alternative system of distribution, this set-up carried enormous weight. It demonstrates that the only

²⁴⁷AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les territoires occupés, juillet 1943.

²⁴⁸Gillingham, *Belgian Business in the Nazi New Order*, 16; 31.

²⁴⁹Gillingham, *Belgian Business in the Nazi New Order*, 25.

form of genuine protection from German coercion was to escape control and remain incalculable. This is well illustrated by German resignation over the French agricultural black market, which showed the limits of coercion. By summer/autumn 1943 the German authorities had to confront the plain truth that excessive food demands had led to an extension of the food black market. The forced harvest *Aktionen* conducted by *Wehrmacht* personnel in areas that failed to meet the imposition targets in late 1943 and the unilateral resumption of requisitions in 1944 amounted to a full-scale admission of defeat.²⁵⁰

4. The Case of the Civilian Populations - The French Example

Like agriculture and industry, the civilian population had very little time to adapt to a dramatically changed price system after June 1940. By November 1940, French food retail prices had already risen by 35% in comparison to pre-war levels, and they were to rise by another 100% by November 1943. Clothing was the worst hit sector, and estimates assumed five to ten-fold price rises between autumn 1940 and late 1943. Most other sectors had seen rises of about 50% during the same period. Heating and electricity prices remained stable, while other housing related items such as water rose by a relatively marginal 20-30%. With pre-war standards having been transgressed by 170% in the food sector, by 40% in the housing and housing-related costs and 68% in most other sectors of civilian consumption, price rises were higher than they had been during the First World War. All in all, living costs rose 200% between the outbreak of war and late 1943, with the most significant price rise occurring after November 1940. And these calculations did not take account of vital supplementary purchases, due to the inadequacy of official rations which covered calorie intake by only 40%. A survey conducted by the Reich Office of Statistics in summer 1943, concluded that living costs had reached Reich levels. In general terms, Paris (and Marseille) were 3% dearer than Berlin: costs were considerably higher for food (13%) and clothing (46%), whereas rents, transport, gas, electricity and entertainment were still between 20 and 40% cheaper.²⁵¹

Table 5. Early 1943 comparison of black market prices (RM/kg)²⁵²

	Berlin	France
Brown bread	6-7 (4 in January)	35
White bread	20	50-55
Sugar	20/22	170
Butter	70	400
Cigarettes (pack)	7-8	75

²⁵⁰AN. AJ 40 795. Militärbefehlshaber in Frankreich. 'Erfahrungsbericht über Aufbringungsaktion *Erntebier* in der Bretagne', November 1943.

²⁵¹BA-MA. RW 35 284-305. Militärbefehlshaber in Frankreich. Chef des Verwaltungsstabs. Wirtschaftslagebericht, Oktober-Dezember 1943.

²⁵²AN. 3 AG 2 352. BCRA. Rapport. Date de reception: 25 mai 1943.

Shoes

50-100 (old)

2400 (new)

Already in late 1940, a French comparative study on rationing in Germany and in France found that the French rations (nutritional value: 1,230 calories) were not only below German rations (1,540 cal), but also that the supply with non-rationed items was much bigger in Germany.²⁵³ The official rations covered only 50% of adult food subsistence requirements; the food crisis was most pronounced in animal protides, mineral elements and vitamins. Professor Richet estimated an average intake of 1,725 calories in Paris in 1942: besides the official rations, 200 calories were available through the free market and 200 calories through the black market. Alfred Sauvy, the French demographer and economist provided slightly higher estimates: 2,000 calories were provided by normal rations, whereas heavy workers received an average of 2,400 calories through their rations. Despite the discrepancy he agreed with the other authors that French food supply during the occupation showed a trying lack of minerals and vitamins. Until 1942, this state of affairs was reflected by loss of weight; then followed a period of stabilisation characterised by more discreet manifestations of food insufficiency such as asthenia and anaemia. Labour draft examinations found that only 23.2% of Parisians did not show signs of weight loss.²⁵⁴ Compared to 1936-38, general mortality increased by an average 11.6 % during 1941-43. The infant mortality rate was particularly high, and the index increased from 91 in 1940 to 109 in 1945 (compared to 63 in 1939). One-third of losses in human life were due to the increasing mortality levels, and were thus a consequence of occupation scarcity. As the following table shows, the industrial areas were worst hit. In striking contrast, nutrition in animal products and fats improved in some remote rural hinterlands which, considering the chronic transport crisis, had experienced difficulties in supplying food markets in the industrial centres.²⁵⁵

Table 6. Mortality rate changes in France during 1941-43 (compared to 1936-38)²⁵⁶

Increases

Bouches-du-Rh_ne (Marseille)	+57%
Rh_ne (Lyon)	+29
Seine (Paris)	+24
Seine-et-Oise (St Denis)	+23

Decreases

Indre	-11
Mayenne	-10,9
Orne	-10,4
Sarthe	-7,8

²⁵³AN. AJ 40 99. Délégation économique de Wiesbaden. 'La Question du rationnement de la population en Allemagne et en France', 19 novembre 1940.

²⁵⁴13.6% of Parisians examined had lost less than four kgs, 38.4% between four and eight kgs and 24.8% more than eight kgs, s. M. Cépède, 'Agriculture et Ravitaillement', in: Arnoult, Billig, Boudot et al., *La France sous l'Occupation*, 75-87.

²⁵⁵Cépède, M., 'Agriculture et Ravitaillement', 75-87.

²⁵⁶Cépède, M., 'Agriculture et Ravitaillement', 75-87.

Workers whose factories were still operating, and especially those working for the Germans, were the luckiest in this respect, as their canteens often fed them. Instead of having to venture onto the black market themselves, supplementary purchases were carried out by the German *Feldkommandanturen* or 'specialised' French agencies. Such methods did not demand an extravagant amount of imagination in order to be copied, and even before the official 'end of the black market' many French factories had become self-sufficient in supporting their workers. By late 1943, many canteen administrations were also growing their own vegetables, which provided food for an estimated 1 Million French workers.²⁵⁷ The privileged access of communal restaurants and workers' co-operatives to the Parisian grocery wholesale market of Les Halles did not pass unnoticed. In March 1943, retailers and members of the public protested vigorously against their right to automatically appropriate 90% of all incoming foods.²⁵⁸ In summer 1943, the canteen of an unnamed factory in the Paris area feeding 20,000 workers received 45 tons of peas in one month, whereas the town of Ivry with a population of 40,000 received a mere 5 tons for the same period.²⁵⁹ The situation in Belgian industry was quite similar. At the Fabelta artificial silk and rayon staple factory, workers received payments and services amounting to a 36% supplement on top of their wages.²⁶⁰ In April 1944 one report from North Western France conceded that price stabilisation in the food sector was a void measure as long as the administration did not succeed in allocating full official rations. Despite the cessation of troop purchases with *Reichskreditkassenscheine* (RKK)²⁶¹, prices for certain scarcity products such as meat, shoes, wine and textiles were still on the rise.²⁶² Similar to the workers employed in war-important factories, those benefiting from the German presence had an inclination to view their black market ventures with a more benevolent eye. Thus, in Narbonne in spring 1943 a large number of Frenchmen had taken up German employment in a nearby submarine base. Retailers were making a fortune selling to the German military personnel stationed there, and a German black market lair established in a town bar turned out quantities of oranges, bananas, coffee, cocoa and chocolate. The BCRA commented the situation as creating a nuisible state of mind, as these workers and retailers who would otherwise have been out of work, connived with the status quo. The report concluded that frequenting the Germans had created a dependency that appeased rancour.²⁶³

French and Belgian families secured their food supply through a combination of official rations and other, mostly private sources. In France the latter category was composed of family parcels, the black market, what was still

²⁵⁷ BA-MA. RW 35 284-305. Militärbefehlshaber in Frankreich. Chef des Verwaltungsstabs. Wirtschaftslegebericht, Oktober-Dezember 1943.

²⁵⁸ AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, mars 1943.

²⁵⁹ AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, août 1943.

²⁶⁰ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

²⁶¹ The official occupation currency used by the Germans in the occupied territories.

²⁶² BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle. Food contributions, work clothes, pension payments and bonuses formed the largest item, followed by expenditure for social care and meals.

²⁶³ AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. Rapport BRE 6/31500. Date: 24 avril 1943.

available in the free market, personal relations, private gardening, rabbit rearing, canteens and restaurants, and, of course, a great deal of fraud.²⁶⁴ The *système D* (improvisation) culture was ubiquitous. According to René Sédillot, a large number of surplus ration cards were in circulation in the Northern zone: distribution to its 24.4 Million inhabitants had been in the area of 26.1 Million.²⁶⁵ This black market was the most accessible, as everyone possessed ration cards whose value was recognised. In her contribution on the black market in occupied Northern France, Lynne Taylor concluded that '*almost everyone could, and probably did, purchase, sell or exchange ration coupons*'.²⁶⁶ In addition, a large number of false ration cards were being traded on the black market.²⁶⁷ A BCRA report of May 1943 stated that despite the extreme deprivation of France, the French escaped malnutrition and its multiple side-effects through extensive bartering²⁶⁸ and by mounting a food bill that gobbled one-fourth of the average French household income. The food parcel was the principal legal gap left in the French rationing system in order to enable the population to procure extra supplies. A 1942 report by the *Institut de la conjoncture* argued that the importance of the organised subsistence black market in the towns and cities was largely overestimated²⁶⁹ and that greater importance should be paid to food parcels:

Le colis familial n'est plus familial [...] il s'est peu à peu commercialisé et constitue la principale source des trafics en ville.²⁷⁰

In January 1942, the prefect of C_{otes}-du-Nord (Brittany) signalled that in the interest of combating the black market, it was essential to regulate the dispatching of food parcels. On the basis of the 5,700 parcels that were leaving his department every day, he calculated that these deliveries represented 13 tons of goods, mostly black market foods. The findings were confirmed by the prefect of Loiret²⁷¹ and by the case of one Creuse farmer who managed to expedite 400 parcels per week.²⁷² In August 1943, a similar crass case was reported from Grand Pressigny (Indre et Loire).²⁷³ As shown in the table below Paris was particularly well-catered for in food parcels, absorbing an average of about one-fourth of all expeditions in 1941. The most critical deficit existed in fat allocation (5 grams per day in 1943), making butter the rarest and most sought after food item, and the principal market indicator: the official

²⁶⁴AN. 3 AG 2 353. BCRA. Economie française. Généralités et informations diverses. Institut de la Conjoncture Rapport N° 10 (situation économique au mois de mars 1942).

²⁶⁵Sédillot, *Histoire des marchés noirs*, 111.

²⁶⁶Lynne Taylor, 'The Black Market in Occupied Northern France, 1940-4', *Contemporary European History*, 6, 2 (1997), 170.

²⁶⁷Sédillot, *Histoire des marchés noirs*, 111.

²⁶⁸3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. Rapport. Date: 25 mai 1943.

²⁶⁹At the same time, it confirmed that the situation was notably different for the black market in industrial products, s. AN. 3 AG 2 353. BCRA. Economie française. Généralités et informations diverses. Institut de la Conjoncture Rapport N° 10 (situation économique au mois de mars 1942).

²⁷⁰AN. 3 AG 2 353. BCRA. Economie française. Généralités et informations diverses. Institut de la Conjoncture Rapport N° 10 (situation économique au mois de mars 1942).

²⁷¹AN. AJ 41 362. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports des préfets de la zone occupée, janvier 1942.

²⁷²3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. Etat-major particulier du Général de Gaulle à Londres. Situation de l'agriculture et du Ravitaillement en France, 25.1.43.

²⁷³AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. Août 1943.

kilogram price was 77ffrs; the Paris black market price in November 1943 was 300-350 ffirs, thereafter rising to 400-450 ffirs. For purchases in hotels another 50% had to be added on top, whereas direct purchases in the country undercut it by 50%. Food prices on the black market varied according to the 'calorie factor', and prices for pork, sugar and butter in Paris were much higher than e.g. for veal. Prices for easily degradable products such as vegetables, fruit and potatoes were most stable, ranging between two and three times the official rates.²⁷⁴

Table 7. Food parcel distribution in France (1941)²⁷⁵

	Food parcels sent	Food	Food Parcels received in Paris
		Number	Tons
Jan	475,018	9285	110,387
Feb	508,731	10,406	129,343
Mar	605,958	11,934	158,677
Apr	568,599	11,263	146,539
May	612,854	11,102	160,478
Jun	585,658	9,831	178,524
Jul	596,772	10,673	155,038
Aug	688,038	12,747	167,735
Sept	884,702	17,469	261,928
Oct	907,416	19,104	251,256
Nov	965,794	20,732	268,501
Dec	1,112,748	24,437	330,154

In some of its manifestations the black market was far from clandestine in character: on weekends, crowds gathered at the rue des Radis in Brussels and at the Porte de Clignancourt in Paris where blackmarketeering was conducted in the most ostentatious manner.²⁷⁶ Other popular destinations were the flea market at St Ouen where bicycle tires fetched 1,000 frs and a pair of shoes between 2,500 and 3,000.²⁷⁷ Blackmarketeers in Bagneux, on the outskirts of Paris, found an eerie spot for their potato trade: the local cemetery.²⁷⁸ Another hot spot was the Faubourg du Temple area in Paris, where a lively food black market was practised under the eyes of French police, which called the sector 'le maquis'. Transactions were carried out in the street or in bistros, whereas the *h_tels de passe* in the neighbourhood served as depots.²⁷⁹ In spring 1943, food was brought into Paris via two principal railway lines: the Paris-Orléans line

²⁷⁴ AN. AJ 40 853. Studien des Deutschen Instituts für Wirtschaftsforschung: 'Einzelhandelspreise u Lebenshaltungskosten in Paris', Maerz 1944.

²⁷⁵ AN. 3 AG 2 353. BCRA. Economie française. Generalités et informations diverses. Institut de la Conjoncture Rapport N° 10 (situation économique au mois de mars 1942). Chiffres communiqués par la SNCF pour 1941.

²⁷⁶ Baudin, *Esquisse de l'économie française sous l'occupation allemande*, 134 pp.

²⁷⁷ AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, octobre 1943.

²⁷⁸ AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, mai 1943.

²⁷⁹ According to the testimony of former policeman, in: *Le Temps du Marché Noir 1940-1950*, a documentary film by H C de la Casinière (Paris, 1998).

provided the capital with corn and beans, whereas meat arrived on the Paris-Versailles line.²⁸⁰ Such purchases had the advantage of being hardly controllable. Precisely to evade the frequent controls in central Parisian railway stations, many black-market professionals left the trains in one of the numerous suburban stations. Once brought into the towns these products dispersed widely, the main criterion being personal relations. In comparison, larger illegal deliveries to the cities were much riskier and, besides, next to impossible without powerful protections.²⁸¹ The case of black market professionals using women posing as pitiful mothers to obtain food products from farmers in Calvados, should therefore be considered the exception rather than the rule.²⁸²

Those urban populations unable to afford paying city black market rates engaged in door-to-door sale in the countryside. Well-cherished traditions, such as holiday-making, continued undisturbed through the occupation and an August 1943 *gendarmerie* report remarked that the start of the holiday season had led to a massive departure of Parisian blackmarketeers who were following their clients to their holiday resorts.²⁸³ This worsened the situation for those remaining behind in Paris: potato deliveries were absolutely nil during the first three weeks of August and there were no other vegetables available in the shops. City-dwellers were therefore left with no other choice than to venture into the suburbs and beyond where they paid the kilo between 10 and 15 frs.²⁸⁴

The number and nature of black market related offences uncovered by the *gendarmerie* in the French countryside in March 1944²⁸⁵ provides an overview of the general situation:

Table 8. Number and nature of economic offences uncovered by the *gendarmerie* in France, March 1944

	Speculation	Illegal stocks	Illegal trafficking	Illegal slaughters	Total
Southern zone	519	20	2188	334	3041
Northern zone	1471	29	4387	417	6304 (Brittany: 1089 Normandy: 1103)

Although we should assume the number of illegal slaughters and illegal stocks as hopelessly underrepresented, the table points to some interesting regional variations: Thus, the frequency of infractions was 100% higher in the

²⁸⁰AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, Mars 1943.

²⁸¹AN. 3 AG 2 353. BCRA. Economie française. Généralités et informations diverses. Institut de la Conjoncture Rapport N° 10 (situation économique au mois de mars 1942).

²⁸²AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, septembre 1943.

²⁸³AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, August 1943.

²⁸⁴AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, août 1943.

²⁸⁵AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. Mars 1944.

Northern zone than in the South. This was certainly influenced by the greater population density in the North, but the second factor must be seen in the relatively greater depletion and exploitation of resources in the Northern zone. Another significant point worth recalling is the proportionally large number of offences committed in Brittany and Normandy; this reflects their status as the main food supply zones for Paris.

The human side of the drama emerges from a confidential BCRA report despatched from the occupied zone in spring 1943.²⁸⁶ It established that bread consumption of the average Parisian middle-class family had dropped from 300-400 grams (1940) to 275 grams per day. Scarcity was most rampant in fats, sugar and meat. Pork had vanished from the shops for some time and for the six preceding months the majority of consumers had switched to sausages made of tripe and beef. In March 1943 even these disappeared, making place for pre-cooked meals. These meals consisted of vegetables (potatoes) boiled in water, to which were added either two slices of tripe pâté or two tripe or liver sausages. Considering the price of between 6,5 and 13 ffrs, the author deplored that this was poor value for money and trapped the population in a lamentable state. The report criticised that instead of being repartitioned among retailers, tons of vegetables were attributed to communal restaurants and professional food caterers. Black market restaurants in Paris charged between 150 and 200 ffrs for a meal that would have cost one tenth of that sum before the war. These restaurants were incompatible with family life, and so everyone contrived to improvise in order to attain maximum nutritional sustenance for minimum expense. The author confirmed the substantial contribution of family parcels as a means of improvising food organisation. The persistence of scarcity led to the development of individual food procurement and by 1943 the overall situation was accredited as having improved greatly in comparison to the preceding year. Once a week families would even be able to enjoy a meat dish, and the Sunday meal would boast a dessert. Poor cityfolk with no connections in the countryside made do with filling their stomachs with pastries consisting of animal flour. Paris bakeries sold these freely at 2 ffrs per piece. Despite their nauseous taste, they found many buyers, mainly because they required no coupons. Other solutions were provided by milk-bars offering yoghurts and buckwheat pancakes cooked in water. The elderly generation was most affected by the restrictions. Those whose fragility prevented them from queuing up for hours unable to rely on outside help were doomed:

Tous les petits vieux du quartier ont disparu. Enlevés, nettoyés par les froids de chaque hiver.²⁸⁷

Other victims of this state of affairs that drew the author's attention were a schoolteacher and father of four children who had exhausted himself so much that he contracted a severe case of consumption. Many children suffered from tooth decay; severer cases involved meningitis, nervous disorders and organ dysfunction due to lack of fat, sugar and meat; young girls between 16 and 18 appeared rather bloated for their age. The way of life had altered considerably:

²⁸⁶AN. 3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. BCRA-Etat-major particulier du Général de Gaulle. Rapport ARQ 2, Bru 5. 'Situation matérielle et morale en ZO'.

²⁸⁷AN. 3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. BCRA-Etat-major particulier du Général de Gaulle. Rapport ARQ 2, Bru 5. 'Situation matérielle et morale en ZO'.

C'est quant on retrouve des amis perdus de vue depuis deux ans qu'on mesure la chute. Ceux qui n'étaient plus tout jeunes ont terriblement vieilli.²⁸⁸

Consequently, the French in the occupied zone became fatalistic, focusing their attention on mere survival, and little concerned about the events unfolding elsewhere. Gendarmerie reports screening public opinion in the occupied territories affirmed that in 1943 most French considered the black market a blessing in disguise, as the improvement of economic control appeared to benefit the German occupier. Thereby, black-market activity was largely regarded as justified.²⁸⁹ A report established by de Gaulle's staff office in early 1943 deplored the negative moral effects of generalised blackmarketeering in France, even though it conceded that it had positive effects on the maintenance of food subsistence levels in the cities. What it criticised however, was the atomisation of society and its accentuation of material differences between social categories in a situation where national solidarity was more necessary than ever.²⁹⁰ Michael Cépède also created an intriguing link between the intellectual and moral degradation accompanying malnutrition, and the success of German and Vichy propaganda:

This link seems to explain more about the situation of our country during the occupation than the belated bad conscience and the attempts at justifying themselves of those who were wrong.²⁹¹

In June 1943 gendarmerie surveillance slackened in the countryside; due to an increasingly overcharged work schedule which was now being dedicated principally to chasing labour draftees on the run.²⁹² Clashes between blackmarketeers grew increasingly violent towards the end of 1943: during the negotiations over the sale of 1,200 false bread coupons, two blackmarketeers abruptly drew their revolvers in an attempt to seize the coupons; this was followed by a shoot-out leaving two traffickers, amongst them a Versailles *sureté* inspector, seriously injured.²⁹³

The situation of the 35 million French consumers (19 million in the urban centres and 16 million in the countryside) in the last months of the occupation can be characterised as follows: Bread and potatoes were the only foodstuffs where distribution of official rations was assured, although the amount of available provisions varied from town to town. Few urban centres honoured the weekly meat rations of 120 grams. On a general level, Paris was best off and managed to distribute 10 grams of fats and 20 grams of cheese. None of these riches reached Marseille, Bordeaux and many other Midi cities. Despite its relatively privileged status, the Paris rations were below subsistence levels. Despite an excellent 1943 harvest, large proportions still remained uncollected in April 1944. This was due to the

²⁸⁸AN. 3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. BCRA-Etat-major particulier du Général de Gaulle. Rapport ARQ 2, Bru 5. 'Situation matérielle et morale en ZO'.

²⁸⁹AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, mars 1943.

²⁹⁰3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. 25.1.43: Etat-major particulier du Général de Gaulle à Londres. Situation de l'agriculture et du Ravitaillement en France.

²⁹¹M. Cépède, 'Agriculture et Ravitaillement', in: Arnoult, Billig, Boudot et al., *La France sous l'Occupation*, 86.

²⁹²AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, juin 1943.

²⁹³AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, octobre 1943.

increasing manipulation of declarations and to the augmentation of the number of fictitious leases, which installed on the pseudo-proprietors (often townsfolk) an automatic right to retain substantial amounts for auto-consumption.²⁹⁴ Black slaughtering had risen to a level where they equalled the number of official slaughters. Milk production decreased from 280 million litres in 1942/43 to 238 million litres in 1943/44; it was here that official collection was most inadequate, a state supported by the unsatiable appetite of the occupying forces. Some farmers grew tired of the indiscriminate character of Vichy's impositions, which did not even take sufficient account of the diversity of French soils. In their anti-authority stance agricultural producers were receiving encouragement from the *corporation paysanne*, which was alleged to be following in the footsteps of the former trade unions.²⁹⁵

We have heard in an earlier chapter that, although worse off than the French in the first years of the occupation, the Belgian population was luckier during the last two years. This may sound somewhat contradictory when we consider that as late as spring 1943 the Belgian bread ration of 225 grams per head was still the lowest in Western Europe. However, the important thing to remember is that the authorities at least managed to distribute the full amount of official rations in the basic foodstuffs, bread and potatoes. Although minimal, this implied that food blackmarketeering was generally restricted to meat and other non-essential items. This is more than can be said about France where even minimal rations could not always be provided. In addition, things started to look up in 1943: firstly, the military administration thwarted all Reich's food exigencies against Belgium, by maintaining that it would only lead to the spread of a solidarity black market between farmers and consumers.²⁹⁶ Consequently, Belgian agriculture did not have to contend with an exterior drain of the kind as experienced in France. Secondly, the 1943 harvest in Belgium had proven exceptionally good, leading to an augmentation of Belgian bread rations from 250 grams to 300 grams, shortly before Christmas 1943.²⁹⁷

5. From Pillage to Purchase German Black Market Rationale

From the onset, the German armed forces and other services in the occupied territories depended on drawing on the resources of the occupied territories. The situation was the opposite of the post-war European black markets. These

²⁹⁴In 1942, the totality of French olive oil production remained in the hands of the producers for auto-consumption. The growing of oilseeds was only encouraged the following year.

²⁹⁵AN. F 60 1009. Commission interministerielle pour la repression du marché noir. Rapport fait à Monsieur le Maréchal Pétain sur la situation actuelle du Ravitaillement, 27 Avril 1944.

²⁹⁶CERHSGM. Tätigkeitsbericht N° 24 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum April bis Juni 1943, 1.August 1943.

²⁹⁷CERHSGM. Tätigkeitsbericht N° 25 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum Juli-September 1943, 15.November 1943; Tätigkeitsbericht N° 26 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum Oktober-Dezember 1943, 1.März 1944.

were fuelled by the affluence of the American forces that had access to a large number of highly marketable consumer products.

Outright pillaging altered nothing about the substantial amount of goods remaining in private hands, for its prime effect was to accentuate hoarding. A precedent and reference for this existed in the case of the German occupation of Belgium in World War I. Imperial Germany was even less prepared for war in 1914 than her successor in 1939. Then, four years of passive resistance had paralysed the entire Belgian economy and prevented the Germans from reaping the spoils of conquest. The flagrant violation of their neutrality and the fact that the German presence was conceived as only temporary stirred many Belgians into non-action. The situation was made more difficult by an international relief effort that brought food to the country, thereby reducing pressure to comply with the new ruler's wishes. Unable to mobilise Belgian industry and labour, the German occupier reverted to full-scale industrial plunder, with diminishing returns. The benefits for the German war economy were derisory in comparison to the country's production potential.²⁹⁸ It seems as though the new German administration was willing to learn from history and bent on fully mobilising this potential. Harnessing the occupied economies became the overriding theme and the concentration of German attention on the black market demonstrates that pillaging was adapted to the circumstances and that methods were perfectionned. This implied getting a grip on all secret stocks and in summer 1940 German recruitment of economic collaborators was running high. With some results as shown in the case of a secret wine cellar belonging to an English resident in Paris that was discovered in September 1940, thanks to information passed on by one of the many locals serving the new masters.²⁹⁹ Black market purchases constituted 'pillaging by other means', and the arbitrarily high prices paid by the German occupier created an artificial draining effect that precluded civilian purchasing. The continuity of 'purchase' and 'pillage' is well demonstrated in the majority of economic organisations, such as WIFO in France and AWG in Belgium, that were involved in both modes of exploitation. After the end of the centralised Veltjens purchasing campaign in 1942/43, they were again charged with several requisitioning efforts, involving among other items, church-bells and furniture.³⁰⁰

However, hopes of an orderly exploitation were shattered by one insurmountable obstacle: lack of discipline and resource competition on all levels of the German presence in the occupied territories. On the local level, the black procurement incursions of *Abwehr* and other military services into still-functioning parts of the official economy upset the frail supply mechanisms with the French *groupements professionnels*. In an already extremely volatile economic situation, where pressure on the price structure was increasing on an almost daily basis, once the dams of control burst, there was no turning back the waves: German black market involvement became an omnipresent phenomenon, spreading its tentacles into all areas of economic exchange between occupier and occupied.

The head of the military administration in France, Elmar Michel, calculated black market expenditure on the basis of the French financial contribution to German War finance (which had been in the area of 10%). He estimated

²⁹⁸ Libermann, *Does Conquest Pay?*, 69.

²⁹⁹ AN. AJ 40 870. Mbf in Frankreich. Der Kommandant von Gross-Paris. Ausfindigmachen eines Warenlagers in Paris von Dolmetscher Brucha, Hotel Meurice, September 1940.

³⁰⁰ AWG, WIFO and the Veltjens purchasing campaign will receive detailed treatment in Part Two of the study.

expenditure in France at 1.5 billion RM (30 billion ffrs);³⁰¹ this figure compares with the 1.67 billion RM (33.4 billion ffrs) for purchases handled by ROGES, the Reich commercial agency dealing with the financial side of these operations. Total ROGES expenditure of 400 million RM on the Belgian black market was also quite high, especially in comparison to the neighbouring Netherlands where only half that amount was spent.³⁰² However, the actual sums allocated to black market purchases in France were more than 6 billion RM (126,7 billion ffrs). This figure can be found in a report established in 1944 by the *Forschungsstelle für Wehrwirtschaft* (research service for war economics), with the aim of assessing the net contribution of all the occupied territories to the German war effort. This figure equals 14,7 % of French contributions to Germany (including war damages) which totalled 862,5 billion ffrs.³⁰³ Indications on the extent of military appropriation of these funds can be found in the estimates provided in the French government's post-war damages report: it claimed that most of the occupation payments (632 billion ffrs) were utilised for military purchases, and ended up in the hands of French middlemen and suppliers.³⁰⁴ Of the five purchasers listed below only *Veltjens* (ÜWA) can be termed a civilian purchasing effort:

Table 9. German purchases on the black market in France (in billion francs)³⁰⁵

<i>Purchaser</i>	<i>1941</i>	<i>1942</i>	<i>1943</i>	<i>1944</i>	<i>Total</i>
Veltjens and ÜWA	0	23.1	8.0	0	31.1
Army	5.1	15.7	19.6	4.5	44.9
RKK-Importers	0	5.2	13.2	0.4	18.8
Wehrmacht	0	12.6	15.7	3.6	31.9
Total	5.1	44.0	40.8	4.9	126.7

(RKK=Reichskreditkassenscheine)

Although no such precise figures are available for Belgium, we should presuppose a similarly heavy burden of military purchases. In late 1941 the Brussels administration went as far as admitting that all larger black market operations in Belgium involved some form of German participation.³⁰⁶ However, statistical material reinforces the claim that the Brussels administration succeeded in limiting black market exploitation in its area of command. A comparison of figures shows the substantial discrepancy in the scope of black market expenditure between France and Belgium. One of the prime elements in reducing expenditure in Belgium was the early ban on RKK enforced by the Brussels military administration. Similar measures were not taken in France until late 1943, a situation leading to

³⁰¹BA-MA. RW 24 244. Chef der Militäerverwaltung in Frankreich, 'Allgemeiner Rückblick', 58.

³⁰²'La France au Pillage. Rapport d'activité des services français des investigations financières'. Supplément à *L'actualité économique et financière à l'étranger* (septembre 1946), 27.

³⁰³ This figure includes occupation costs, billeting costs and clearing debts, s. Munz, *Die Auswirkungen der deutschen Besetzung auf Währung und Finanzen Frankreichs*, 75; Harald Winkel, 'Die Ausbeutung des besetzten Frankreich', in: Friedrich Forstmeier, Hans-Erich Volkmann, *Kriegswirtschaft u. Rüstung 1939-1945* (Düsseldorf, 1977), 361.

³⁰⁴AN. F 37 196. Dommages subis par la France et l'Union française du fait de la guerre et de l'occupation ennemie (1939-1945). Part imputable à l'Allemagne, vol 2, 157; s also Munz, *Die Auswirkungen*, 64.

³⁰⁵Christoph Buchheim, 'Die besetzten Länder im Dienste der deutschen Kriegswirtschaft während des Zweiten Weltkriegs-Ein Bericht der Forschungsstelle für Wehrwirtschaft', in: *Vierteljahreshefte für Zeitgeschichte* 34, 2 (April 1986), 117-145.

³⁰⁶CERHSGM. Tätigkeitsbericht N° 18 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1.September 1941 bis 1.Dezember 1941.

the swamping of markets with illegal RKK in the months following the ban on official black market purchasing in spring 1943. The table below demonstrates the considerable achievement of limiting black market expenditure in Belgium.

Table 10. Approximate comparison of German black market expenditure in France and in Belgium (1940-1944)

	France (in billion ffrs)	Belgium (in billion bfrs)
1) Occupation payments	631.9 ³⁰⁷	67
2) Clearing	165	62.665 ³⁰⁸
Total of 1) and 2)	796.9	129.665
Black purchases ³⁰⁹	126.7 (approx. 15.9%) ³¹⁰	8.79 (approx. 6.8%) ³¹¹

Surplus Cash and Procurement

Massive German participation in markets in the occupied territories was based on the availability of funds through occupation payments and/or clearing. Far from being limited to one country only, it was in France that German money management was most lax. More than two years into the occupation any army paymaster could avail himself of the occupation account and issue cheques cashed at the *Banque de France*; higher authority had practically no means to control military purchases in terms of appropriateness and priority. This state of affairs did not change before August 1942 when central management of occupation monies and their control through the *Intendant* were instituted.³¹² Although, in this respect, the picture was not much better in Belgium, the effect of troop purchasing was nevertheless somewhat balanced through the larger share of clearing purchases than in France. In contrast to the supervision of the occupation account these were subject to tighter control. Other evidence suggests that the military administration in Brussels was engaged in a constant effort to bar or restrict access to the occupation account. This does not seem to have been the case in Paris. It is safe to conclude that big and carefree spending attained a particular notoriety in France.

³⁰⁷Munz, *Die Auswirkungen der deutschen Besetzung auf Währung und Finanzen Frankreichs*, 75.

³⁰⁸Warmbrunn, *The German Occupation of Belgium*, 1940-1944, 244.

³⁰⁹5,45 billion bfrs from the occupation account; 3,34 billion frs from the clearing account, s. Buchheim, 'Die besetzten Länder im Dienste der deutschen Kriegswirtschaft während des Zweiten Weltkriegs-Ein Bericht der Forschungsstelle für Wehrwirtschaft', 117-45.

³¹⁰Buchheim, 'Die besetzten Länder im Dienste der deutschen Kriegswirtschaft während des Zweiten Weltkriegs-Ein Bericht der Forschungsstelle für Wehrwirtschaft', 117-145. In France these purchases were mainly financed through the occupation account. It is unclear whether and to what extent they drew on the clearing account. The French clearing-occupation payments ratio was considerably lower than in Belgium, where clearing debt almost equalled occupation payments. This ratio was sustained in black market purchases in Belgium, which drew their resources in an equal measure from both accounts.

³¹¹Buchheim, 'Die besetzten Länder im Dienste der deutschen Kriegswirtschaft während des Zweiten Weltkriegs-Ein Bericht der Forschungsstelle für Wehrwirtschaft', 117-45.

³¹²Munz, *Die Auswirkungen*, 44.

Naturally, under conditions of tightening scarcity and faced with a continental blockade the use French and Belgian francs could be put to was diminishing by the day. The reason for the accumulation of capital on Germany's occupation account at the *Banque de France* up to spring 1942 has to be sought precisely in the area of limited possibilities of spending the available money.³¹³ Therefore a case for black market purchases on a grand scale was also made by the fact that official markets were unable to absorb the excess cash put into German hands. From this perspective, the exploitation of black market resources as a measure was highly complementary to placing vast amounts of occupation monies in German hands. This viewpoint is corroborated by post-war statements of French officials of the Board of Economic Control who considered that spending astronomically high sums for black market goods was only apparently irrational, as it constituted no real sacrifice on the part of the spenders. Under unusual conditions the simple draining of resources presented the best investment of the capital available at the given time, and the German war effort simply attempted to maximise the limited purchasing potential within continental Europe.³¹⁴ The French government's post-war damages report marvelled at the efficacy of German purchasing tactics in comparison to what it termed 'classic' strategies of spoliation. To the French it was an attempt to exploit the nation and the community as a whole under the cover of business transactions, while avoiding personal strain on the individuals belonging to that national community; in fact, it was in the best of German interest, if some individuals received financial rewards for their particular willingness to collaborate.³¹⁵ This French viewpoint certainly stands the test for the first two years of the occupation, but needs to undergo serious revision as far as the remainder of the occupation is concerned. In 1941/42 the Reich leadership finally realised that the war would be a prolonged one; as a result, cost-intensive projects, such as the fortification of the French coast and the upkeep of substantial armed forces in Western Europe imposed themselves.³¹⁶ It is for this reason that Simon Karter's doctoral thesis discriminates two distinct phases in the occupation payments issue: 1940/41 which he calls the period of *French protest and German flexibility* and 1942-44, the period of *German dependence and French compliance*. Originally, the occupation costs had been calculated on the basis of one-fifth of German war costs, as a sort of pre-payment to a subsequent peace treaty. In Karter's account German demands in 1940 were determined by what they perceived as a strategic advantage that needed to be exploited with maximum effect. They feared that their position of force may be preliminary in character and that a subsequent peace deal may not offer such generous terms in claiming the full amount of their military expenditure.³¹⁷ At a very early stage in the history of the occupation payments the German authorities grew aware of the impossibility of spending their surplus cash, as the system of orderly day-by-day exploitation was

³¹³In spring 1942 the Reich's account at the *Banque de France* was credited with 80 billion francs, s. Jacques Debû-Bridel, *Histoire du marché noir 1939-1947* (Paris, 1947), 40.

³¹⁴SAEF. Fonds affaires économiques. B 49. 476 : Trafic avec l'ennemi : rapports avec le comité de coordination des recherches sur les collaborations économiques. Direction générale des prix et du contr_ le économique - 5e division. 'Le caractère officiel du marché noir allemand'.

³¹⁵AN. F 37 196. Dommages subis par la France et l'Union française du fait de la guerre et de l'occupation ennemie (1939-1945). Part imputable à l'Allemagne, vol 1, XI-XXV.

³¹⁶Coastal defense expenditure peaked between autumn 1942 and March 1943, s. AN. F 37 196. Dommages subis par la France et l'Union française du fait de la guerre et de l'occupation ennemie (1939-1945). Part imputable à l'Allemagne, vol 1, XI-XXV.

³¹⁷Simon Mathew Karter, 'Coercion and Resistance, Dependence and Compliance. The Germans, Vichy and the French Economy', (Ph.D. dissertation Ann Arbor, University of Michigan, 1976), 350.

proving inadequate to absorb the occupation francs. Apart from the period April to June, the German authorities did not spend all the instalments allocated to them through the occupation account at the *Banque de France* in 1941. The sum inscribed was in constant progression and it peaked in December 1941, having reached the equivalent of over 3.22 billion RM in French francs.³¹⁸ At the same time, German hands were tied to the official quota system with its limited purchasing possibilities.

In 1941 the Germans believed that they would not need so large a store of francs, clearly the most serious German miscalculation in the occupations payments issue during the entire four years.³¹⁹ Knowing that France was vulnerable on the issue of inflation, the Germans were willing to bargain. Thus, the 1941 negotiations on the reduction of the occupation levies turned around the essential issue of obtaining payment in nature and the surrender of assets. The refusal of the French authorities to cede on this issue should be placed in context with the simultaneous practice of direct black market purchases. In the German perspective, tapping the illegal economy was the antidote to Vichy's unwillingness to deliver more within the framework of official Franco-German exchange. Although by-passing this system implied imperilling 'good relations', the black market was the only area offering opportunities exciting enough to justify the risks. Only in 1942 did the risks start outweighing the benefits, thus prompting German counteraction. German black market intervention is an indicator of non-compliance on the part of the French and Belgian authorities who were prepared to go a long way in order to please their German overlords, especially in terms of political concessions, but who operated other principles when it came down to surrendering parts of their economic base. The military administration's economic report for 1941 states that the Vichy government was preventing exports to Germany from the unoccupied zone in order not to exacerbate scarcity in the French marketplace. Vichy asserted that the Germans were not providing the raw materials needed for the production of export goods and that the non-existence of commercial treaties in certain areas precluded any French obligation to deliver. Owing to the high differentials between French and German prices, the French authorities also encouraged the increase of export prices. Thus, the military administration objected to the introduction of the *taxe de péréquation*, a procedure siphoning-off profits made by French exporters to Germany. The proceeds from the *taxe* were utilised to lower the price of vital import goods such as iron, mineral oil, potatoes and sugar. Although the German military authorities often circumvented opposition by making use of their sovereign prerogatives, these barriers discouraged export-friendly French manufacturers.³²⁰ Control of exports from the Southern zone was enforced in a strict manner. All through 1941 the French authorities were arresting and interning commercial salesmen travelling in the Southern zone on the instructions of German services in the occupied zone.³²¹ There is nothing to prove that they were engaged in black

³¹⁸ AN. AJ 40 834. Militärbefehlshaber in Frankreich. Division Wi V. Aussenhandel, Geld-, Kredit- und Versicherungswesen - Besatzungskosten.

³¹⁹ Karter, 'Coercion and Resistance, Dependence and Compliance. The Germans, Vichy and the French Economy', 350 pp.

³²⁰ AN. 3 W 352. Wirtschaftsbericht des Militärbefehlshabers in Frankreich fuer 1941 (inkl. Januar 1942), 1. Februar 1942.

³²¹ See cases cited in AN. F 60 1481. Délégation général en territoire occupé (DGTO). Cabinet du DG, Fernand de Brinon 1941-44. Rapports avec les autorités allemandes.

market transactions, but their presence, and the reaction of the Vichy authorities to their presence, is a striking reminder of underlying intentions. A parallel should be drawn with the arrest of German intelligence agents operating in the Southern zone during 1941/42.³²² Other evidence supports the thesis that the Vichy authorities were attempting to restrict South-North exports to a minimum. In March 1942, the military administration in Paris reported to the Armistice delegation that since February of that year French customs officers were on duty at the demarcation line, with express orders to limit cross-border exports. This intention was denied: the French claimed that the deployment was motivated by the dissolution of several customs posts and the need to keep superfluous staff busy. However, what appears more important is the second reason given: preventing illegal crossings and combating the black market which was particularly virulent along the line.³²³

The entire episode recalls the limitations of German power and its high degree of dependence on the local and national administrations. The occupier was conscious that coercion would yield few returns in a situation characterised by the priority of relaunching production. Requisitions, a much-utilised exploitative practice in the first months of the occupation, were equally ineffective, and they were only reverted to in the agricultural sector towards the end of the occupation. Faced with the limitations of official quota policy, the Germans discovered black market exploitation as a procurement alternative.³²⁴

Fund Mismanagement

Despite the long-running myth of efficiency and organisation, German control of these masses of funds was never more than fragmentary and their allocation often took the character of self-service. Sharing the prey was difficult and the services entitled to claim funds acted more like a pack of lions than parts of a sophisticated bureaucracy running a military occupation. Consequently, rational criteria such as 'priority' or 'necessity' were disregarded in favour of an approach that regarded a claimant's ability to enforce his demands as the *ultima ratio*. Air force monopolisation of a substantial part of the 'cake' was founded on the grounds that the *Luftwaffe* in Western Europe constituted part of the combat troops rather than of the occupation forces. This reasoning continued to be used against rival claimants long after its main zone of operations and, accordingly, most of the effective troops had shifted to the Eastern front.³²⁵ All the services interested in getting a foot in the door adopted such a rationale to underpin their claims. Another important move in order to cover oneself was to get close enough to Hitler - the ultimate source of legitimacy - in order to kill off all potential criticism. This was the case in early 1941, when General Field Marshal Speerle asked for permission to transfer currency exceeding his military pay to an account in France. As a matter of form Göring submitted the affair to Hitler's approval who - business as usual - left the final decision to the supplicant. Göring then

³²²Between January 1941 and November 1942, 170 German agents were arrested by the Marseille *Surveillance du territoire*. 12 were condemned to death, but then released following German representations, s. Simon Kitson, 'The Marseille Police in their Context: From Popular Front to Liberation, (D.Phil dissertation, Sussex University 1996), 126.

³²³F 60 1482. Militärbefehlshaber in Frankreich. Kommandostab Ic an DGTO, betr. Beschränkung der Warenausfuhr aus dem unbesetzten in besetztes französisches Gebiet, 10. März 1942.

³²⁴Direct requisitioning of agricultural products was abandoned in August 1940 in favor of quota purchasing, s Karter, 'Coercion and Resistance, Dependence and Compliance. The Germans, Vichy and the French Economy', 224.

³²⁵Gillingham, *Belgian Business in the Nazi New Order*, 101-124.

pontificated that Speerle could transfer as much savings as he wished, either in French francs or RKKs. In full knowledge of the explicit contrary regulations of the military governor in France he insisted that such action was not liable to prosecution.³²⁶ This charter hardly represented a step forward in clearing the Augean stables of corruption in the territories.

Although there is little evidence on what was happening on ground level, the available documentation points to insufficient control and a relatively lax management of financial resources. The fact that some Germans found themselves outside Reich jurisdiction fostered a frontier mentality that was the perfect complement to already rampant victor's euphoria and delusions of superiority. The relative material abundance of Western Europe had ineluctably aggravating effects on such dispositions and led to economic delinquency on a level unknown in Germany.

The military administration in Belgium complained in its summer 1941 report that German black market involvement had grown out of proportion and that the lack of centralised procedures and war-determined priorities led to misuse or even waste of valuable resources: In one illegal store belonging to an official German construction agency (probably OT), vast amounts of metals were discovered, amongst them 20 tons of soldering tin - an amount corresponding with 25% of annual Reich consumption. Judging by their sheer extent, the military administration conjectured that these metals did not originate from secret stocks, but were branch-offs from official resource allocations. Thus, more than a year before it finally became conventional wisdom that the fixation on secretly hoarded extensive stockpiles of pre-occupation quality was humbug, the administration was already well aware of the dangers of black market purchases to legal production. The blame for this situation was squarely put on ground-level German services whose lack of discipline led to systematic waste: One German service was caught while attempting to buy 500 kilometres of white flag cloth, enough '*to plaster the Autobahn from Cologne to Berlin*', as a German report commented wryly. Another applied for an amount of tin corresponding with 50% of the entire German monthly consumption in Belgium and Northern France; in order to set up the foreign edition of a German magazine, which, despite its appeal, the administration qualified as '*surely not war-determining*'. In the last cited case of wasteful practices, 30 kilometres of quality linen was to be used to decorate a troop theatre. Security regulations made it difficult to brief troops on the resource situation, but even the higher quarters of the military hierarchy - who had the means to put an effective check on waste - were clueless about the actual scarcity of raw material resources.³²⁷

German auto-perpetuation of the black market had perverting and subversive effects, in particular on military discipline and moral. A SIPO-SD informer in Brittany reported in April 1942 that economic and moral corruption

³²⁶Institut für Zeitgeschichte, Munich (IfZ). Nuernberger Dokument NOKW-2667. Luftflottenkommando 3 (Der Chef des Generalstabs). Memo, 21 März 1941; Göring himself, like other Reich dignitaries, availed himself of the occupation account: thus, on 8 March 1941, Karl Haberstock, an art dealer and his official purchaser, received 207,000 RM out of this account, s. AN. F 37 196. Dommages subis par la France et l'Union française du fait de la guerre et de l'occupation ennemie (1939-1945). Part imputable à l'Allemagne, vol 2, 157.

³²⁷CERHSGM. Tätigkeitsbericht N° 17 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1.Juni 1941 bis 1.September 1941

was rife in the German military building sector. Air force and navy building site offices had a predilection for employing French firms, as these were easier prey to corruption and could be persuaded to forge their books and calculations. They also preferred French firms because these were able to provide them with quality food and consumer goods. The SIPO-SD found it unacceptable that French firms were gaining detailed insight into top-secret military installations and claimed that in one case intelligence had been passed on to a German *agent provocateur* posing as a British agent. Besides, French firms had no interest in conducting first-class work and charged higher prices. Although the SIPO-SD acknowledged the difficulties of labour procurement, it recommended that work should be split. French contractors should no longer be involved in the planning procedures, but be assigned merely executive tasks.³²⁸

There is strikingly little evidence on what the Germans proposed to do about corruption in their own quarters. Admiral Canaris, the head of *Abwehr*, attributed the spread of corruption to the augmentation of the Wehrmacht to wartime strength: many of the new draftees were dwarfed by their tasks and had had no time to stand the test. Economic expansion had also led to the recruitment of firms that were less rigorous in their business ethics than the handful of firms in the peacetime armaments sector. Therefore bribery was an imminent danger to be reckoned with. The antidote suggested to counter this threat - exhaustive briefing sessions of military personnel - points to ignorance and an astounding lack of imagination in the *Wehrmacht* hierarchy.³²⁹ That such action was utterly insufficient is demonstrated in the military administrations' continuous admonitions and 'bans' on individual German blackmarketeering throughout 1941 and 1942 that went entirely unheeded. Racial prejudice and delusions about the superior moral quality and incorruptible character of the 'master race' may have played an equally important role. It could also be conjectured that corruption had attained dimensions such that the pervading reflex was to turn a blind eye. This reflex extended well into the higher echelons. The military commander in Belgium, General von Falkenhausen, was on singularly intimate terms with Countess Ruspoli, more widely known under the name 'Queen of the black market'.

The German procurement system had its peculiar rules and practices, and was highly susceptible to fraud: with no effective central resource allocation system, *Sonderausweise* (special permits) became the crucial attribute of black market proliferation. This situation was not helped much either by the commissioning of special envoys or representatives - whose interests often conflicted - as a routine practice of solving specific problem areas. German trust in paperwork and bureaucracy was counter-productive and worked against the occupier. *Ausweis* mania led to effective subversion of the entire system. Many resistance workers used this weakness to their advantage. For blackmarketeers and organised crime, possession of an *Ausweis* was a guarantee against prosecution by the local authorities and thereby became an essential item.

³²⁸AN. F 7 15144. BdS Abt VI N Bericht aus Bretagne von zuverlaessigem Gewaehrsman, 21. April 1942.

³²⁹OKW (Canaris), Rundschreiben (Geheim) betr. Korruption zum Nachteile der Wehrmacht, 18 Juni 1941.

Merely those blackmarketeers catering exclusively for the French black market or those caught cheating on their German clients could get into any trouble at all. The military administration was conscious that abuse was rampant. The February 1941 activity report of the head of military administration in Belgium and Northern France, Reeder, mentions some particularly hair-raising fraud cases involving permits: of the *Ausweise* seized from unauthorised persons, many had been left blank by the German issuing bodies, thus giving users the opportunity to engage in limitless purchases. Forgeries were equally easy, especially after one German firm had passed on over 700 official German stamps to its numerous Belgian sub-contractors.³³⁰ *Already accredited black market suppliers could equally manipulate Ausweise*: even in cases where requirements were specified, they were abused for far more extensive acquisitions. In September 1941 the military governor in France, Otto von Stülpnagel, reiterated his admonition to restraint in providing letters of accreditation to non-Germans.³³¹ In its 1941-42 annual directives bulletin, the *Wehrmacht* also recommended the neutralisation of *Ausweise* as the most important way of combating the 'vendor plague'.³³² However, to no avail. *Wehrmacht* supply orders presented the same problem: FK 755 Le Mans reported in March 1941 that the air force post service in Paris had issued itself *Wehrmacht* supply orders and that these were circulating amongst units.³³³ Only in March 1943 was *Feldgendarmerie* in France allowed to withdraw from circulation all German black market accreditations found on French intermediaries, '*as these only served to camouflage purely French trafficking in the event of French police intervention*'.³³⁴ The drastic steps taken in 1943 against several high-ranking officers of the *Militärverwaltung* in Belgium and against forty Germans in Caen (France), some of whom were sentenced to death, testify to the extremes corruption and trafficking had attained by then.³³⁵

³³⁰ CERHSGM. Tätigkeitsbericht N° 14 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Februar 1941-28. Februar 1941, 25.

³³¹ AN. AJ 40 775. Militärbefehlshaber Frankreich, Kdo-Stab Abt Ic, Rundschreiben, betr. Empfehlungsschreibenwesen, 17. September 1941.

³³² AN. F 7 15143. Der Oberste Befehlshaber der Wehrmacht (Geheim). 'Abwehr von Spionage, Sabotage und Zersetzung in der Wehrmacht', Jahresverfügung 1941/42.

³³³ AN. AJ 40 919. Der Chef des Militärverwaltungsbezirks Bordeaux, II C 1 Landwirtschaft, 31 März 1941.

³³⁴ AN. AJ 40 900. Militärbefehlshaber in Frankreich-Kdo-Stab Abt 1a/Höhere Feldgendarmerie, Merkblatt: 'Kontrolle Strassen- u Eisenbahnverkehrs zwecks Bekämpfung des schwarzen Marktes', 20. März 1943.

³³⁵ CERHSGM, JF 6: Testimony of Alfred Naujocks, Nuremberg, 11 September 1945 (copy of document from Record Group 232 'Collection of World War II War Crimes'). AN. AJ 41 335. Entretien Bonnafous, Casanoue, Reinhardt, Schoppmann, Schroeck, 29 avril 1943.

II CHRONOLOGY POLICY AND PRACTICE OF GERMAN BLACK MARKET EXPLOITATION

1. German Initiation to the Black Economy (1940/41)

After the war, Inspector Paul Petit of the French economic police qualified German economic activities during the occupation as the '*most extensive network of corruption, trafficking, treason, blackmail and denunciation the country had ever known*'.³³⁶ This state of affairs owed much to the German black market purchasing agencies working under an appearance of legality and special envoys dispatched by Reich services into the occupied territories. The examples of semi-official illicit trading soon found a multitude of imitators - Germans, French and foreigners alike.

The very first professionally run purchasing agencies were founded by the military in 1940/41. This underlines their tendency to rely on the resources of the occupied territories.³³⁷ The air force and the navy, both launching military operations from French soil, were pioneers in this sector.³³⁸ As the war dragged on, the principle of 'living off the land' became even more pervasive. After the failure of the *Blitzkrieg* the occupied territories also had to provide food supplies to Germany and to the troops in the East. Henri Michel counted a staggering 220 agencies in the French capital alone, most of whom operating in a particular market niche.³³⁹ There are no total figures for the whole of France; the available documentary evidence reveals that Navy Group West disposed of 110 procurement agencies which were entirely out of administrative reach. Another 22 services were charged solely with economic penetration and exploitation. To this one must add hundreds of German business representations and industrial envoys who intervened directly in production.³⁴⁰

The initial cause of direct black purchases has to be sought in the chaotic conditions in the wake of the 1940 cease-fire. The behaviour of the German troops put further strain on an already delicate supply situation: Pillaging and requisitioning occurred on a massive scale (the phase of *Ausräumung*), until at least spring 1941.³⁴¹ The military administration in France admitted later, that despite the delivery arrangements with the French authorities of October 15, 1940, troop self-procurement was continuing.³⁴² The French authorities found themselves in no position to

³³⁶ Citation taken from Marcel Hasquenoph, *La Gestapo en France* (Paris, 1975), 53-72.

³³⁷ On the issue of German black market exploitation, see AN. F 37 196. Dommages subis par la France et l'Union française du fait de la guerre et de l'occupation ennemie (1939-1945). Part imputable à l'Allemagne; La France au Pillage. Rapport d'activité des services français des investigations financières'. Supplément à *L'actualité économique et financière à l'étranger* (septembre 1946); Administration du Contr_Le Économique, 'Le marché noir allemand en France', *Cahiers d'histoire de la guerre*, 4 (mai 1950), 46-71; Gillingham, John, *Belgian Business in the Nazi New Order* (Gand, 1977), 101-124; Verhoeyen, Etienne, *La Belgique occupée - De l'an 40 à la Libération* (Bruxelles, 1994), 215-229.

³³⁸ CERHSGM. Tätigkeitsbericht N° 10 der Militärverwaltung in Belgien und Nordfrankreich, Oktober 1940.

³³⁹ Administration du Contr_Le Économique, 'Le marché noir allemand en France', *Cahiers d'histoire de la guerre*, 4 (mai 1950), 46-71.

³⁴⁰ BA-MA. RW 35 721. Militärbefehlshaber in Frankreich. 'Deutsche Wirtschaftspolitik in Frankreich', Untersuchung von Oberst Dr Krull, 10. Juli 1943.

³⁴¹ Nestler, Ludwig. *Die faschistische Okkupationspolitik in Frankreich 1940-1944*, 61; for the situation in Greece see Mazower, Mark, *Inside Hitler's Greece*.

³⁴² Hans Kistenmacher, *Die Auswirkungen der deutschen Besetzung auf die Ernährungswirtschaft Frankreichs während des Zweiten Weltkriegs* (Tübingen 1959), 104 pp.

provide a system powerful enough to co-ordinate and satisfy the pressing German demands in a routine manner.³⁴³ As a consequence, supply to the civilian population remained precarious during winter 1940/41, when German market intervention was particularly volatile and incalculable. For a long period, the German administration retained a prerogative to priority shopping in the large food markets. One military official charged with food procurement at the Paris *Halles* went to such extremes of trafficking that he was posted home in winter 1941.³⁴⁴ By 1941, the bad habits had taken root: although troop purchasing was now conferred on the quartermasters, the latter abused their authority and turned to the black market where they bought '*anything, at any price*'.³⁴⁵ This situation only improved slightly in 1942. WIFO (later ROGES), the central Reich agency charged with the procurement of war booty and raw materials from the occupied territories, intervened on Western European markets from the very beginning of the occupation. ROGES was principally a commercial firm in public ownership which received its directives from Reich ministries and the *Reichsstellen*, the corporatist bodies of the German economy. It was in charge of the funding of purchasing agencies and supervised transportation to Germany. In spring 1941, the ROGES agency in the French capital commissioned metal purchases at grey market prices which were executed by *Reichsstellen* specialists dispatched on a temporary assignment. Some used former business contacts in France in order to evade supervision altogether. Their influence on price-fixing and payment was such that '*almost all contracts left the impression that the interest of the Reich had not been taken into consideration the way it should have been*'.³⁴⁶

In summer-autumn 1940 the *Abwehr* (military counter-intelligence) set up base in Paris, opening the doors wide open for Organisation OTTO, the most important German purchasing agency in France, which started its activity in January 1941. Like other agencies of this type, OTTO was a two-headed hydra combining clandestine commercial activities with secret warfare and counter-espionage. The head of this organisation was Hermann Brandl, a German engineer and long-time *Abwehr* agent who operated under the code name 'Otto'. The military administration endorsed this activity, despite its absence of direct links with 'Otto' who communicated directly with *Abwehr* HQ in France. This support went so far that the Paris administration attempted to impose OTTO as the only accredited German black market purchaser in February 1942, following steps taken by their Brussels counterparts.³⁴⁷

There can be little doubt that the *Abwehr* arrived in France with an important documentary base and saw its first and foremost economic task in localising and draining stocks of hidden strategic raw materials, in the occupied as well as in the unoccupied part of France. Operations in the latter zone were a blatant violation of Vichy's sovereignty and the

³⁴³ SAEF, B 57.046. La cour des comptes au cabinet du premier ministre. Note pour le cabinet du ministre des finances, 25 avril 1945.

³⁴⁴ 3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. Etat-major particulier du Général de Gaulle à Londres. Situation de l'agriculture et du Ravitaillement en France, 25 janvier 1943.

³⁴⁵ SAEF, B 57.046. La cour des comptes au cabinet du premier ministre. Note pour le cabinet du ministre des finances, 25 avril 1945.

³⁴⁶ AN. AJ 40 780. Militärbefehlshaber in Frankreich, Roges Sonderberichte, 1941. Notiz Dre/Ho betr. Metalsachverstaendige, 5. April 1941.

³⁴⁷ Bericht der Gruppe Gewerbliche Wirtschaft beim Militärbefehlshaber Frankreich über die Ausnutzung des Schwarzmarktes, 27. Februar 1942, in: Nestler, *Die faschistische Okkupationspolitik in Frankreich (1940-1944)*, 201.

need for camouflage explains why the Abwehr was charged with this commission.³⁴⁸ At first, Abwehr purchases in unoccupied France focused on currency and foreign securities, plus raw materials that were to be sold on the world market. However, the Germans soon altered their approach in favour of direct purchases of strategic materials.³⁴⁹ In December 1940 the Quadrennial Plan commissioned 'Otto' with the purchase of 300,000 litres of olive oil, 400 to 500 tons of soap, 200 tons of coffee and unlimited raw materials for soap production, all of which were exported to the occupied zone. Subsequently, this brief for secret procurement was extended to other products. OTTO covered its tracks by passing orders through a French intermediary firm, *Transmare*, which bluffed many producers into believing that they were dealing with French clients. This proved an important step in circumventing French reluctance to supply the German occupier directly.³⁵⁰

As the table below shows, OTTO purchases were most substantial in metals, soap products, textiles, leather and leather products, and they later also integrated tools and machines-tools.³⁵¹ OTTO deployed a prodigious energy and within months the service had expanded its total staff number to 400, most of whom were experts in a specific sector of the economy. In addition, a sub-system of about 30 satellite bureaux run by *Abwehr* agents was founded, each of which could fall back on vast numbers of intermediaries.

Table 11. Early *Abwehr* purchases in France (up to Feb 1941)³⁵²

Type of goods	Procured (17-02-41)	Procurement possibilities
Lead	110 tons	Unlimited
Brass	39 tons	Unlimited
Nickel	3,6 tons	Unlimited
Copper	125 tons	Unlimited
Zinc	6 tons	unlimited
Shaving soap	18 610 pieces	-
Soap suds	11 tons	15 tons (per week)
Washing soap	50,000 pieces	6,000 pieces (per day)
Fabrics (English wool)	4,750 metres	-
Fabrics (knitting wool)	-	20 tons
Children's underwear	20,000 sets	-

³⁴⁸A rather telling example of extent and importance of such clandestine commercial activities is the importation of motor vehicles from the Southern zone. Up to June 1941 13,000 heavy goods vehicles were bartered against goods worth 1 billion francs. In spring 1942, Amt *Abwehr* entrusted all these purchases to a specialist agency, the *Interkommerziale*, s. Telegram of Hans-Richard Hemmen to Emil Wiehl re France's financial charges, 16. Februar 1943, in: Nestler, *Die faschistische Okkupationspolitik in Frankreich (1940-1944)*, 259; AN. AJ 40 774. Militärbefehlshaber in Frankreich, Wirtschaftsabteilung, Abt. Gewerbliche Wirtschaft und Energie (Wi II), Beauftragter für den Vierjahresplan, Reichskommissar für die Preisbildung an WIFO (Berlin), betr. Ausfuhr von Waren in unbesetztes Frankreich, 22. März 1941; Lieferung von 13 000 Lkw aus unbesetzter Zone gegen Ausfuhr von Waren im Werte von 1 Milliarde ffrs in unbesetztes Frankreich, Juni 1941.

³⁴⁹In December 1940, the Germans discovered that French francs exchanged for 'hard' currencies in Switzerland were being used for Swiss purchases in the unoccupied zone, s. AN. AJ 40 774. Mbf in Frankreich. Schreiben Amt Ausland/Abwehr OKW (Toeppen) an den Vierjahresplan (Dr Kadgien), betr. Ankauf von Waren im unbesetzten Gebiet, 27 Dezember 1940.

³⁵⁰BA-MA. RW 19 2396. Wehrwirtschafts- und Rüstungsamt. WIFO-ROGES. Aktennotiz betr. Transmare Aufkaufe fuer die Organisation Otto in Suedfrankreich, 17. Februar 1941.

³⁵¹Delarue, *Trafics et crimes sous l'occupation*, 31-33.

³⁵²BA-MA. RW 19 2396. Wehrwirtschafts- und Rüstungsamt. WIFO-ROGES. Aktennotiz betr. Transmare Aufkaufe fuer die Organisation Otto in Suedfrankreich, 17. Februar 1941.

Linen cloth	-	25,000 pieces
Men's shoes	6,000 pairs	100,000 pairs (leather)
Children's shoes	5,000 pairs	30,000 pairs (leather)
Sweaters (pure English wool)	25,000 pieces	50,000 pieces
Parachute silk	1,400 metres	150,000 metres

By early 1942, 'Otto' had covered France with an extensive network of touts and agents, extending well into the unoccupied zone.³⁵³ At about the same time, he also started purchasing second-hand clothes destined to the German administration in Poland, the SS and German armaments factories, via the Reich Ministry of Economic Affairs. OTTO was seconded by two members of the German firms *Kontropa* and *Bunzl & Bach*. Rohrwasser, an executive of the latter firm, co-operated, no doubt in order to exert an influence on the adoption of price ceilings. He agreed to play his French contacts in the trade, as a move designed to prevent OTTO from single-handedly ruining the firm's legal rag purchases in France with inflated prices.³⁵⁴

OTTO's gross expenditure during the occupation has been estimated at 50-60 billion ffrs.³⁵⁵ From October 1941 to Autumn 1942, ROGES allocated OTTO a daily sum of 50 million francs. At the height of German purchasing, expenditure rose to a daily average of 150 million and peaked two days before Christmas 1942, at 322 million francs. About forty fully loaded railway trucks per day parted from the OTTO storing complex at St Ouen-les-Docks, just outside Paris.³⁵⁶

OTTO's most important *fournisseur* was the self-made man Joseph Joinovici, a Bessarabian Jew who had immigrated to France in the 1920s and become rather successful in the scrap metall trade. Already before the war he was a millionaire. His wartime collaboration with OTTO made him a billionaire.³⁵⁷ His counterpart, serving above all the Navy and eventually the SS, was a man born in Tsarist Russia, Mandel (Michel) Szkolnikov. He arrived in the French capital in 1933, after an odyssey across Eastern Europe, and set up a textile company in the Sentier area. The very special (and at times surreal) context of the occupation, where, according to former *commissaire de police* Jacques Delarue, '*the imaginable was not only possible, but actually realised*³⁵⁸', is once more attested by the fact that the SS employed a Jewish immigrant to handle the bulk of their black market business in France. Szkolnikov's clandestine methods which were adapted to the system of independent companies set up by Fritz Engelke, the WVHA envoy in France, were even subtler than those of Joinovici were. Szkolnikov was also a 'pure blackmarketeer', in the sense that he no longer felt any need to mix 'business' and 'police duties', and he reinvested his profits in real estate and valuables with the help of several bankers, among them Martinaud of BNCI (*Banque nationale pour le commerce et*

³⁵³ Bericht der Gruppe Gewerbliche Wirtschaft beim Militärbefehlshaber Frankreich über die Ausnutzung des Schwarzmarktes, 27. Februar 1942, in: Nestler, *Die faschistische Okkupationspolitik in Frankreich (1940-1944)*, 201.

³⁵⁴ AN. AJ 40 778. Militärbefehlshaber in Frankreich. Wirtschaftsabteilung. Referat Wi II/J 1, Vermerk betr. Kauf von Altkleidung (Schwarzmarkt), 15. April 1942; Vermerk betr. Gespräch mit Rohrwasser und Hofmann, 16. April 1942.

³⁵⁵ Administration du Contrôle Économique. 'Le marché noir allemand en France', 68 ; Hazéra, Rochebrune, *Les Patrons sous l'occupation*, 192 pp.

³⁵⁶ SAEF, fonds affaires économiques. Direction générale des prix et du contrôle économique (5e division). Dossier B 49. 476: Trafic avec l'ennemi: rapports avec le comité de coordination des recherches sur les collaborations économiques. Chemise: 'Le caractère officiel du marché noir allemand'.

³⁵⁷ He is reputed to have gained 4 billion ffrs during the occupation, s. Rochebrune/Hazéra, *Les patrons sous l'occupation*, 265.

³⁵⁸ Interview of author with Jacques Delarue, 28 April 1999.

l'industrie).³⁵⁹ As early as December 1940, Szkolnikov had informed his staff that he no longer held it necessary to maintain any accountancy, as he enjoyed German protection.³⁶⁰ Contrary to other black market professionals he also saw no necessity to hide behind the cover of intermediaries and fictitious companies, but dealt directly with his German business partners. Charged with the purchase of leather, textiles and metals destined to Waffen-SS units, Fritz Engelke, a former commercial tradesman and staff officer of Oswald Pohl, the head of WVHA, arrived in the French capital towards the end of 1942. In January 1943, the SS outpaced OTTO in terms of expenditure, attesting to their unstoppable rise to power.³⁶¹ Szkolnikov was one of the prime beneficiaries of this ascendancy.

The initial logic of the *Abwehr*'s black market activity was closely linked to the building of networks used for intelligence gathering, infiltration and the recruitment of auxiliaries. In summer 1940 a German final victory and a consecutive withdrawal from France in the near future seemed like an imminent possibility. The establishment of intelligence networks in France was one of the steps taken for this post-war period, and the most convenient camouflage was provided by the presence of German economic services, firms and magazines which were all relatively easy to infiltrate. As is customary in intelligence work, German agents' main cover was the fact that they exerted proper professions. Brandl, who had spent many years working as an engineer in Brussels, was no exception to this rule. Many *Abwehr* officers managed to pass as Frenchmen by claiming that they were born in Alsace-Lorraine, a part of France annexed by the Reich in 1940.³⁶² A definite link also existed between intelligence gathering and the employment of local black market intermediaries. According to the military administration in Belgium, unemployment was the prime element in motivating civilians to propose their services as *Warenvermittler* (market intermediaries) to the Germans.³⁶³ Playing the go-between on the black market could also be an option for people working in the service sector where wages remained low: such was the case with hairdressers, hotel porters and officials. Denunciations were equally important. Marcel Baudot estimated that 50-55% of denunciations to the occupying authorities in France was the handiwork of regular or occasional informers who received payment.³⁶⁴ Many had black-market connections and French informers received a 5% commission for information leading to the requisition of black market stocks or goods entering into the category 'war booty'. Early in the occupation, the

³⁵⁹ Szkolnikov's assets were worth 4 billion ffrs at the end of the occupation, comprising - among other things - several dozens of sumptuous apartment buildings and luxury hotels in Paris, on the French Riviera and in other prime locations, s. La France au Pillage. Rapport d'activité des services français des investigations financières', 60; when Szkolnikov and his mistress were apprehended by Spanish police in May 1944, they were found in possession of jewels worth 800 million ffrs. After its release the couple resided in Madrid, where Szkolnikov died under mysterious circumstances in June 1945, s. Rochebrunne/Hazéra, *Les patrons sous l'occupation*, 306.

³⁶⁰ Delarue, *Trafics et crimes sous l'occupation*, 64.

³⁶¹ With an expenditure of 1,240 million francs, SS purchases constituted the third-largest item on the German occupation account. Only ROGES expenditure was higher (3400 millions de francs). The second largest item was reserved for war costs in Northern Africa (1,700 million francs), s. Telegramm von Hans-Richard Hemmen an Erich Wiehl, 16. Februar 1943, in: NESTLER, *Die faschistische Okkupationspolitik in Frankreich 1940-1944*, 259.

³⁶² Mader, Julius, *Hitlers Spionagegenerale sagen aus. Ein Dokumentarbericht über Aufbau, Struktur und Operationen des OKW-Geheimdienstes Ausland/Abwehr mit einer Chronologie seiner Einsätze von 1933 bis 1944*, Berlin, 1971, 79-81.

³⁶³ CERHSGM. Tätigkeitsbericht N° 1 der Militärverwaltung in Belgien und Nordfrankreich, 2. August 1940.

³⁶⁴ The remainder was accounted for by denunciations of other civilians: 40 % had a political background, 10 % a personal background (such as vengeance or maliciousness), s. Serge Halimi, *La délation sous l'Occupation*, Paris, 1983, 24.

SIPO-SD in Belgium recruited a number of agents who were paid by the AWG. These agents served as intermediaries to potential clients, but their principal task was the identification of secret stocks. Once located, the SIPO-SD intervened directly, seizing the goods in question and arresting the proprietor(s). In September 1940, III d 2, a SIPO-SD department working on economic and financial issues, employed five such agents in Belgium, each earning between 150 and 400 RM, plus a 6% commission. Three others worked on a commission basis only.³⁶⁵ In one documented case, in May 1941, such an informer revealed a black market sale of several tons of wheat in Oviviers-la-Boiselle, near Arras, which was seized. The farmer was jailed at Lille-Loos prison.³⁶⁶ Another case is documented for summer 1942, when confidential information provided by an agent led to the seizure of 9 tons of sole leather, 6 tons of waste sole leather, 16,000 foot shoe uppers, 6,000 pieces of lamb fleece, 200,000 rabbit furs, 42 kilometres of linen, six tons of raw wool, seven tons of processed wool and two and a half tons of wheat flour.³⁶⁷ Intermediaries could also provide information in order to reinforce their standing with the occupying authorities, as a proof of their loyalty and trustworthiness. One Aimé Corneille from Paris served as a supplier to the Admiral-in-Command in France and other German services. He appeared twice within the same week of July 1941 at the office of the *Kommandant* of Greater Paris with information about 'anti-German behaviour' in his neighbourhood. The surviving German report insinuated that this avid informer was a frequent visitor to the office.³⁶⁸ Radecke, the 'right hand' of 'Otto' also set up units of indigenous die-hard collaborators, many with a criminal record. This choice was as deliberate as the liberation of hundreds of common law prisoners from Fresnes prison between June and September 1940.³⁶⁹ The best known of these was the Bony-Lafont gang.³⁷⁰ They made their début as *Abwehr* auxiliaries in 1941, pursuing deliverers who had not been 'correct' with 'Otto'.³⁷¹ Since the onset of occupation the detention of gold and foreign currency was subject to declaration, but Jews and enemy aliens were banned from retaining either. Lafont gave a helping hand to the *Devisenschutzkommando* (currency protection unit) which was chasing undeclared gold and currency belonging to these two groups. Not surprisingly, the gang failed to declare the fruits of all seizures, which landed in their own pockets. Lafont became a personality of *tout Paris*, trafficking influence, and even successfully bribing high SS officials such as Helmut Knochen. 1943 was the year when attention was shifting towards the combat of the emerging resistance. Long before that, Lafont, like most of the

³⁶⁵BA-MA. RW 36 364. Militärbefehlshaber in Belgien und Nordfrankreich. AWG-Schriftverkehr. Schreiben III d 2 - Har./Gru (SIPO-SD) an Militäerverwaltungschef Reeder, 23. September 1940, betr. Bezahlung und Unkostenerstattung der für die hiesige Dienststelle tätigen belgischen Agenten.

³⁶⁶AN. AJ 40 795. Militärbefehlshaber in Frankreich. SIPO-SD III D Dr Boe/Kl, Paris an Mbf Wirtschaftsabteilung betr. Bekämpfung des Schleichhandels, 7. Juli 1941.

³⁶⁷CERHSGM, Bericht Nr 21 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Juni bis 1. September 1942, 15. September 1942.

³⁶⁸AN AJ 40 869. Kommandant von Gross-Paris an Geheime Feldpolizei, re Verbreitung von Greuelnachrichten über die Behandlung französischer Kriegsgefangener, 5. Juli 1941; AN AJ 40 870. Kommandant von Gross-Paris an Abwehrstelle Paris, 10. Juli 1941.

³⁶⁹BA-MA. RW 35 635. Der Vorsitzende der französischen Delegation bei der Deutschen Waffenstillstandskommission, General DOYEN an General VOGL, Vorsitzender der Deutschen Waffenstillstandskommission, 23. Juli 1941.

³⁷⁰For literature on GESTAPO auxiliaries in Paris, s. Jacques Delarue, *Trafics et Crimes sous l'occupation*; Jacques Delarue, 'La bande Bonny-Lafont', in: *L'Histoire*, numéro spécial (1985), 63- 9 ; Hazéra, Rochebrune, *Les Patrons sous l'occupation*, 183-279.

³⁷¹Hazéra, Rochebrune, *Les Patrons sous l'occupation*, 208.

other *equipes de choc* had set their cards on the ascending SIPO-SD. He was too important an auxiliary in order to be affected by the dissolution of the purchasing agencies in spring 1943. Thus, the Bony-Lafont gang was serving simultaneously the *Abwehr* and Boemelburg, head of section IV (GESTAPO) at SIPO-SD HQ in France. Circulating in German uniform around Paris, the military administration complained about the gang's 'irregularities'; to no avail, as both *Abwehr* and SIPO-SD relied heavily on home-bred collaborators who took initiative.³⁷²

The troops stationed in France were the other important German black market customer. The documentary evidence reinforces the overall impression that, as so often, one hand did not know what the other was doing. In early 1941, *Feldkommandatur* (FK) 605 in La Roche-sur-Yon apprehended several poultry and egg purchasers, carrying with them letters of accreditation issued by the central military administration in Paris, very probably the Supplies Corps. When the FK reported this incident to its superior in Angers it stressed the fact that all food purchases were the sole liability of the FKs and asked for the relevant Paris service to be informed.³⁷³ The regional military administration in Northwestern France complained that fruit and vegetable allocation through the French groupements was not up to German expectations. Part of the blame was put on Parisian wholesalers whose superior purchasing power had a suction effect in the countryside in summer 1941.³⁷⁴ By the end of the same year troops stationed around Quimper (Brittany) were abandoning the somewhat monotonous staple diet of carrots or cabbage they received from wholesalers with an official accreditation. The delivery of fruit had failed altogether and other foodstuffs remained under embargo in the non-occupied zone. '*Troops*', it was said, '*are adapting to self-procurement*'.³⁷⁵ Obviously, private operators offered the best solutions in bypassing the inefficient official allocation system. Under the prevailing circumstances, direct orders to French firms metamorphosed into black procurement in no time. The military commanders effected troop purchases on behalf of their units. They have to be dissociated from the purchases of individual soldiers and German civilians, which were often illegal even by the broadly defined German standards. Considering Göring's refusal to wind down the amounts of goods soldiers on leave could take out of the country, the borderline between legal and illegal was thin, indeed. An assessment of individual black market purchases was drafted up by the *Wehrmacht's* Research Bureau for Military Economy (*Forschungsstelle für Wehrwirtschaft*) in 1944: While the figure of clandestine *Wehrmacht* purchases with official approval was estimated at around 10% of the total, the report concluded that military personnel in France had effected up to 50% of their personal purchases in the parallel economy. Many of these purchases were conducted with RKKs, but in other cases a little more criminal energy may have been necessary. The military administration's awareness of the problem was only matched by its lack of power; especially as the German military courts were adamant in their refusal to pass sentences on individual soldiers involved in the black market, on the grounds of its encouragement by many superior

³⁷²AN. 3W 358. Haute Cour de Justice (HCJ). Interrogatoire Knochen, cinquième audition, 6 janvier 1947.

³⁷³AN. AJ 40 919. FK 605 (La Roche sur Yon) an Verwaltungsbezirk B (Angers), betr. Einkauf Lebensmittel durch Militärbefehlshaber Paris, 7. Februar 1941.

³⁷⁴AN. AJ 40 919. Militärbefehlshaber in Frankreich, Militäerverwaltungsbezirk (MVBez) B (Angers). Telegram KHQu Korpsintendant Roem. an MVBez B Angers, OKVR Dr Friedrich, 2. Dezember 1941.

³⁷⁵AN. AJ 40 919. Militärbefehlshaber in Frankreich, Militäerverwaltungsbezirk (MVBez) B (Angers). FK 752 (Quimper) an Bezirkschef B, Wirtschaftsabteilung, 3. November 1941.

authorities. A partial clampdown only came in spring 1943, in the wake of Göring's interdiction order, and after the banning of RKKs at the end of 1943. The Wehrmacht's secret 1941/42 annual instructions on measures against espionage, sabotage and subversion stressed that all access to military installations and barracks for trade purposes was prohibited. Contrary to orders, certain individuals had introduced themselves by the means of recommendation letters of sympathetic officers or under various other pretexts. Particularly irresponsible was the behaviour of a number of troop commanders who allowed traders to stage sale sessions in front of assembled companies, and who were rewarded with a commission or payment in kind. '*Young soldiers*', it was said, '*were hoaxed into instalment payments that in no way corresponded with their military pay*'.³⁷⁶ Some more enterprising military personnel, often in collaboration with German civilians and the assistance of corrupt *Wehrmacht* officials - began to neglect their duties to the Fatherland and turned to exceedingly lucrative part-time 'export-import' ventures.³⁷⁷ One German platoon stationed in Belgium shipped black-market goods across the German border on regular five-day intervals. They were apprehended in February 1941, in possession of over 400 bottles of Cognac, 36 bottles of rum, 20,000 cigarettes, 1,025 cigars and an array of textile products and other items, among them one oil painting, twelve suitcases and twenty pairs of slippers.³⁷⁸

A German NCO indicted by a military court in Berlin in autumn 1943, obtained 57,177 daily French food rations through forged special authorisations, while he was stationed in Versailles between July and September 1942. In fact, it was found that he sold most of the 500 kilograms of butter, 200 pieces of cheese, 200 kg of biscuits and 50,000 cigarettes to his staff canteen. Transferred back to Germany in October 1942, he continued his occasional sorties to Paris, again using forged travel documents and obtaining a further 109,272 daily food rations between January and June 1943. The available evidence suggests that he was uncovered when he extended his commercial activities to Germany.³⁷⁹

Trafficking across the Franco-Belgian border was another area where many 'joint ventures' took place; this only subsided after its sealing-off in September 1943.³⁸⁰ Again, traffickers used all possible tricks in order to evade detection: thus, two residents from Rungis, outside Paris, smuggling grain across the border, had procured a false number plate and were disguised as German military personnel. In all probability they had been using this subterfuge for some time; the fact that their cover blew points to the increased willingness of the occupying authorities to collaborate with the French repressive organs. In the Lille area, large smuggling organisations continued operating

³⁷⁶AN. F 7 15143. Der Oberste Befehlshaber der Wehrmacht (Geheim). Brochure: Abwehr von Spionage, Sabotage und Zersetzung in der Wehrmacht, Jahresverfügung 1941/42, 'Handel und Gewerbe in Kasernen usw (Luftwaffe)'.

³⁷⁷Intercepted letters of Germans employed in the Eastern territories in 1943 point to similar parallels of slackening discipline, decay and systematic blackmarketeering in the Eastern occupied territories, s. IfZ. MA-798. Bericht der Auslandsprüfstelle des Reichsministeriums für die besetzten Ostgebiete, Ergebnisse von Privatpostprüfungen deutscher Firmen und Angestellter in der Ukraine, 3. September 1943.

³⁷⁸CERHSGM. Tätigkeitsbericht N° 14 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Februar 1941-28. Februar 1941.

³⁷⁹AN. AJ 40 795. Gericht d Wehrmachtskommandantur Berlin Abt XI an Militärbefehlshaber in Frankreich, WiAbt betr. Strafsache gg Uffz Kokisch wg schwerer Urkundenfälschung, Kriegswirtschaftsverbrechens et al., 5. Oktober 1943.

³⁸⁰AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative a l'état moral et matériel de la population dans les TO, September 1943.

well into 1944, and they relied to a large extent on the support of individual Wehrmacht members, bent on adding up to their low military pay. The bribes offered were enormous: soldiers received a commission of 5,000 RM per wheat transport by truck and 3-5 *Pfennigs* on every smuggled cigarette.³⁸¹ Much of the inter-departmental cattle trafficking in France had its rationale in the price difference between areas of consumption and areas of production.³⁸² In October 1943, entire cattle herds were transported across the Franco-Spanish border, in exchange for Spanish coffee that was sold in France at prices of up to 2,000 frs per kilo.³⁸³ In the Montpellier region, Germans were collaborating actively with professional blackmarketeers in spring 1943. In one reported case at Narbonne station, military personnel were observed taking receipt of bags handed to them by Frenchmen.³⁸⁴

The spring 1943 German black market ban also affected supply to German troops, which grew more audacious in the way they approached the rural population in search of food. February 1943 saw a marked rise of direct farm purchasing by soldiers in the Haut-Pyrénées region. In most cases peasants received their due, but there were also incidents where soldiers helped themselves to livestock and other goods:

Dans le Jura, la population commence à se plaindre de l'attitude de certains militaires qui cherchent à acheter des oeufs, des volailles, des lapins. Lorsqu'ils n'obtiennent pas satisfaction, ils pénètrent parfois dans les fermes et se servent sans payer (...). Trois militaires allemands, le 13 mai, se sont introduits chez plusieurs habitants de Castanet (Lozère). Ici, ils ont pris un lapin qu'ils ont payé 30 frs, là ils se sont restaurés avec les mets préparés pour le repas de la famille, puis ils se sont emparés d'un pot de viandes de porc conservée dans la graisse, d'un litre de crème, d'une dizaine d'oeufs, d'une poule et d'un pain. Ils ont payé le tout d'une valeur de 600 à 700 frs en laissant sur la table la somme de 70 frs. Partout ils ont usé de menaces.³⁸⁵

Occasionally, threats could translate into violence: thus, one farmer in Pietat, near Tarbes, was severely manhandled after refusing to supply eggs.³⁸⁶ In summer 1943 hundreds of military vehicles were observed descending on farms in Deux-Sevres, the 'garden of France', another hot spot for intense trafficking. The *Wehrmacht* recreation centre in Parthenay functioned as a trade junction and became the area's principal black market den; storage space was available in several hotels renting out rooms to military personnel.³⁸⁷ How instrumental the presence of the occupier was to the spread of the black market in rural communities, is attested by the example of South-Western France

³⁸¹AN. AJ 40 368. Militärbefehlshaber in Belgien und Nordfrankreich. Vierteljahrsberichte der OFK 670, Lille für Zeitraum 1. Oktober 1943-31. Dezember 1943 (21. Januar 1944).

³⁸²AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, October 1943.

³⁸³AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, October 1943.

³⁸⁴AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. Avril 1943.

³⁸⁵AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. Avril 1943. 'The Germans', it is stated, 'had a preference for dealing with Italian farmers'.

³⁸⁶AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. Avril 1943.

³⁸⁷AN. AJ 41 335. Extrait de la synthese relative à l'état moral et matériel de la population dans les TO au cours du mois d'août 1943.

where prices plummeted soon after the departure of the troops in summer 1943.³⁸⁸ In Northern France, a large proportion of food blackmarketeering was a direct result of the presence of the OT whose illegal procurement practices continued unabated until the end of the occupation. In Normandy a number of clandestine slaughterhouses catering exclusively for the OT were discovered in October 1943.³⁸⁹ According to a SIPO-SD informer, the OT also took advantage of the precarious transport situation after the Normandy landings to engage in black market activities. This was a flagrant violation of a decision by OB West who had allowed for lorries returning from the front to supply Paris with food.³⁹⁰

The German occupier also appears in the role of black market supplier. An Allied report drafted in 1942 insinuated that in some of the occupied countries German troops and officials were major suppliers to the black markets.³⁹¹ In March 1943 De Gaulle's staff office received information that the Germans had constituted enormous stocks as the result of requisitions effected at official prices. A large part of these goods reappeared later on the black market, at prices ten times the official rate.³⁹² In this type of case the last links in the chain of German intermediaries were often high German officials. Unable to take their black market earnings back to the Reich, they invested them in jewellery, furs or other luxury items which they sent back home.³⁹³ This trend continued well after the official end of the German black market, when the scarcity of occupation francs forced organised trafficking to fall back onto RKKs: as late as November 1943, two jewellers who had probably got wind of their imminent ban, attempted to exchange RKKs worth 100.000 RM and 50.000 RM respectively at a Parisian Bank.³⁹⁴ In 1943/44 PIMETEX, the Armaments Ministry's purchasing agency, was engaged in what German jargon came to term 'compensation purchases': non-specified items acquired through seizures were sold on the French black market in order to obtain francs that could finance the purchase of war-important items.³⁹⁵ The black market activities of individual soldiers, who could not resist the temptation, assumed even greater proportions. As their pay was low, they converted into cash whatever they could dispose of.³⁹⁶ In summer 1943, German military personnel and civilians were even seen selling German postage stamps at place Bellecour in Lyons, at rates of 12-15 ffrs per mark.³⁹⁷ Troops arriving in France from Eastern

³⁸⁸AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. August 1943.

³⁸⁹AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, October 1943.

³⁹⁰AN. F 7 15149. V-Mann Bericht der Sektion IV 3 c, 30.6.44.

³⁹¹Inter-Allied Information Committee, *Conditions in occupied territories: Nr. 2 Rationing under axis rule* (London, 1942).

³⁹²AN. 3 AG 2 352. BCRA Les autorités d'occupation et l'organisation du marché noir. Etat-major particulier du Général de Gaulle-Renseignement fournis par la Source 48475, 11 mars 43:.

³⁹³AN. 3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. Rapport NM 144, 15 février 1943.

³⁹⁴AN. AJ 40 834. Militärbefehlshaber in Frankreich. Division Wi V. Aussenhandel, Geld-, Kredit- und Versicherungswesen-Besatzungskosten. Wi V/2 an Deutschen Kommissar bei der *Banque de France* betr. Unzulaessige Verbringung von RKK von Deutschland nach Frankreich, 22. November 1943.

³⁹⁵'La France au Pillage. Rapport d'activité des services français des investigations financières', 38.

³⁹⁶General Alexander von Falkenhausen, *Memoires d'outre-guerre. Comment j'ai gouverné la Belgique de 1940 à 1944* (Brussels 1974), 135 pp.

³⁹⁷The devaluation of the mark proves that a black currency exchange existed in Germany where French francs were being traded, s. AN. 3 AG 2 353. BCRA-Economie française. Generalités et informations diverses. Rapport sophie/25801. Date de l'information: 26 août 1943.

Europe, in 1943, were in a better position, as they relied less on bartering and were able to effect their purchases with illegally imported RKKs.

Transport facilities were a commodity where undersupply was just as rampant as in other sectors, and companies offering 'black transport' became an absolute essential for industry.³⁹⁸ Again, German control of communication lines and transport, which constituted effective segments of authority, and their access to fuels gave them a predominant position in the development of this market.³⁹⁹ Other highly marketable items where Germans had a virtual monopoly were *laissez-passers* and petrol.⁴⁰⁰ In May 1943, black petrol in the occupied zone was 40 frs per litre, with most of the stock being supplied by OT chauffeurs.⁴⁰¹ Individual soldiers' black market profiteering could adopt grotesque features. Paris blackmarketeers designed particularly ingenious methods in order to frustrate the intervention of the French authorities. They paid members of the occupying forces 150 frs for accompaniment to a metro station, and 500 frs per delivery of their merchandise by lorry.⁴⁰²

Earlier in the occupation, in October 1940, a typical case of petrol trafficking was uncovered in Sucy-en-Brie (Ile-de-France), a small town with 7,000 inhabitants; the German investigations have survived at the *Archives nationales* in Paris. This source provides illuminating insight on a particularly central area of blackmarketeering. The man denounced was a French national of Hungarian origin, Ladislav Frank, who spoke German and served the *mairie* of Sucy-en-Brie as a voluntary interpreter. As we have seen in other cases, intermediary links between French and Germans were an advantageous starting point for blackmarketeering. Subsequently, he was charged with the petrol procurement, a position he abused in order to divert parts of the commune's supply onto the black market. However, it is quite possible that the mayor himself had endorsed, or at least tolerated, Frank's activities, because of his virtually miraculous ability to procure petrol for the local population. Food supply depended cruelly on the availability of transport and many local people came to rely on him, rather than on the official allocation, to stay in business or carry out their duties. Frank soon assumed a unique position in the local economy and finally even came to provide the local glass factory with fuel. Frank's activities would have been next to impossible without German complicity, and Frank's accomplice was a German railway employee to whom he proposed an exchange of food against petrol. The duo had in all likelihood bribed a number of other German officials in prominent positions in the petrol supply system: contrary to many other

³⁹⁸ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

³⁹⁹ The height of audacity was attained by a German pilot in Suresnes (France) who used his aircraft to transport black market goods, s. AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, août 1943.

⁴⁰⁰ NAËL, 'Le marché noir et sa répression sous l'occupation dans la région parisienne 1940-1944'.

⁴⁰¹ AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, mai 1943.

⁴⁰² AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, avril 1943.

petrol purveyors, Frank always received the full measure at the German-controlled filling stations. The main trick they used to acquire extra supplies was to take reception of the amount of petrol allocated to Sucy-en-Brie in one supply station, then manipulate the German document and ask for the same amount in a second supply station. On other occasions Frank also used the pretext that he had not received the full amount. They thereby managed to divert 5,000 litres out of a total of 7,000 litres onto the black market. By the time his German accomplice was sacked for incapacity and sent back to the Reich in August 1940, Frank had established a sufficiently stable relationship with other Germans in order to continue on his own.⁴⁰³

A fair number of German adventurers had followed in the footsteps of the victorious troops to Paris: Karl Paul, a man who posed as an interpreter, attracted the authorities' attention through his dressing habits and his declarations to soldiers about 'easy money'.⁴⁰⁴ In 1944/45, a special court in Stuttgart was investigating the case of four civilians, the proprietors of *Bollmann*, a small company executing army contracts of sanitary material, and two of their employees.⁴⁰⁵ In its verdict the court made a special point in stressing that the defendants had acted as though economic regulation was non-existent, and that they had not missed a single opportunity for enrichment. They were indicted with tax and customs evasion, trespassing against import and export regulations and offences against the Reich's currency regulations. They had also been actively engaged in manifold exchanges on the French black market where they bartered food and petrol for shoes and textile products. They had kept at their own disposal extensive sums in French francs which they used for purchases or which they sold to other Germans at a profit. Further profits were made on RM acquired in France and reintroduced into the German economy. Net company gains were over 800,000 ffrs in 1941 and over 2 Million ffrs in 1942. Their initiation with the black economy came in Autumn 1940, when Mrs Bollmann was invited to visit production sites in France and the Lowlands with a party of German businessmen. Having noted the unique opportunities, Bollmann took over a French company and launched the production of dressing material and other medical articles for *Wehrmacht* use on the company site in Paris-Bondy. Production started with five workers in January 1941, but soon expanded, and employment numbers peaked with 300, most of them homeworkers, in 1943. However, the main purpose of their presence in occupied territory was much less guided by the principle of boasting the Reich's productive capacities than by greed. In this, *Auftragsverlagerung* provided a marvellous cover. Their main mode of clandestine transactions was barter, but they were also found to have realised raw material purchases on the French black market. Funds for these purchases were taken from their company account in Paris. Their vital link to bureaucracy was a high-ranking army official in France, a long-standing acquaintance who provided blank Wehrmacht transport authorisations. However, the court suspected that the number

⁴⁰³AN. AJ 40 869. Militärbefehlshaber in Frankreich. Kommandant von Gross-Paris: Korrespondenz mit GFP. GFP Gru 540 betr. an Kommandant von Gross-Paris gerichtetes anonymes Schreiben, in dem Dolmetscher FRANK der Gemeinde Sucy-en-Brie der Benzinschiebung bezichtigt wird, 16. Oktober 1940.

⁴⁰⁴AN. AJ 40 869. Kommandant von Gross-Paris, Abt Ic an Abwehrleitstelle Frankreich, Abt III (H), betr. Zivilist, der sich als Dolmetscher ausgibt, 23. Oktober 1940.

⁴⁰⁵BA-B. R 3101/15332. Reichswirtschaftsministerium. Devisenstrafverfahren gegen Karl und Albertine Bollmann, Karl Trautwein und Gerhard Geilert, Tuttlingen, März 1944-März 1945.

of bribed officials was much higher. There was no restraint in the Bollmann's spirit of enterprise and they dealt in a diversity of products: textile raw materials, fabrics, leather gloves, tobacco, food, petrol, perfumes, currency, oriental carpets, furs, silver cutlery, and stamps. When the company base in Tuttlingen was searched, police investigators discovered a stamp collection worth 100,000 RM, an enormous sum. The list of illegal transactions and manipulation is a long one and it would be tedious to detail each one of them; one typical example of Bollmann's activities in the occupied Western territories was their purchase of perfumes for 393,580 ffrs (19,679 RM) in Paris. This was smuggled to the company's base in Tuttlingen, courtesy of the Wehrmacht, and from there on to Berlin, on 15 June 1942; on board a Wehrmacht truck declared as sanitary material, but in fact containing black market wine and spirits. The net gain realised through this one operation was 38,700 RM, almost double the purchasing price.

2. The Technicalities of German Black Market Purchasing - The Belgian Example (1942/43)

The Specifics of the Brussels *Militärverwaltung*

Before we proceed to analysing the techniques of centralised black market exploitation, we will have to clarify a number of points on the nature, the efficacy and on the differences that separated the two occupation systems created by Nazi Germany in France and Belgium. Once the differences have been made clear, it will be much easier to draw analogies between black market exploitation in the two countries, as, technically, the purchasing systems adopted in both territories were quite similar.

The head of the economic section of the regional military administration for Northwestern France described the structure of the military administration in Belgium as '*a classical example for the concentration of all tasks under one single authority*'.⁴⁰⁶ Black market limitation measures could therefore build on the unity of the Brussels administration and the homogeneity of Belgian economic structures. A second advantage was the fact that the integration of Belgian industrial capacities into the German contract transfer programme and the organisation of resource management were tighter than in France. Thus, pre-war drawbacks such as Belgium's export-orientation and dependence on foodstuff imports were a blessing in disguise, as this helped to rationalise its economy. From the beginning the Falkenhausen administration was lucid about the potential dangers black market exploitation could cause to production. This fact is expressed in its refusal to copy the Paris purchasing system and its insistence on close links between ÜWA, the central agency surveying black market purchases (s. below), and the economic

⁴⁰⁶In fact, Belgium was the only part of occupied Europe where sovereignty was concentrated in one hand.

section.⁴⁰⁷ In the defence of its interests, the military administration in Brussels was a great deal more crafty than the Paris administration: In 1940/41, commercial purchasing in and transport from the Western occupied territories were carried out by the WIFO (later: ROGES), a body under the authority of the *Wehrmacht* High Command and the Reich Ministry of Economic Affairs. Not so in Belgium. After several clashes with local WIFO representatives over their action in the first weeks of the occupation, the military government set up a separate local organisation under its own authority, AWG, which replaced WIFO in its tasks.⁴⁰⁸ Polycracy was also more pronounced in France and centrifugal tendencies had an impact on how the occupation regime operated. The respective size, importance and complexity of the territories they administered were effectively reflected in the amount of outside intervention both military administrations had to tackle. The most salient examples of such intervention were Himmler's direct representatives (who were firmly anchored in all other occupied territories except in Belgium), and Sauckel, charged by Hitler to organise the recruitment of labour across Europe. Both confronted problems with the military administration in Belgium. The dualism between armaments services and the MbF's industrial economy section was also more pronounced in France than it was in Belgium. Here the Armaments Inspection fulfilled merely the function of a consultant to firms working for war production (*Rü-Betriebe*). Even Speer, it was claimed, had experienced greater difficulty in introducing his new ideas in Belgium than he had in France.⁴⁰⁹ The Brussels administration's success in repelling unwelcome intruders had as much to do with the tactical sensibility of Reeder, the head of the military administration, as with the aristocratic sophistication and single-mindedness of Von Falkenhausen, the military governor. Both men fought hard to retain the principle of a single unified German administration under military command and tolerated no contests over their attributions. At the same time they kept their options open and embraced a pragmatic approach to outside intervention, thus being able to influence events in the direction they wanted. Examples demonstrating the cunning of the Brussels administration abound: Von Falkenhausen, opposed a total control of agricultural production, for psychological and technical reasons. Firstly, he believed that such a measure was impossible to implement. Secondly, he held the opinion that it was good to allow farmers to retain some of their autonomy and engage in limited black market transactions that could recover their costs. He claimed that under unusual conditions regulations had to be applied with discretion and that, at times, it was necessary to show an ability to shut one's eyes.⁴¹⁰ The financial foresight of the Von Falkenhausen administration is also documented through its early ban on money transfers to German military personnel stationed in Belgium, in Autumn 1941. Up to that point it was open to *Wehrmacht* members to make use of postal transfers of up to 100 RM/month, which were

⁴⁰⁷ BA-MA. RW 36 365. Militärbefehlshaber in Belgien und Nordfrankreich. Niederschrift über die Besprechung mit Oberst Veltjens am Freitag, den 3. Juli 1942 im Plenarsaal, 3. Juli 42.

⁴⁰⁸ BA-MA. RW 36 364. Militärbefehlshaber in Belgien und Nordfrankreich. Rechenschaftsbericht der AWG über ihre Tätigkeit im Befehlsbereich des Militärbefehlshaber in Belgien und Nordfrankreich (4. Januar 1945). AWG foundation took place on July 24, 1940, in Aachen.

⁴⁰⁹ AN. AJ 40 899. Militärbefehlshaber in Frankreich. Leiter WiAbt, St Germain, Aktenvermerk 'Organisation der Militäerverwaltungen in Belgien/Nordfrankreich und in Frankreich', 19. Oktober 1943.

⁴¹⁰ Falkenhausen (von), *Memoires d'outre-guerre. Comment j'ai gouverné la Belgique de 1940 à 1944*, 130.

paid in local currency.⁴¹¹ The Brussels administration was also more supple and elastic in thwarting potential criticism of Reich dignitaries: Von Falkenhausen relates the astonishment of a Quadrennial Plan official arriving from Berlin at the large number of vendors displaying freshly picked cherries at the *gare du Nord*. When he commented that these supplies had better been sent to Germany, Von Falkenhausen retorted that this would have probably led to their going rotten and prevented Germans on leave from taking them home to their families. After this exchange of views, Von Falkenhausen, according to his testimony, made sure that the cherry carts were relocated to less prominent side streets. In 1944, the administration also initiated a campaign forcing Belgian commerce to scale down their generous window displays which gave German visitors a false impression of pre-war abundance.⁴¹² The military administration in Belgium was also rather undogmatic in its approach to price-fixing and demonstrated imagination and flexibility in policy implementation. Up until August 1941, when the first agricultural price rises were authorised, they had been frozen at a level 10-20% below Reich levels. In order to give production a further boost, they were again increased in 1942, by which time they out-measured Reich prices. Belgium, a country with a serious food deficit, never qualified as a provider of food to Germany and the task of the military administration was therefore limited to guarantee Belgian subsistence levels. The task for the administration in France was trickier, as before long willy-nilly France stood little chance of escaping German food demands.⁴¹³

In comparison, the heterogeneous conditions of wartime France were far from conducive to complete economic domination. The military administration's task in France was largely complicated by the 1940 armistice, which implemented measures destined to dismember and immobilise France. In the first instance we should mention the demarcation line, the *rattachement* of the Northern departments to the military administration in Brussels, the creation of a *zone interdite* in Eastern France and the annexation of Alsace-Lorraine. The existence of a semi-sovereign French government in the Southern zone, which retained considerable manoeuvring space to begin with, created further grey zones. The situation in France was also influenced by the greater autonomy of services such as Abwehr or SS who had their own agenda. In Belgium all SIPO-SD attempts at self-aggrandisement were aborted by the vigilant military. Himmler did not succeed in installing one of his personal representatives (HSSPF) until July 18, 1944, at the very end of the occupation. In France the same measure had taken effect over two years earlier, transferring important parts of the military authority, i.e. security, policing and reprisal measures, to the SS.⁴¹⁴ The resulting antagonism and multiple conflicting interests turned German attempts to obliterate the black market into a cumbersome task. Control of the centralised purchasing system set up in 1942 was also much laxer in France than it was in Belgium: Until late 1942 PIMETEX metal purchases in the departments Nord and Pas-de-Calais were carried

⁴¹¹ AN. AJ 40 834. Militärbefehlshaber in Frankreich. Wi V. Aussenhandel, Geld-, Kredit- und Versicherungswesen — Besatzungskosten. Militärbefehlshaber Belgien und Nordfrankreich betr. Einstellung der Feldpostüberweisungen an Wehrmachtsangehörige in Belgien, 9. Oktober 1941.

⁴¹² Falkenhausen, *Memoires d'outre-guerre. Comment j'ai gouverné la Belgique de 1940 à 1944*, 133 pp.

⁴¹³ BA-MA. RW 36 257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht der Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

⁴¹⁴ Ruth Bettina Birn, *Die Höheren SS- und Polizeiführer. Himmlers Vertreter im Reich und in den besetzten Gebieten* (Düsseldorf, 1986), 250-259.

out by the agency's Paris dependency, despite the fact that this part of France was under the authority of the Brussels administration. The reasons of this arrangement are unknown, but it must be conjectured that it was connected to the fact that prices paid in Paris were higher than Brussels prices. PIMETEX purchases underwent no change, even after the creation of a separate ÜWA in Lille. Lack of synchronisation prolonged price differentials and over-priced goods rejected by the Brussels ÜWA continued to be picked up by the less choosy Paris counterpart.

The archives convey a more displeased tone on German black market involvement within the Paris administration than was the case with the Brussels administration. This may reflect its comparative powerlessness and its incapacity in imposing its view. In all probability the relative open-mindedness of the Brussels administration is the reason why documents on the German purchasing structure are so much more plentiful for Belgium than they are for France. The Brussels military took a more active approach in reconciling their economic policy with black market exploitation, thus giving them numerous possibilities of intervention. Dr Schlumprecht, an important official at the Brussels military administration, declared that in the opinion of his administration it was possible to influence illegal markets through black purchasing and 'steer' them in a desired direction. This could be beneficial to long-term economic policy, provided that legal production and the Belgian currency were not put in danger.⁴¹⁵

First Centralization Attempts under the Military Administration

After this overview of structural components of the two military administrations, we will now investigate the steps leading to the creation of a centralised purchasing system in Belgium. At some stage in the second half of 1941, the German authorities in the Western occupied territories began to face up to the damaging effects of resource competition and the various purchasing agencies' tendency to out- and over-bid each other and drive up prices to astronomical levels. Their presence epitomised abuse, wasteful practices and corruption. During summer 1941, the Brussels *Intendantur* took initiative to regulate military demand in the black market economy. This first service carried the name *Einkaufsstelle z.b.V.* (Special purchasing agency), and it soon received an important order from Army High Command (OKH). Up to that point, the Brussels administration had remained fairly firm in their opposition to illegal purchases. Their change of attitude reflects as much the growing pressure of central Reich services on resource management in their area of command as their commitment to retaining some control and putting a check on direct troop purchasing. As a reaction, the economic section decided to implicate itself directly in black market purchasing, while at the same time trying to set itself up as a regulator. *Intendantur*, *Luftwaffe*, OT and SS were already heavily engaged, and restricting the number of purchasers and guaranteeing a fair allocation of available

⁴¹⁵BA-MA. RW 36 365. Niederschrift über die Besprechung mit Hr Oberst Veltjens am Freitag, den 3. Juli 1942 im Plenarsaal, 3. Juli 42.

resources served as the principle guideline. In October 1941 this first concept of centralisation received support from the Armaments Inspection (RüIn) in Belgium and the Reich Ministry of the Economy.⁴¹⁶

It was acknowledged that, ideally, the initial piece-meal efforts of exploitation should be combined to a mission based on a strategy of 'exhausting' the black market. This was to be achieved through the constant draining (*Abschöpfung*) of all secret supplies. A circular of the military governor, General von Falkenhausen, dated February 20, 1942, led the way to further monopolisation. Three weeks later, on March 13, the Economic Section took over the *Intendant's* special purchasing agency and rebaptized it *Zentrale Anmeldestelle* (ZAM-Central declaration service). Obviously, Von Falkenhausen's initial intentions focused on seizures of black market goods, the reinforcement of declaration and extinction of blackmarketeering, in the long run. As a first step, all military services were ordered to signal black market offers to ZAM. In a second drive, ZAM interposed special firms, the precursors of the future purchasing agencies, between Belgian intermediaries and their German customers, thereby sucking-up all offers. ZAM was charged to examine the quality, the price and the priority degree of all offers, and give the green light to accept or decline. During the three months of ZAM activity, black market commissions were attributed to one German company, DEHAG, and two Antwerp-based companies, *Comptoir Mercantile Anversois* SA (COMERAN) and *Maison Mathieu*. Later, a Belgian sister company of DEHAG, *Société Maurice Thiry*, was added. However, these firms did not handle the financial side of purchasing; payment procedures were strictly centralised in the hands of the *Allgemeine Warengesellschaft* (AWG-General Goods Comp.). AWG was a commercial firm created by the military administration in 1940, with the evident aim of ousting WIFO. Contrary to the situation in France, ROGES, the WIFO successor, never got a foot in the door in Belgium. The AWG functioned as a central export agency and appropriated WIFO tasks, such as the co-ordination of the purchase of Belgian goods, financial arrangements and transportation. It was organised as a private corporation and its board consisted of officials of the Economic Section of the military administration. Initially, AWG even supervised all financial transfer arrangements, but this attempt broke down after pressure from German business, which engaged in direct purchases through German banks, in 1941.

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AWG was engaged in variety of areas, both legal and illegal. In its quality as a black market purchaser, AWG would not operate under its real name when dealing with the public, but was camouflaged as *Arbeitsgemeinschaft* (Association) Schmidt, named after Paul Schmidt, the instigator of the complex method of 'compartmentalising' black market declaration and purchasing procedures adopted by the military administration. Schmidt was an SS officer who had gained experience in economic policing in the General Government and the Protectorate, prior to arriving in Belgium. In mid-1941 he started submitting proposals to the military administration. Schmidt was strategically placed

⁴¹⁶Institut d'histoire du temps présent, Paris (IHTP). Copies d'extraits d'archives allemandes prises par l'armée américaine en France et en Belgique et conservées à Alexandria (Catalogue de microfilms, Série A) Tome III, Bobine 181, Flash 1: "Abschlussbericht der Überwachungsstelle beim Militärbefehlshaber in Belgien und Nordfrankreich über die legalisierte Ausschöpfung des schwarzen Marktes in Belgien und Nordfrankreich, 1942-1943", 1.

⁴¹⁷Warmbrunn, *The German Occupation of Belgium 1940-1944*, 198.

within the board of directors of both DEHAG and *Maurice Thiry*, and remained a central figure up to August 1942, when he was replaced by Dr Plümpe of the Economic section.⁴¹⁸

There can be no doubt about the fact that the implementation of ZAM procedures alleviated some of the worst abuse in the military purchasing sector. However, it appears as though the actual principle of centralisation, whose final aim was to stifle all illegal offers, was not fully acknowledged and that mutual co-ordination between the black market contenders had its limits. In this sense, partisan interests still passed before the common interest. Thus, ZAM regulations had envisaged regular meetings of the representatives of the *Intendantur*, the head of the industrial economy department at the Economic Section and a member of the Armaments Inspection, in order to study the offers submitted to the purchasing firms. The aim was to exchange all available information and, subsequently, identify the origins of the offers. In reality, this body failed to reconvene after a mere two meetings, presumably because of a general reluctance to put the cards on the table and disclose sources of black market supply. Resource competition remained the driving force behind the German black market *Aktion*.

ZAM was only a first step to regulate black market purchasing. Its intervention did little to alter the purchasing behaviour of other parts of the armed forces and had no impact on agencies acting on the orders of Reich authorities. However, the administration was striving to be amply informed on all black market transactions, from a commercial as well as financial point of view. Lieutenant-Colonel von Harbou, Von Falkenhausen's right hand and head of military affairs within the Brussels administration outlined some of the problems of the German administration in June 1942: particular criticism was raised against the air force's *Feldbekleidungsamt* (textile procurement office-FBA) which was turning over 50 million RM per month - a sum representing 50% of the monthly occupation instalment - without the approval of the military administration. Prior to this, the FBA had illegally introduced RKKs worth 8 million RM. Other 'wrong-doers' cited by von Harbou were the black market delegate of the Speer Ministry, PIMETEX. This agency had bought industrial diamonds at prices ranging between six- and ten-fold the ordinary black market rates, and fifty- to eighty-fold the official prices. At times, German involvement could attain dimensions of unprecedented absurdity, as in the case of a lot of children's' winter coats, an offer that was declined by the economic section. However, it paid off to be patient, as they were to find a willing buyer in one of Göring's special envoys, shortly afterwards.⁴¹⁹

⁴¹⁸AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Geschäftsordnung der ZAM (4. März 1942) und Aktennotiz von Oberst Veltjens ueber seine Unterredung vom 4. Juli 1942 mit den Verantwortlichen der ZAM in Brüssel (28. Juli 1942); Dossier 6. Notiz des Leiters der ÜWA, Betzen, an das Generalreferat der Wirtschaftsabteilung, 20. September 1943; Dossier 6. Notiz des Leiters der Wirtschaftsabteilung, Jaeck, betr. SS-Sturmbannführer Schmidt, 5. August 1942.

⁴¹⁹AN. AJ 40 71. Dossier 4, chemise f. Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA-Berichte, Februar 1942-August 1943. Mitteilung von Oberstleutnant von Harbou an Veltjens, 24 Juni 1942.

The Veltjens Purchasing Campaign

The comprehensive centralisation of all black market purchasing could not become effective on the sole basis of the authority of the military administration. Their attributions did not reach out widely enough. Such a step required the intervention of a superior Reich authority. Göring, with his accumulation of extensive economic, civilian and military powers, was the only member of the Reich leadership who fitted into this breach. The timing was right, too: According to Richard Overy, Göring was '*stung into action*' after the 1941/42 crisis (s. above) and became once more involved in economic policy until the beginning of 1943. During this period he was still the second-most important man in the Nazi state. One of the areas he supervised was the price-wages problem and the control of consumption in the Reich. In a secret decree (March 1942), Hitler charged him to maintain popular morale by keeping prices stable and penalising '*those who sought to profit from war by raising wages or prices*'.⁴²⁰ This was against the recommendations of Reich Finance minister Schwerin von Krosigk, who had recommended to raise taxes in Germany in order to siphon off excess purchasing power. Hitler eschewed this solution, as he feared the negative effect such an unpopular measure might have on the civilian population in Germany. Like most Nazi leaders he was greatly influenced in his thinking by the 'November Syndrome', the phobia of a repetition of revolutionary upheaval as experienced by Germany in 1918, due to unsatisfactory living conditions and an unresolved food question. From the beginning, Göring's task proved thankless and troublesome, for a basic shortage of food and consumer items was encouraging speculation and blackmarketeering. The natural antidote against such tendencies was to improve the availability of such commodities by boosting agricultural production in the Reich and stepping up the exploitation of the occupied territories. The Eastern occupied territories had proven a disappointment in this respect. Other countries with a food surplus such as Hungary and Romania were growing reluctant to expand their exports, which the Germans were not willing to pay in cash. They would simply increase their clearing debt which accentuated inflation in these countries. Göring's answer to the problem was to draft foreign labour into German agriculture and, generally, increase Western Europe's contribution.

It did not take long for the existence of secret stocks in the occupied Western territories and the idea of black market exploitation to receive his undivided attention, as it seemed an easy enough solution to some of his most pressing problems. In his capacity as head of the Quadrennial Plan and supreme commander of the *Luftwaffe*, Göring was the prime advocate of an extremist stance in the question. In his view the unlimited exploitation of black markets constituted the simplest way of getting hold of goods which would be out of German reach otherwise. The high black prices, which excluded competition from the majority of civilian buyers in Western Europe, served as the major tool for draining secret stocks and creating an area dominated exclusively by German demand. In May 1942 he made his most crucial intervention by appointing a former World War I comrade, Colonel Veltjens, as his 'plenipotentiary for special tasks', in a campaign that was to 'exhaust' the black market in France, Belgium, the Netherlands and Serbia. Veltjens, who had been attached to the Quadrennial Plan since 1936, was an ideal candidate for such a post, as he had gained experience in illegal procurement through his activities as an arms trader before the war. Both men were on

⁴²⁰ R. Overy, *Goering. The Iron Man* (London, 1984), 214-15.

personal terms and in 1940, Veltjens acted as an art purchaser for Göring in the Netherlands. He was also a well-known figure in the German business community.⁴²¹ Veltjens' commission therefore marked the support of certain sectors of the German economy and of the Party's foreign branches for an unconditional exploitation of black market resources.⁴²² A Berlin meeting, chaired by Veltjens on May 21, 1942 confirmed the widespread interest. Representatives of all leading services and ministries of the Third Reich's armaments and procurement sector attended, in order to claim their part of the 'cake'. Thus, the Rosenberg Ministry reminded those present that only Western Europe could cater for the most basic needs in the occupied Eastern territories. He announced the creation of a purchasing company with a capital of 100 million RM that would receive orders to shop at a monthly rate of 5 million RM in Western Europe. The Reich Food Ministry was equally eager to gain territory in Western Europe and proposed the creation of a national company modelled on ROGES that would specialise in the importation of food products. Naturally, all participants agreed in their criticism of *Abwehr* preponderance on the French black market and welcomed plans to submit these purchases to the authority of Veltjens. During the talks the latter traced the two choices of the occupying authority: rigorous application of the economic legislation, accompanied by severe punishment, or administrative framing of the market through a central structure. Veltjens explained that the situation was characterised by a hypertrophy of black market intermediaries who played one German purchaser against the other in order to obtain ever-increasing financial rewards. In his eyes, the solution was to reverse this state of affairs and manipulate black market professionals through a powerful central organisation run by the German authorities.⁴²³ In his search for a basis onto which such an organisation could be founded, Veltjens soon came to appreciate the advantages of the Brussels ZAM which assumed the role of a model. At that time, German purchasing in the Netherlands was in a particularly chaotic state and Veltjens sent his new delegate in the Netherlands, *SS-Obersturmführer* Fahrenholz of the SIPO-SD in The Hague, on an inspection tour to Brussels. Fahrenholz's negative reaction to the Brussels model (which he qualified as 'immoral') was a vivid illustration of the difficulties raised through German double standards: how could German authority enforce economic regulation when at the same time they were organising black market exploitation on an unprecedented level?

The Creation of a Black Market Surveillance Agency (ÜWA)

⁴²¹ Veltjens died in a plane crash in Italy, in October 1943, s. Arne Radtke-Delacor, 'Forschungsbericht zu den wirtschaftlichen Aktivitäten Alfred Toepfers in Frankreich 1943/44: Die Firma Stahlberg & Co. Hamburg und Paris' (1998); Roger Manvell, Heinrich Fraenkel, *Hermann Göring* (London, Melbourne, Toronto, 1962), 273.

⁴²² AN. AJ 40 71. dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA-Berichte, Februar 1942-August 1943. Aktennotiz Veltjens an General Thomas (WiRüAmt) betr Zentralisation der zusätzlichen Einfuhr aus dem Ausland, 7. Mai 1942.

⁴²³ AN. AJ 40 71. dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Notizen einer Unterredung von Veltjens mit Vertretern der Wehrmacht, Reichsministerien und anderer Zentralbehörden betr. Bekämpfung des Schwarzmarkts bei Staatssekretär Körner, Zentrale Planung, 21. Mai 1942. It needs mentioning that the Navy was purchasing harbour installations in Western Europe, which it had dismantled and shipped to Norway and to the Baltic ports.

Apparently, Fahrenholz's scruples were not shared by others in more senior positions. In June 1942 Veltjens' commission was officialised and ZAM merged into a new structure called *Überwachungsstelle* (ÜWA-Surveillance Service), under the joint authority of Veltjens and the military administration. Altogether four centralising agencies were set up in The Hague, Brussels, Paris and Belgrade, each bearing the same name, *Überwachungsstelle* (ÜWA). Later that same year a fifth ÜWA was established in Lille in Northern France. The number of purchasing agencies accredited to work under each of the four ÜWAs was limited; all other agencies were to be regarded as dissolved. Apart from a number of noteworthy exceptions, such as the OT and Navy, this banning of non-accredited purchasers seems to have been observed. From thence, all black market purchases were subject to ÜWA's prior approval. Black market prerogative was a source of considerable in-fighting, and with each of the Reich's central bodies trying to assert its position by running one of the ÜWA-authorised agencies, it closely reflected the state of affairs within the Third Reich. As on other occasions, the Brussels administration was little pleased about this exterior intervention which they knew would reinforce Göring's standing in Belgian economic affairs. Much regretted was also the fact that the air force textile procurement agency under Major Henckel would continue to play a determining role; Veltjens even went to the point of pushing through the nomination of Henckel as the head of ÜWA, an attempt thwarted by the military administration.⁴²⁴ Finally, Veltjens imposed another air force officer, Lieutenant-Colonel von Parish, at the top of ÜWA Brussels.⁴²⁵ Dr Betzen, head of ZAM until the arrival of Veltjens, became second in command. Despite the short-comings, ÜWA marked a significant change in as far as those goods that did not remain in Belgium for use by the military, were now passed on to Speer's *Zentrale Planung* which distributed them to the German war economy. Speer himself endorsed the black market *Aktion* in the occupied territories.⁴²⁶ This was, no doubt, based on two considerations: firstly, that it would be too dangerous to simultaneously challenge Göring on two fronts, at home and abroad, and, secondly, the reflection that rationalisation of resource management in the French and Belgian economies only made sense if all the secret supplies had been siphoned off first. Only then could the supply of economic sectors that were of no importance to the German war effort be effectively blocked. Whether black market exploitation as such bore any economic rationality would have been hard to decide for Speer, an architect whose incontestable qualities as a technocrat by far outweighed his economic expertise.⁴²⁷

In order to avoid black production the agencies were briefed to formulate no precise demands for particular goods, and delivery deadlines were not to exceed ten days. Quality controls demanded that all offers be submitted together with three samples or prototypes. Reichsstellen experts delegated to ÜWA on temporary assignments carried out this

⁴²⁴ AN. AJ 40 71. dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Bericht ueber die Vorbereitung der Unterredung bei Veltjens betr. Ausnutzung des Schwarzmarkts in Belgien und Nordfrankreich, 29. Juni 1942; Unterredungen von Veltjens vom 3. Juli 1942 bis zum 7. Juli 1942 mit den Verantwortlichen in Bruessel betr. Zusammenfassung des Schwarzmarkts in Belgien, 28. Juli 42.

⁴²⁵ The same held true for ÜWA Paris which was headed by a Lieutenant-Colonel Koch.

⁴²⁶ General Thomas expressed Speer's view in a meeting with Veltjens in May 1942, s. BA-MA. RW 19 2397. Aktenvermerk zur Besprechung bei Amtschef über Schwarzkäufe in den besetzten Gebieten, 8. Mai 1942. Teilnehmer: Veltjens, Dr Kraney (ROGES), Oberst Tietze, Major Dr Schmitz (ROGES).

⁴²⁷ Willi A. Boelcke, *Die Kosten von Hitlers Krieg. Kriegsfinanzierung und finanzielles Kriegserbe in Deutschland 1933-1948* (Paderborn, 1985), 145.

check, followed by a price evaluation. The delegates would then inform their respective *Reichsstelle* of each offer that surfaced and await their confirmation before proceeding further. Prices paid under the ÜWA system were firmly based on the recommendations of the Berlin *Reichsstellen* which calculated reasonably variable black market coefficients for each good. Written evaluations, each carrying a number of identification (but never the name of the supplier), would recommend or advise against purchasing and were then submitted to the ÜWA hierarchy which retained the final decision.⁴²⁸ Although it seems like a piece of absurd theatre, ÜWA would oblige professional blackmarketeers to sign declarations stating that the merchandise originated from a secret stock, that it existed in the quantities indicated on the form and that, quality-wise, the samples corresponded with the remainder of the lot. Despite the overvaluation of the RM, a difference remained between black market acquisition prices and German domestic prices. The differential was covered by a special 'Price reduction fund' financed from occupation or clearing accounts and entrusted to AWG or ROGES by the Finance Ministry. They also took responsibility for transactional risk and ÜWA running costs, as for the 5% commission (later reduced to 3%) the purchasing agencies levied on all transactions.⁴²⁹

The Naujocks Section

Considering the many opportunities for corruption even as sophisticated a system as ÜWA provided, policing was of primordial importance. In this sense, Dr Jaeck, head of the industrial economy division at the economic section, played his Berlin contacts: first with SS-Brigadefuehrer Ohlendorf⁴³⁰, then with Berger himself, chief of the *SS-Hauptamt*. Both suggested Alfred Naujocks for such a post in Belgium.

Alfred Naujocks ('the man who started the war') was one of those extremely versatile characters produced by the Third Reich, and in particular the SS, who had a particular talent for popping up in regular intervals in all crucial trouble spots. An amateur boxer who entered the SS in 1931, he was one of Heydrich's closest collaborators at the SD. In 1934 he became head of the technical department at the SD's foreign intelligence section, and his early work consisted mainly in the provision of false papers and currency. Naujocks, a gifted handyman for special tasks, quickly climbed up the career ladder in the SIPO-SD hierarchy: he orchestrated the 'Gleiwitz incident' (August 31, 1939) which preceded the German aggression against Poland. Two months later, he was to play a decisive role in the planning and implementation of another commando operation involving the kidnapping of two British intelligence

⁴²⁸IHTP. Copies d'extraits d'archives allemandes prises par l'armée américaine en France et en Belgique et conservées à Alexandria (Catalogue de microfilms, Série A) Tome III, Bobine 181, Flash 1 : 'Abschlussbericht der Überwachungsstelle beim Militärbefehlshaber in Belgien und Nordfrankreich über die legalisierte Ausschöpfung des schwarzen Marktes in Belgien und Nordfrankreich, 1942-1943', 12-14.

⁴²⁹SAEF, fonds affaires économiques. Dossier B 16.039 : Direction Générale de la concurrence et des prix. Enquêtes Économiques, situation économique outre-mer, enquêtes sur les prix (Rapports Monsieur Lemenager), 'Le contrôle des prix en France, 1939-1950' (Janvier 1953), p. 606 ;

AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 1 : Befehl des Militärbefehlshabers betr. Behandlung der ungeklärten Warenbestände in Belgien, 13. März 1942.

⁴³⁰Ohlendorf cumulated functions at the RSHA, where he was head of section III, with functions at the Ministry of Economic Affairs.

agents in Venlo, Holland. However, despite his credentials, Naujocks clashed with his superior Heydrich in January 1941.⁴³¹ One month later he left (or was forced to leave) the RSHA and became a member of the Waffen-SS, a sojourn that was to last until July 1942. From August 1942 to September 1944, Naujocks was on the payroll of the Brussels administration, as an executive advisor on anti-black market measures. In 1943, however, his job increasingly concerned stamping out corruption. After the end of the German black market, Naujocks also tied in the Belgian branch of the *Devisenschutzkommando* (Currency protection commando) which was tracking down gold, foreign currency and other objects of value, and opening up bank safes. In January 1944, the service he headed was officially named *Wirtschaftlicher Fahndungsdienst* (WFD-Economic Investigations Service). Between January and April 1944 a few stays in Denmark, where he set up counter-sabotage groups, interrupted this assignment.⁴³²

Within the ÜWA system, Naujocks and his men had a police function: surveillance of ÜWA staff and those working in the purchasing agencies, and detection of all black market involvement outside the official system. Furthermore, the Naujocks section would collect and assemble intelligence leading to the discovery and closure of secret depots or secret production units. ÜWA and its dependants signalled all unusual offers, e.g. those where prices exceeded the norm, and Naujocks obtained further information through so-called 'orientation purchases'.⁴³³

Inter-German Dissension

From the beginning, Aktion Veltjens had faced criticism from members of the military administration: thus, in August 1942, the administration's legal affairs department noted that in view of the complexity of the new system, it would not be able to achieve centralisation. Instead of simplifying their task, they argued, the most immediate outcome was that the number of accredited ÜWA purchasers had risen steadily, from a former three to seven, all of whom disposed of considerable autonomy. Worse still was the fact that four of the bureaux were allowed to purchase the same commodity, textiles; and while AWG had been limited in its functions, PATEWI, PIMETEX and SODECO attributions had been enlarged. On August 7, Dr Betzen, found himself under the obligation to stress the founding principles at the basis of the purchasing system: black market purchases were not an *ad-hoc* solution; they were to be carried out in those cases only where other solutions remained precluded, and the exercise's terminal target was to stifle the black market altogether. It is significant that already at this early stage Betzen had established a deadline for the final elimination of the black market in Belgium, which he set for April 1943. However, the spirit that prevailed

⁴³¹Other examples of RSHA founding fathers who clashed with Heydrich were Werner Best, Otto Ohlendorf and Franz Six.

⁴³²Naujocks deserted across the American lines, after the German withdrawal from Belgium in October 1944, s. CERHSGM, JF 6. Fragebogen, Testimony and Interrogation Division Summary of Alfred Naujocks, Nuremberg, September/October 1945 (Copy of Record Group 232 'Collection of World War II War Crimes'); Gillingham, *Belgian Business in the Nazi New Order*, 118.

⁴³³AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 9 : Abschlussbericht des Wirtschaftsprüfer Selbach betr. Ueberprüfung der ÜWA und der angeschlossenen Organisationen, 3. September 1943.

among the purchasing services did not match this target. Partisan interests and considerations of 'easy procurement' were improper as an attitude, Betzen reminded the recipient of his note, Dr Jaeck.⁴³⁴

Intended SODECO activity on the black foodstuff market was a good example for the intrusion of exterior interests via the door of ÜWA. Initially, foodstuff purchases had not been planned, but this principle was revoked at the beginning of the Veltjens campaign. Only in August 1942, the administration intervened vigorously, following news that Georg Reichart, new director of the 'Margarine Union (Unilever)' was preparing a trip to the occupied Western territories, together with four other food industry and department store representatives. The object of this trip was the massive purchase of foodstuffs through SODECO. Veltjens ceded in this question and agreed that a distinction should be made between food and consumer commodities. While the former category remained excluded from purchasing, Veltjens authorised the inclusion of consumer commodities, i.e. coffee, tea, rice, chocolate, tobacco, spices, wine and alcohol, in his campaign.⁴³⁵ Although SODECO was withdrawn from Belgium, this episode marked the beginning of a lasting tug-of-war between Veltjens and the military administration, which turned mostly around price levels or the attribution of financial resources. Only one week later, Fritsch, the military *Intendant* in Belgium, refused to sign the final agreement on *Aktion Veltjens*, in protest against SS and air force participation. He based his action on the claim that they would refuse to comply with the agreement and surrender their purchases to *Zentrale Planung*. According to him, the entire programme should be centralised in the hands of AWG, with exceptions only allowed in the case of special needs - most of them military - such as medical equipment, motor car parts or certain raw materials. Fritsch was most concerned about the PATEWI charter for goods destined to army stores on the Eastern front. Finally, the indication that AWG was retaining a somewhat central role in the system persuaded Fritsch otherwise. His main critique, however, did not dissipate. He soon created his own purchasing establishment, MINERVA, claiming that thereby, at least, the deliveries would be sure to reach Wehrmacht units than if these purchases were solely effected by PATEWI. The foundation of MINERVA brought the number of licensed purchasing services in Belgium to seven.⁴³⁶ The controversy concerning PATEWI and MINERVA demonstrates to what point the Brussels administration fell prey to its own contradictions. Belgium was, by far, more fertile ground for thwarting SS intervention than France, had it not been for some administrators who thought it useful to let them join the effort. This was certainly Dr Jaeck's point of view who decided to enhance PATEWI's role in September 1942. He also ordered AWG to install a small branch at the PATEWI bureau and use SS expertise in creating conditions that would attract particularly secrecy-conscious suppliers. This would allow them to submit offers under greater discretion and in an altogether more anonymous environment than at the conspicuous AWG head office with

⁴³⁴ AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Interne Mitteilung der Zentralabteilung, Rechtsabteilung an Dr Jaeck, 4. August 1942; Aktennotiz du Dr Betzen (ZAM) an Dr Jaeck, 7. August 1942.

⁴³⁵ AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Aktennotiz Veltjens an ÜWA Brüssel ueber Verhandlungen Reicharts mit dem Chef der Wirtschaftsabteilung, Reeder, 12. August 1942.

⁴³⁶ AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Korrespondenz zwischen Intendant Fritsch, Jaeck und dem Militaerverwaltungschef, 18. August 1942 bis 20. August 1942.

its massive turnover of customers.⁴³⁷ Theoretically, this could have given the SS a head start in assembling sensitive information that could be used for the penetration and neutralisation of the organised black market, a battle that, in theory, Göring and Veltjens had committed themselves to after the 'exhaustion of all secret supplies'. SS purchasing (under the authority of the WVHA) in Belgium started relatively early on in the occupation, with a first contract transfer bureau being opened in Brussels in February 1941. Its activity was mainly focused on catering to the needs of the Waffen-SS. At the beginning of *Aktion Veltjens*, the SS service received the name PATEWI, an acronym consisting of the first two letters in *Papier, Textil und Wirtschaftsartikel* (paper, textiles and household articles). In fact, PATEWI practice was rather exemplary: less than 10% of its purchases went directly to SS and Wehrmacht services, the remainder were submitted to *Zentrale Planung*, according to plan. In February 1943, PATEWI ceased purchases in most areas, specialising entirely in heavy textiles.⁴³⁸

Special mention also needs to be made of *Luftwaffe* purchases: the air force assumed something of a special status in comparison to other military services present on Belgian soil. For one thing, they did not form part of the occupying forces proper, but were operational units which received their orders from Berlin, thereby disposing of considerable autonomy. Again, access to the occupation or clearing account was the key. However little this was justified by the actual shift of emphasis in the war and the massive relocation of air force units to the East by mid-1941, air force privileges continued to sour the job of administering the West. The air force did not recognise Mbf authority, operating illegal requisitions and thoroughly disregarding rationing and most other demand restrictions. Not surprisingly, the *Luftwaffe* was one of the principal black market champions in Belgium and provided subsistence to an army of industrial sub-contractors. Until autumn 1941 *Luftwaffe* services refused to pass orders through ZAST or show evidence on expenditure.⁴³⁹ By July 1942, the *Feldbekleidungsamt*, the most important air force purchasing service, had accumulated a debt of 30 million RM, a situation the administration was no longer willing to tolerate when it opened its negotiations with Veltjens.⁴⁴⁰ The new arrangement centralised the financial side in the hands of AWG and stipulated that all services without proper accountancy would be penalised. The fact that most ÜWA funds in Belgium originated from the clearing account also allowed for increased financial transparency. *Feldbekleidungsamt* was finally replaced by a commercial firm from Berlin, before returning to the Western occupied territories in December 1942, under the cover name 'FUCHS'.⁴⁴¹

⁴³⁷ AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943 : Aktennotiz Dr Jaeck an ÜWA, 24. September 42.

⁴³⁸ AN. AJ 40 323. Mbf in Belgien und Nordfrankreich (ÜWA), dossier 7 : Abschlussbericht PATEWI, 24. Juni 43.

⁴³⁹ Gillingham, *Belgian Business in the Nazi New Order*, 1977. 104-107. One of the other firms under Luftwaffe control was DEHAG; Paul Schmidt was its director.

⁴⁴⁰ AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Unterredungen von Veltjens vom 3. Juli 1942 bis zum 7. Juli 1942 mit den Verantwortlichen in Brüssel betr. Zusammenfassung des Schwarzmarkts in Belgien, 28. Juli 42.

⁴⁴¹ The Dutch branches of this organisation were called 'W., E. ou B. FUCHS' respectively; FUCHS branches established at ÜWA Brüssel and Lille carried the initials 'H' and 'O'; s. AN. AJ 40 323. Mbf in Belgien und Nordfrankreich (ÜWA), dossier 1 : Abschlussbericht fuer die Ueberprüfung der Konten bei der Aufkaufsorganisation O. FUCHS in Lille.

The greatest flaw of *Aktion Veltjens* was, however, the fact that German economic planners soon learned to rely on what they imagined as an unquenchable cornucopia which, in the end, owed more to wishful thinking than to reality. In Belgium, much of the trafficking took place in hotels frequented by German visitors. The military administration deplored the negative psychological impact which only served to diminish the assessment of its work. Inevitably, the ready availability and the relatively low prices for many items gave visitors a false impression of the actual dimensions of the Belgian black economy. Luxury restaurants where meals were available without tickets were packed with Germans.⁴⁴² Nevertheless, whenever confronted with calls for a halt of black market purchases, German supporters of the *Aktion* tended to justify their action with the simplistic argument of the 'black market scandal in luxury restaurants' and avoided mentioning their large share of German customers and collaborators. Göring used this claim on several occasions as an argument in favour of black market incursion. Its vital psychological importance can be discerned in the early attempts of the German administration in Paris to come to terms with black market restaurants and curb the most ostentatious violations of rationing. Göring's attitude reveals a startling incapacity to face reality. Like him, advocates of black market exploitation failed to detach themselves from their fallacious view of Western Europeans as prime beneficiaries of a black market perceived in terms of economic sabotage to the German war effort. This myopic vision favoured tendencies to constant extension of German purchasing, in many cases to economic sectors (such as paper, wood and coal) where it was entirely irrational and detrimental. German documents referring to the purchases contain numerous apologetic references to the supposedly temporary character of the 'Aktion'. For most participants, with the exception of military administration, this was pure rhetoric.

German black market exploitation, a measure that could be justified in economic terms, if it remained limited and tightly supervised, bears witness to the abyss of illusion-reality and rationality-irrationality in the Nazi dictatorship. This rationalisation also ties in with Werner Naasner's interpretation of how the Nazi dictatorship as a system dealt with problem areas: rather than confronting the real issues, the overriding reflex was to merely substitute one body for another.⁴⁴³

In July 1942 German clearing in Belgium peaked at 149,6 Million RM, of which 47% served to finance black market purchases. The military administration held that the interplay of occupation costs, clearing and RKK purchases presented a great inflationary danger.⁴⁴⁴ It was estimated that only 50% of goods procured through Organisation *Veltjens* were hoarded black stocks of pre-war quality. The remainder was either illegal imports from

⁴⁴² BA-MA. RW 36 211. Militärbefehlshaber in Belgien und Nordfrankreich. Gruppe I Schleichhandel an Dr Schlumprecht, betr. Bekämpfung des Schwarzhandels, 22. Dezember 1942.

⁴⁴³ Werner Naasner, *Neue Machtzentren in der deutschen Kriegswirtschaft, 1942-1945, Die Wirtschaftsorganisation der SS, das Amt des Generalbevollmächtigten für den Arbeitseinsatz und das Reichsministerium für Bewaffnung und Munition/Reichsministerium für Rüstung und Kriegsproduktion im nationalsozialistischen Herrschaftssystem* (Boppard, 1994), 468-75.

⁴⁴⁴ CERHSGM. Tätigkeitsbericht N° 21 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Juni bis 1. September 1942.

France or the results of black production.⁴⁴⁵ In its assessment on the provenience and character of black market goods in autumn 1941, the military administration had already gone as far as stating that the raw materials consisted almost exclusively of diversions from official resource management.⁴⁴⁶ 45,61% of ÜWA purchases in Belgium were textiles. Price rises were most substantial in foods and tobacco. Total havoc was also caused in the market for industrial oil, fats, soap and washing powder where 75-fold prices were reported. No wonder then, that soap factories were left with little choice than to divert most of their output to the black market, considering the higher and higher bill they had to foot for their raw materials purchases.⁴⁴⁷

Already in spring 1942 the official Belgian market for tools, hammers, kitchen and household utensils was spoilt, and manufacturers were selling their production on the black; such tendencies were also making themselves felt in the steel and iron trade. In the iron and metal processing industry similar developments had only been avoided through the discipline of civilian purveyors who could be pressurised by the Reich's price-fixing commissar.⁴⁴⁸ The summer 1942 report of the military administration in Belgium qualified the extension of the black market into the labour sector as a 'malady' for which it held German services responsible. As the word spread that black market purchasing was now also to be extended to foodstuffs, farmers were also beginning to hoard.⁴⁴⁹ These findings are corroborated by the arguments advanced in June 1943, when the usefulness of a resumption of black market purchases in the non-ferrous metal sector in Belgium was again debated. The military administration openly contested the rationality of the proposal and affirmed that black market exploitation had caused severe damage: out of a total of 160,000 tons that Belgium had furnished to Germany since the beginning of the occupation, a mere 7,000 tons were of black market origin. In winter 1942 turnover in the legal markets had dropped from a previous 8,000 tons per month to 1,500 tons, whereas after the end of the German black market, collection was up again to a monthly turnover of 2,200 tons.⁴⁵⁰ Most of the metals still appearing on the Belgian black market in mid-1943 originated straight from the official market. The ordinary metal trade sold at grey market prices (two to three times the normal price) to black market intermediaries who then drove up prices ten-fold. As an indicator of how rational exploitation could be designed, the military administration finally agreed to give green light to a purchasing effort siphoning-off metals at grey market prices, but demanded that this measure be preceded by comprehensive market monitoring.⁴⁵¹

⁴⁴⁵CERHSGM. Tätigkeitsbericht N° 21 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Juni 1942 bis 1. September 1942.

⁴⁴⁶CERHSGM. Tätigkeitsbericht N° 18 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. September 1941 bis 1. Dezember 1941.

⁴⁴⁷BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

⁴⁴⁸CERHSGM. Tätigkeitsbericht N° 20 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 15. März bis 1. Juni 1942.

⁴⁴⁹CERHSGM. Tätigkeitsbericht N° 21 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Juni bis 1. September 1942.

⁴⁵⁰BA-MA. RW 36 211. Militärbefehlshaber in Belgien und Nordfrankreich. Wirtschaftsüberwachung. Aktenvermerk, über Besprechung vom 10.6.43 bei KVR Dr Baumer betr Frage der Zweckmässigkeit einer Forsetzung des Schwarzmarktes zur weitgehendsten Erfassung von NE-Metallen für die deutsche Rüstungswirtschaft, 11. Juni 1943.

⁴⁵¹BA-MA. RW 36 211. Militärbefehlshaber in Belgien und Nordfrankreich, Wirtschaftsüberwachung. Bericht über Auswirkung der Befehle zur Einstellung des Schwarzmarktes, 17. Juni 1943.

Special Purchasing Campaigns

Special purchasing campaigns focusing on particular goods slipped totally from AWG control and were masterminded by PIMETEX, the Speer ministry's purchasing agency and the second-largest black market purchaser in Belgium. Again, this was in stark violation of the system's founding principles. PIMETEX, present in the West since 1941, was the main provider of goods for OT in Belgium, before specialising in metals and engineering material in May 1942. As most other services outside Germany, OT had no part in Reich allocations, making it necessary to cover most of their needs in the respective territory.⁴⁵²

In his speech on August 6, 1942, at the famous conference at the Reich Air Ministry, Göring reinforced his intention of despatching *Reichsgruppe Handel* tradesmen into the territories where they should enter upon a purchasing spree. This was a new approach, as black purchasing in the retail sector had been eschewed so far. The most extensive of these was the Christmas campaign, a propaganda move designed as a morale booster by filling German shops with goods acquired in Western Europe. The military administration was little pleased about this new idea of Göring's and sought to counter this new impulse for black production through flexible action: thus, Schlumprecht, head of the economic section, proposed an interruption of all other black market purchases while the Christmas campaign was on.⁴⁵³ Betzen suggested that the campaign should make use of ÜWA documentation established on businesses which had offended repeatedly against economic regulations or which had demanded prices exceeding the ÜWA black market coefficient. The campaign should be directed exclusively against these offenders.⁴⁵⁴ Far from merely satisfying the pressing demands of retail business in the Reich for access to Western Europe, ÜWA aimed at utilising the campaign in order to drive forward the rationalisation of Belgian commercial outlets: therefore seizures at official prices were to be accentuated in favour of purchases at black market prices. The administration hoped that the campaign would, in some sort, act as a supplementary police measure and deliver the *coup de grâce* to the black market in the retail sector. Contrary to their colleagues in France, the Brussels administrators did not remain aloof from outside intervention. By collaborating with Göring, they influenced the situation and instrumentalised these efforts for their own purposes: owing to this, the initial scope of the Christmas campaign was greatly reduced in Belgium, where, finally, a mere 50 purchasers went into action. The funding of Belgian purchases was equally reduced from an initial 80 million RM Göring had asked for, to 50 million RM.⁴⁵⁵ It was the Paris administration that had to compensate this reduction of funds available in Belgium and top up an already committed 160 million RM for

⁴⁵²AN. AJ 40 323. Mbf in Belgien und Nordfrankreich (ÜWA), dossier 8 : Abschlussbericht PIMETEX.

⁴⁵³AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Unterabteilung VIII an Dr Schlumprecht betr. Beschlagnahmen in den grossen belgischen Warenhaeusern, 30. November 1942.

⁴⁵⁴AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Aktennotiz ueber eine Unterredung vom 9. September 1942 zwischen Veltjens und den Vertretern der Wirtschaftsabteilung betr. Weihnachtsaktion, 10. September 1942.

⁴⁵⁵AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA) : Aktennotiz Veltjens an die Mbf in Frankreich und Belgien betr. 'Weihnachtsaktion', 15 September 1942.

purchases in France with a further 40 million RM. In Belgium, the 'Christmas shoppers' commenced their activities on the morning of October 13 and they proceeded by visiting a selection of department stores determined through the register of the *chambre syndicale des grands magasins de Belgique*. During the following two weeks they scanned the market without buying. They posed as ordinary German retailers buying 'on the black', made enquiries in order to gain an overall picture of stocks available and negotiated prices. Their tactics focused on showing a marked interest in buying up entire depots, thus maximising the effect of the campaign. Once this fortnightly scanning process had established which retailers held black market stocks, the purchasers were authorised by the military administration to make a second call at these outlets. They would now offer grey prices, which were not to exceed German prices by more than 33,3%, and threaten those refusing to supply with a requisition in their depots at the lower official prices.⁴⁵⁶ Once again, control of the entire campaign was laxer in France than in Belgium; here Göring's 'Christmas shoppers' needed an AWG accreditation, which was a minimal guarantee that they would act in conformity with the principle guidelines on how the campaign should be conducted, as outlined by the Mbf. Apparently, prices paid in Belgium were also lower than those paid in France, with the total Belgian contribution climaxing at over 56 million RM, slightly above the limit of 50 million RM.⁴⁵⁷ To further augment pressure on the holders of black goods, the Mbf in Belgium launched a simultaneous warehouse campaign commencing on November 18. This was carried out on ÜWA recommendations in customs warehouses, mainly in Antwerp, and it was aimed at goods imported illegally for sale on the Belgian black market.⁴⁵⁸

4. The Ban on Officially-Backed Black Market Involvement (Spring 1943)

Military reticence against the ÜWA system, no doubt influenced by the impending financial crisis, was on the increase in autumn 1942. In a meeting on October 27, the head of the economic section, Schlumprecht, admitted that effective control of ÜWA, its annexes and their myriads of intermediaries were virtually impossible. An end to its activity was clearly envisaged at this point, a measure that was to be accelerated by simultaneous production bans on

⁴⁵⁶ AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA) : Vertrauliche Interne Mitteilung (ÜWA) betr. Durchfuehrung der Weihnachtsaktion, 7. Oktober 1942; Aktennotiz Veltjens an die Mbf in Frankreich und Belgien betr. 'Weihnachtsaktion', 15 September 1942; dossier 1: Geheime Zusammenfassung der ÜWA ueber diverse Aspekte der Weihnachtsaktion, 24. September 42. The difference between the grey purchasing prices in Belgium and the lower sales prices in Germany was once again covered by the ROGES-administered 'price reduction fund'.

⁴⁵⁷ AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 1 : Aktennotiz Veltjens ueber die Durchfuehrung der Weihnachtsaktion in Belgien, 24. Oktober 42; ÜWA-Mitteilung, 21. Januar 1942.

The ÜWA final report gives differing figures: German expenditure for the Christmas Campaign was 53,4 millions Marks, representing an amount of goods that filled 2242 rail trucks, s. IHTP. Copies d'extraits d'archives allemandes prises par l'armée américaine en France et en Belgien et conservées à Alexandria (Catalogue de microfilms, Série A) Tome III, Bobine 181, Flash 1 : 'Abschlussbericht der Überwachungsstelle beim Militärbefehlshaber in Belgien und Nordfrankreich über die legalisierte Ausschöpfung des schwarzen Marktes in Belgien und Nordfrankreich, 1942-1943', 7.

⁴⁵⁸ AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 7 : Aktennotiz ÜWA, 20. November 1942 betr. Zollageraktion. Similar campaigns continued right through 1942/43, targeting transport companies in several Belgian cities or pinpointing action against Antwerp warehouses.

certain products. With the introduction of a central *Wehrmacht* clearing house in October 1942, the military administration also disposed of a comprehensive tool to overlook black market expenditure in Belgium. Veltjens himself became increasingly concerned with bypassing the serious financial entrapments to the *Aktion*, in order to engage in even more comprehensive purchasing. This was the rationale behind Göring's new brief charging Veltjens to relieve the strain on Germany's foreign currency account by entering into compensation transactions. Thus, Veltjens was to lay his hands on war-necessary goods outside German reach by exploiting all avenues of barter between occupied Western Europe on the one hand, and the Iberian peninsula and South-Eastern Europe on the other. Goods considered non-essential, such as private motor cars and champagne from France, were exported to Spain and other countries, where they were paid in foreign currency. This would help finance other exterior trade considered essential to the German war economy. Göring envisaged centralising all such foreign currency transactions in Veltjens' hands and submit the DSK to his authority. Contrary to the intentions of the military administration, Veltjens was therefore determined to enlarge ÜWA attributions and augment its staff.⁴⁵⁹ However, his call for additional funds from the occupation account was met by hardy intransigence and rejected with reference to the inflationary decomposition of the Belgian franc.

All through 1942, the administration had had to contend with the mounting reticence of the Belgian authorities. The financial basis for black market purchases in France was dramatically different to Belgium, where a larger share of black purchases was financed via the Reich's clearing account. Clearing procedures differed significantly as opposed to the attribution of occupation levies. Theoretically, goods purchased via the clearing account were destined for exportation to Germany. Reimbursement by the Belgian National Bank was dependent on the German administration providing detailed information and submitting lists of suppliers in order to prove to which ends funds had been committed. Therefore the Belgian secretary-generals were rather well informed on the nature of economic exchange hiding behind the Reich's constantly progressing negative clearing balance.⁴⁶⁰ ZAM creation provoked a 'crisis of confidence' on the part of the Belgian services implicated in price control. Even those who, up to then, had remained 'loyal' to the military administration's price policy package were showing great reserve and irreplaceable officials angrily quit their posts at the Belgian 'Commissariat for Prices and Wages'.⁴⁶¹ During a visit by under-secretary Landfried of the Reich Ministry of Economic Affairs in summer 1942, secretary-general Galopin addressed the problem directly, questioning whether the black market-related loss of confidence and authority was compatible with Germany's war effort.⁴⁶² In September and October 1942, this led to urgent representations by the secretary-generals at the Ministry of Finance and Economic Affairs, and by the central bank, all of whom declined to shoulder this

⁴⁵⁹AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 7 : Aktennotiz ÜWA, 20. November 1942 betr. Zollageraktion.

⁴⁶⁰CERHSGM. Tätigkeitsbericht N° 20 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 15. März 1942 bis 1. Juni 1942.

⁴⁶¹CERHSGM. Tätigkeitsbericht N° 20 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 15. März bis 1. Juni 1942.

⁴⁶²CERHSGM. Tätigkeitsbericht N° 21 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Juni bis 1. September 1942.

political liability. They made it clear that they had moral reservations against a monetary policy that was providing the basis for transactions that were as illegal in Germany as they were in Belgium. These remonstrances were rejected by the military administration that put the blame on Belgian non-compliance in the thorough implementation of resource management and other economic control measures. By the end of October, amidst resignation threats by the governor of the central bank, massive German pressure forced the Belgians back into line and the partially cancelled clearing payments were resumed. However, in mid-November the board was finally paralysed by the resignation of two of its directors. Protracted negotiations followed, with the effect that from January 1, 1943 black market purchases were to be financed out of the far less elastic occupation account, a move effectively throttling them at a maximum of 30-35 Million RM. The clearing mechanism was to be restricted to export goods.⁴⁶³ This, together with the cessation of *Aktion Veltjens* in spring 1943, heralded the end of black market procurement in Belgium.

In finding the reasons for this formal ban of the German black market in spring 1943 we should also venture into a variety of other areas of particular concern to the situation in France. Its apparent deficiencies somehow pre-programmed the end of *Aktion Veltjens*; therefore the question was rather how long (than whether) this aberration would be able to survive, especially in the light of Speer's simultaneous creation of a *Deutsches Beschaffungsamt* (German procurement agency-DBA) in France, in July 1942.⁴⁶⁴ This institution was charged with the centralisation of all German procurement services, including those working the black market. In order to assemble a global picture of German orders to the French industry it soon swallowed ZAST.⁴⁶⁵ Prior to this, on June 15, 1942 a meeting had been called discussing the modification of procurement and of the structure of the armaments services in occupied France. Besides Elmar Michel, the head of the military administration, the other participants included Speer, Field Marshal Milch, General Thomas of the OKW and the future head of the German procurement agency, Major-General von Thoenissen. The new institution was modelled on *Zentrale Planung*, the Reich's newly created central procurement agency. In accordance with Speer's new ideas, procurement was carried out centrally through committees that were divided by product ranges. The aim was to replace the disparate and chaotically overlapping procurement activities in France. The meeting was followed by a talk between Speer and Laval, at the German Embassy, the following day. Laval is said to have welcomed the prospect of DBA collaboration with the French Ministry of Production and the *comités d'organisation*. One clue on the significance of this move was the fact that DBA authority was also to cover all future German contracts in the non-occupied zone.⁴⁶⁶ The large number of independent procurement operators necessitated the establishment of a central German procurement agency in France, a state of affairs that precluded any attempt at achieving a general overview. DBA creation laid the

⁴⁶³ CERHSGM. Tätigkeitsbericht N° 22 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. September 42 bis 12/42.

⁴⁶⁴ DBA replaced an older structure, the Wirtschaftsrüstungsstab (WiRüStb) which was discharged of its former duties and whose task no longer went beyond the handling of general issues.

⁴⁶⁵ This occurred sometime before September-October 1942, s. BA-R. R 11 89 ZAST Frankreich.

⁴⁶⁶ BA-MA. RW 24 37. KTB Deutsches Beschaffungsamt (DBA) in Frankreich, II. Vierteljahr 1942; BA-MA. RW 24 38. Abschrift der Besprechung in Paris (15.6.), 18.6.42, re. Umgestaltung des Beschaffungswesen und der Rüstungstellen in den besetzten französischen Gebieten.

long-awaited base for the centralisation and control of all German procurement agencies present on French soil. DBA's first moves were rather modest, for its service set up their base in Von Thoenissen's private apartment in Paris. To begin with DBA activity only surveyed ZAST contracts and public orders from the Reich. Larger premises became available in September and from thence DBA supervision was gradually extended to all other procurement agencies, including those handling military procurement. There was no similar institution in Belgium and Northern France where, as it was claimed by the German Armaments Inspection, abuse was less recurrent and administrative control more stringent. Consequently, the creation of a similar institution was not deemed necessary, a view endorsed by Speer. Instead, an armaments procurement commission was founded which brought together the head of the military administration's economic section, the representative of the Ministry of Armaments and the Armaments Inspection.⁴⁶⁷

Doubt about its economic sense had cast a shadow on *Aktion Veltjens* from the beginning. Unsurprisingly, the most outspoken critic was the Reich Minister of Finance, Graf Schwerin von Krosigk. On July 15, 1942, after the launch of *Aktion Veltjens*, von Krosigk attacked what he considered collective financial irresponsibility and circulated an extensive memorandum in the Reich's upper echelons. His main points were the German management of finances in the occupied territories and the generalised havoc caused by unrestricted foreign purchases, at unjustifiably high prices. The skyrocketing clearing debt that was accumulating in the occupied territories bore a severe inflationary threat for the German war economy. In the long run, he argued, German commercial exchange with her Allies and the occupied countries would collapse, due to a total loss of confidence in German financial credibility.⁴⁶⁸ Even though such gloomy predictions were bound to find few enthusiastic followers in Germany, these (or similar) arguments were not new to the German administrative machinery in France. Schwerin von Krosigk's advance paved the way to a convergence of views that included the military governor in France, the Ambassador in Paris, Otto Abetz and Hans-Richard Hemmen, head of the powerful Economic section of the German armistice delegation.

Further hints on why black market purchasing was abandoned in 1943 appear when considering the history of German food demands against France. Although these were on a steady rise during the entire occupation, German demands in 1942 made a particularly disproportionate leap forward, ending in an effective *cul-de-sac* in late 1942: June 1942 had seen the conclusion of the Franco-German negotiations on the delivery of foodstuffs and a sensitive increase of the 1941 quotas which led to the resignation of the French Minister of Agriculture, Jacques Leroy-Ladurie who was replaced by his under-secretary Bonnafous.⁴⁶⁹ The increase was based on the fact that German food rations had had to be lowered in April 1942, as the high hopes set in food deliveries from the Eastern occupied territories had

⁴⁶⁷BA-MA. RW 24 39. Militärbefehlshaber in Belgien und Nordfrankreich. Rüstungsinspektion Belgien an RBMB, betr. Bildung Beschaffungsamt in Belgien und Nordfrankreich, 14. Oktober 1942.

⁴⁶⁸IFZ. NG-4284. Memo Schwerin von Krosigk betr. zweckmässigere Gestaltung der finanzwirtschaftlichen Beziehungen zu den ausserdeutschen Gebieten zur Sicherung eines kriegswirtschaftlichen Optimums, 15. Juli 1942.

⁴⁶⁹Hans Kistenmacher, *Die Auswirkungen der deutschen Besetzung auf die Ernährungswirtschaft Frankreichs während des Zweiten Weltkriegs* (Tübingen 1959), 104 pp.

proven wholly unjustified.⁴⁷⁰ However, things were worsened through the unsatisfactory grain yield of the following harvest. Once again, Berlin reverted to the simplest solution: squeezing even higher contributions from the occupied territories. This was the rationale behind the famous Air Ministry conference, on August 6, 1942, for which German representatives from all the occupied territories were convened to Berlin. During this conference Göring pontificated, among other things, that he now expected 800,000 tons of additional foodstuffs from France.

Table 12. German food demands (in 1,000 tons) against France, 1942/43⁴⁷¹

	French deliveries (1941/42)	French commitment (1942/43)	Göring's new demands (August 1942)
Bread grain	550	800	1,200
Feed grain	460	800	1,000
Meat	135	200	350
Potatoes	20	250	300
Cheese		10	25
Straw		650	-
Hay		400	-
Fats		fulfilment of colonial oil agreement of 24-08-41	60
Vegetables		-	150
Fruit		-	300
Wine		-	6 million hectolitres

The Foreign Ministry, which feared the political risk of Laval resigning, if brought face to face with new demands, rejected this request. A meeting of the Commercial Policy Committee (Handelspolitischer Ausschuss-HPA) in Berlin, convened on September 18, 1942 to discuss Göring's demands. Requisitions were shunned as a little yield-effective solution that would foster massive concealment, and the military administration was briefed to find a way of satisfying Göring's new demands '*by the use of appropriate means*'. This was a barely camouflaged reference to unofficial additional procurement of foodstuffs on the French black market. It was to prove a dissatisfactory palliative through its prohibitive cost and its incapacity to rival the level of official deliveries. However, the Foreign Office remained firm in its refusal to officialise the new demands through the diplomatic channel; although Abetz proposed to make discreet use of his personal influence with Laval in order to support the military administration. The new line was acknowledged on September 29 by a report of the Paris Embassy claiming that solely black market purchases

⁴⁷⁰Kistenmacher, *Die Auswirkungen der deutschen Besetzung auf die Ernährungswirtschaft Frankreichs während des Zweiten Weltkriegs*, 104 pp.

⁴⁷¹AN. 3 W 352. (36) HCJ. Compte-rendu d'une réunion présidée par Göring sur l'augmentation des livraisons des TO, 6 août 1942; AN. 3 W 350. HCJ. Rapport de l'Ambassade à Paris sur la livraison de produits agricoles par la France au Reich, 29 septembre 1942.

had the potential of fulfilling, if not all, then at least a fair percentage of Göring's food demands.⁴⁷² Finally, on October 20, Veltjens received green light from the Mbf to proceed with the purchase of food on the French black market.⁴⁷³ Meanwhile the French authorities were growing increasingly alarmed; especially after Göring's announcement of an increase of German bread and meat rations in a Thanksgiving speech at the Berlin *Sportpalast*, on October 4, 1942.⁴⁷⁴ As a reaction, Laval notified the German Ambassador, Otto Abetz, drawing his attention to the political dangers of Göring's statements. Not before long, the Embassy and the Foreign Ministry would withdraw their endorsement of black market purchases.

The event setting in motion an irreversible clockwork was the Allied landing in North Africa. The pressures exerted by this change in the military situation exacerbated food deficiencies in France and called for a decisive redirection of the management of European resources. It was the time when the need to act became pressing for an otherwise stubborn, prejudiced and highly inflexible regime. Operation 'Torch' severed metropolitan France's links with her African possessions, thus depriving her of vegetable and fruit imports equalling two to three months' worth of annual domestic consumption. Even worse was the slump in the fats sector. Hitherto, importations from Western Africa had covered a substantial share of France's fat supply. The Germans had to write off the 25% of French oil plant imports and the 30% of French cocoa imports promised by Vichy.⁴⁷⁵ In July 1942 Germany had already ceased to resupplement Vichy allocations of fat and cheese to the army of occupation;⁴⁷⁶ the new situation increased the strain on French consumers whose weekly fat rations were now lowered from 100 grams to 70 grams, and to 55 grams in municipalities with less than 2,000 inhabitants, from December 1, 1942.⁴⁷⁷ On November 26, 1942 the head of the military administration in France, Elmar Michel, had let it be known that in view of this new situation the French government was no longer willing to stand by the summer agreement. Michel also mentioned the negative impact of an unusually low yield in 1942, a year that experienced one of the severest droughts of the century in Southern France.⁴⁷⁸ Naturally, Göring refused to engage in any talk about abandoning parts of his food demands and the reaction of *Aktion Veltjens* supporters is brutal: in their eyes the occupation of Southern France was the perfect occasion to expand black market exploitation and increase the allocation of funds to Veltjens by an additional 100

⁴⁷²AN. 3 W 352. HCJ. Compte-rendu réunion HPA sur les livraisons de la France, 18 septembre 1942; AN. 3 W 350. HCJ. Rapport de l'ambassade à Paris sur livraison de produits agricoles par la France au Reich, 29. septembre 1942.

⁴⁷³AN. AJ 40 796. Dossier 6. Militärbefehlshaber in Frankreich. Abteilung Wi III. Ernährung und Landwirtschaft Ernährung und Landwirtschaft. Mitteilungen des Militärbefehlshabers an die Einkaufsorganisationen und die Bezirksamtschefs, Februar/März 1943.

⁴⁷⁴AN: AJ 40 796. Dossier 6. Militärbefehlshaber in Frankreich. Abteilung Wi III. Ernährung und Landwirtschaft Ernährung und Landwirtschaft. Aktennotiz betr. die Schwarzmarktbekämpfung, die Versorgungslage und die französischen Lieferungen, 19. März 1943; Corni, Gies, *Brot-Butter-Kanon. Die Ernährungswirtschaft in Deutschland unter der Diktatur Hitlers*, 531 pp. The eventual increase was rather modest and, besides, had to be reversed in spring 1943, as German food reserves were virtually exhausted; for Göring's speech, see the Goebbels diaries' October 5, 1942 entry, in: Fröhlich, Elke (ed.), *Die Tagebücher von Joseph Goebbels, Teil II, Diktate 1941-1945, Bd. 6, Oktober-Dezember 1942* (München, New Providence, London, Paris, 1996), 72/73.

⁴⁷⁵AN. AJ 40 795. Militärbefehlshaber in Frankreich. KV-Vizechef Dr Reinhardt, Referat über Landwirtschaft und Ernährung Frankreichs 1942/43, gehalten bei Konferenz im Reichsernährungsministerium, Berlin, 5. Juli 43.

⁴⁷⁶Kistenmacher, *Die Auswirkungen der deutschen Besetzung auf die Ernährungswirtschaft Frankreichs während des Zweiten Weltkriegs*, 104 pp.

⁴⁷⁷Umbreit, *Der Militärbefehlshaber in Frankreich*, 313.

⁴⁷⁸IFZ. NG-4526. Sitzungsprotokoll HPA, 26. November 1942.

million marks per month, up to May 1943.⁴⁷⁹ However, the prospect of seeing a total of 1.2 billion RM's dumped on the French black market in the first half of 1943 was enough to make an ever-increasing number of German experts agree with Vichy that the new situation was overstretching France's potential of absorption and bringing her economy near breaking-point. The administration was aware that the black market not only fuelled inflation and devastated French finances from an expenditure point of view, but also ruined state income levels, owing to the massive tax evasion it entailed. In the opinion of the administration the best means of containing inflation and safeguarding a balanced budget was to keep the official economy turning over.⁴⁸⁰ In the long run, there was no choice other than to adopt a policy of financial rigor and take decisive steps to guarantee the stability of the French currency. The irrational black market venture was conducive to neither of these targets. In his 1943 report, Hemmen himself, attributes his appointment as Reich delegate for economic and financial questions with the Vichy government, to German fears of French reluctance to '*counter highly popular abuse in resource and price control, only to obtain the equally unpopular target of boosting French production in Germany's favour*'.⁴⁸¹ Hemmen's new advisory role was therefore directly linked to the new German black market credo, as he was to keep an eye on and influence French anti-inflation policy. The German proposals placed most of the initiative in the hands of the French who were demanded to siphon-off purchasing power through tighter tax and financial policies, improvements in tax collection procedures, severer price-wages control and a merciless combat against the black market.⁴⁸² As the figures show, there was, indeed, scope for further taxation: following the German proposals, the increase obtained through tighter fiscal policy in 1943 was 35 billion ffrs.⁴⁸³

The other problem souring a rational utilisation of the French economic potential was the fact that all legal production was slowly being overgrown by an extended black market production; of sometimes very poor quality as several ÜWA reports were quick to observe. As long as German black market purchasing continued to grow, there could be no change. A ZAST questionnaire sent to French firms uncovered that by October 1942 large proportions of the official contracts which had received green light from ZAST several months earlier had not even been commenced. Manufacturers were concentrating their efforts on more lucrative black production. Navy contracts worth 438 Million ffrs were entirely out of ZAST reach and there is much reason to believe that the Navy's refusal to submit any information was based on the fact that many of these contracts were fulfilled at black prices.⁴⁸⁴ In April

⁴⁷⁹ibid.; Aufzeichnung MD Wiehl für RAM von Ribbentrop betr. Besatzungskosten Frankreich, 27. November 1942.

⁴⁸⁰BA-MA. RW 35 265. Bericht der Abteilung Finanzen beim Militärbefehlshaber in Frankreich, 1940-1944.

⁴⁸¹IFZ, PS-1990. Fünfter Tätigkeitsbericht der Deutschen Waffenstillstandskommission für Wirtschaft für den Zeitraum Juli 1942-Juli 1943.

⁴⁸²One of the chief arguments was the lower part of tax revenue in the national budget in France (20%) compared to Germany (35%), s. AN. AJ 40 1209. 5. Tätigkeitsbericht der Deutschen Waffenstillstandskommission für Wirtschaft (Paris-Wiesbaden) für die Zeit von 1. Juli 1942 - 30.6.1943.

⁴⁸³BA-MA. RW 35 284-305. Militärbefehlshaber in Frankreich. Chef des Verwaltungsstabs. Wirtschaftslagebericht, Oktober-Dezember 1943.

⁴⁸⁴BA-MA. RW 24 39. DBA in Frankreich. Protokoll über Sitzung der Leiter der Unterausschüsse des DBA, 14. Dezember 1942.

1943, at a time when the scaling down of black purchases was already well under way, over 50% of total orders declared with ZAST still were black market purchases.⁴⁸⁵

Financial difficulties found their main expression in the dangerous drop in the sums available on the occupation account. *'At the beginning of 1943'*, one September 1942 report stated wryly, *'the account will be totally exhausted'*.⁴⁸⁶ At about the same time, starting in September 1942, strategic constructions in France were consuming a monthly 3.4 billion ffrs, one-third of French payments. The occupation of Southern France saw the extension of costly fortification, a trend continuing well into spring 1943.⁴⁸⁷ The Quadrennial Plan had already sought an alteration of exchange rates, a proposal rejected by the military administration, Abetz and Hemmen in October 1942.⁴⁸⁸ Then the idea was raised to get the Vichy government to agree to a rise of the occupation payments. Again, this presented no effective solution to the German financial dilemma, as inflation was diminishing the purchasing power of occupation francs and leading to their automatic devaluation. Hemmen had already pointed to this problem in his fourth activity report where he asserted that the price rises of 30-40% during summer 1942 equalled an effective reduction in the payment of occupation francs.⁴⁸⁹ This resulted in doubling the strain on the German financial basis in France: Not only were the Germans paying higher prices on the black market, but also they were actually encouraging the devaluation of their own financial resources. Therefore, a few days before the occupation of the Southern zone, the Reich Foreign Ministry undertook steps to examine the possibility of economising on expenditure and prioritising southern zone, the Reich Foreign Ministry undertook steps to examine the possibility of economising on expenditure and prioritising southern zone^o

_Karter, 'Coercion and Resistance, Dependence and Compliance. The Germans, Vichy and the French Economy', 442.

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_Karter, 'Coercion and Resistance, Dependence and Compliance. The Germans, Vichy and the French Economy', 442.

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_Karter, 'Coercion and Resistance, Dependence and Compliance

⁴⁸⁵This represents a share of 265,588,000 RM, with total orders being worth 429,887,000 RM, s. BA-R. R 11/89. ZAST Frankreich. Gesamthöhe der von ZAST seit Mai 1940 erfassten Aufträge bis April 1943. The history of ZAST declaration of black market purchases gives a good impression of the variations in German policy: They start in December 1942. By February 1943 pressure is strong enough to implement the additional declaration of legal and illegal orders between 1940 and 1942.

⁴⁸⁶IfZ. PS 2264. ROGES Bericht an Reichwirtschaftsministerium betr Entwicklung des Besatzungskostenkontos während der letzten Monate, 15. September 1942.

⁴⁸⁷Karter, 'Coercion and Resistance, Dependence and Compliance. The Germans, Vichy and the French Economy', 442; Dommages subis par la France et l'Union française du fait de la guerre et de l'occupation ennemie (1939-1945). Part imputable à l'Allemagne, vol. 2, 121 pp.

⁴⁸⁸BA-MA. RW 19 3363. Deutsche Waffenstillstandskommission fuer Wirtschaft, Wochenbericht Nr 28, 21 Oktober 1942.

⁴⁸⁹BA-R. R 7 2285. Vierter Tätigkeitsbericht der Deutschen Waffenstillstandskommission für Wirtschaft, Paris-Wiesbaden, 1. Januar bis 30. Juni 1942, 8.

⁴⁹⁰BA-MA. RW 19 3363. Deutsche Waffenstillstandskommission fuer Wirtschaft, Wochenbericht Nr 30, 4. November 1942

Karter

Karter, 'Coercion and Resistance, Dependence and Compliance' The Germans were not certain whether the French would agree to raise the occupation payments and asked less than they actually needed. Ribbentrop was genuinely interested in knowing whether France could sustain these supplementary costs and ordered an evaluation at the beginning of December 1942.⁴⁹¹ Therefore negotiations were preceded by a number of assessment studies on France's capability to endure such a measure. The black market took a prominent place in all of these studies. A report released by the *Reichsbank's* national economy section, on December 7, 1942, assessed the negative impact of French inflation on German resource management: inflation might cause a slump in production and provoke hoarding to a point where even the black market would be cut off from all further supply. The report concluded that an increase in the amount of occupation francs would not necessarily imply an automatic increase in material gains. The following day, a similar report discussing the French capacity to sustain the black market purchases and debating their economic sense was released by the *Forschungsstelle für Wehrwirtschaft*. Its main point of critique was the blatant contradiction between German black market activities and the measures demanded of the French government to tighten its economic control and bring it in line with the German model of 'centrally administered economy'. The *Forschungsstelle* report drew attention to the fact that the French economy was definitely in a critical state where a collapse was possible at any time. Advancing purely economic arguments, it claimed that the benefits bore no more relation to the risk and recommended the imminent withdrawal of all backing for the black market *Aktion*.⁴⁹² The German Embassy in Paris joined in the cacophony on December 12, 1942, after reception of a document by Laval detailing cases of German intervention in favour of notorious blackmarketeers and other criminal elements.⁴⁹³ Its critique is the most riveting, as the Embassy held the opinion that the occupation of Southern France had made black market draining redundant as a policy of exploitation. Fears about the pre-emption of clandestine resources through third parties or enemy nations had lost their *raison d'être*. The report was also astonishingly far-reaching in its affirmation that hoarded stocks were no longer available. It deduced from the low level of raw material allocation to the official French market in all the important sectors that the black market was fuelled through materials diverted from the German contract transfer programme. Thus the Reich itself largely sustained the new black production in industrial products. Where agricultural production was concerned a more stringent controlling effort was demanded of the French government, but even here the superiority of official quota policy over black market exploitation was conceded. Hemmen reinforced this interpretation by stating that there was still a margin that could be exploited; however, higher payments were conditional on the increased stringency and coherence of French monetary and price

⁴⁹¹Karter, 'Coercion and Resistance, Dependence and Compliance. The Germans, Vichy and the French Economy', 442.

⁴⁹²IfZ. Nuernberger Dokumente NG-2149. Deutsche Reichsbank-Volkswirtschaftliche Abteilung, 'Zur Frage einer Erhöhung d französischen Besatzungskosten', 7.12.42; NG-2266. Forschungsstelle für Wehrwirtschaft, 'Zur Frage der Belastbarkeit Frankreichs durch Schwarzkäufe', 8.12.42. It should be noted that the two reports were less directed against black market purchases as such than against the combination of increased occupation payments and continued black market purchases.

⁴⁹³IfZ. Nuernberger Dokumente, PS-2262. Deutsche Botschaft, WiAbt an AA, re. Behandlung des Schwarzmarktes in Frankreich, 12.12.42.

policy, and fiscal reform.⁴⁹⁴ The Wiehl memorandum of December 8, 1942 summarised these and other evaluations by OKW and the Ministry of Finance that France was able to pay. Göring was cited as having promised an end of black market purchases and the OKW as having agreed to a reduction in military expenditure. From 1943 on, a more intensive use of the Reich's clearing account was to be envisaged. On December 15, 1942, Hemmen brought the subject of increased payments to the attention of the Vichy authorities that agreed to the rise.⁴⁹⁵

Laval's tactics were clearly bent on making the Germans realise that, as in other areas, Franco-German co-operation provided better yields than unilateral German intervention on the French black market. It is safe to conjecture that it was his aim to demonstrate that black market exploitation was a nuisance, to Germans and French alike, and prevented them from engaging in more constructive solutions to their mutual problems. An attempt to woo the Germans, by adopting a pro-active attitude, was also behind the November 1942 contact with Dr Bosse, Speer's representative in France. This contact was established on Laval's initiative. The aim was to offer the Germans a financial stake in a Franco-Portuguese trade company that should buy nickel, wolfram and other raw materials on the Iberian peninsula. The German interest was obvious: camouflage. The French interest was equally clear, for it was suggested that the Germans should provide the cash, out of the funds allocated to black market purchases.⁴⁹⁶

Pressure was mounting on Veltjens. Shortly after Göring's visit to Paris in November 1942, during which he was briefed on his new duties as commissar for currency procurement, Veltjens attended a meeting at the DBA. Responding to reproaches by several senior German officials over the intolerably high price ceilings, he agreed to halt metal and wood purchases on the black market, and pledged to register all other purchases with DBA and ZAST. Hitherto, ÜWA Paris had to inform DBA of all offers where reasonable doubt existed that they were genuine secret stocks.⁴⁹⁷ Four days later DBA informed all its affiliated procurement agencies that the placement of contracts in Southern France was subject to its authorisation.⁴⁹⁸ Finally, on December 16, 1942, Thoenissen declared categorically that all procurement agencies which had not applied for admission to DBA, were to be regarded as dissolved.⁴⁹⁹ At this stage, immense trafficking was taking place in the newly occupied Southern zone of France. The military administration had no means of intervening, as the most actively engaged units were operative troops under the authority of OB West. In March 1943 the ROGES envoy based in Marseille reported that the clearance of dock

⁴⁹⁴IFZ. Nuernberger Dokumente. PS-1990. Fünfter Tätigkeitsbericht der Deutschen Waffenstillstandskommission für Wirtschaft für den Zeitraum Juli 1942-Juli 1943.

⁴⁹⁵International Military Tribunal, vol. XII, 788-89, cited in: Karter, 'Coercion and Resistance, Dependence and Compliance. The Germans, Vichy and the French Economy', 442.

⁴⁹⁶AN. 3 W 350. HCJ. Télégrammes sur entretien projeté par Laval en vue de la fondation d'une société commerciale franco-portugaise pour l'achat de matières premières dont le nickel et le wolfram, 30 Novembre 1942

⁴⁹⁷BA-MA. RW 24 39. DBA in Frankreich. Aktenvermerk über Besprechung am 7 Dezember 1942 mit Veltjens, Oberstleutnant Koch, Kattenstoh, General Thoenissen.

⁴⁹⁸BA-MA. RW 24 39. DBA in Frankreich. Rundschreiben an DBA angeschlossene Beschaffungsstellen, 11. Dezember 1942.

⁴⁹⁹BA-MA. RW 24 39. DBA in Frankreich. Thoenissen (DBA) an Ruestungsstab Frankreich , 16. Dezember 1942

warehouses had seen little official co-ordination on the part of the German authorities and had practically been left to private initiative. He estimated that the docks would be entirely emptied in a further two to three months.⁵⁰⁰

The black market issue was also at the top of the agenda when Hitler met Laval on December 19, 1942.⁵⁰¹ However, as on previous occasions where Vichy had tried the 'direct line', Laval's advance proved a stillborn undertaking. The *leitmotiv* overshadowing the talks was that France was in no position to stake any claims and had to make convincing gestures in order to prove its capacity for effective auto-administration. The atmosphere was characterised by mistrust and Göring pre-empted all criticism by opening the three-hour 'lecture' with a strong diatribe on the 'black market scandal' in France. According to him, it had become 'a sort of semi-legal institution' in which the broad masses were involved, either passively or actively. Göring declined all German responsibility for this state of affairs and denied all German involvement.⁵⁰² When Laval's declared that the increase of the occupation payments would deliver a deadly blow to the French franc, Göring rebuffed him with a simple and mischievous comment on black luxury restaurants in Paris.⁵⁰³ This performance may have helped to save face, but it did not alleviate the broad front of opposition from the German administrations in the occupied territories, the Foreign Ministry and the Ministry of Finance. It is significant that Göring did not make an attempt to restore his authority over black market purchasing by demanding Hitler's intervention. Judging from Göring's complete denial of German involvement during Laval's visit, the first hypothesis is that Hitler may have disapproved of Göring's action, if he had been fully briefed on his black market activities. Secondly, Göring probably felt in no position to demand such a favour, as he was no longer on best terms with the dictator. Göring's prestige, reputation and power base had eroded considerably since the heyday of the *Luftwaffe* in 1940. As the largely hapless head of the Quadrennial Plan, he had forfeited Hitler's trust in his qualities as an economic organiser, and in early 1942 Hitler had made a square choice for Speer, the new champion in charge of German war mobilisation. The end of *Aktion Veltjens* marked the demise of Göring. By hanging on to this obsolete endeavour until the bitter end, he had not done himself a favour and proven his incapacity to withstand in the Third Reich's ruthless power contest. Göring was no longer the 'great intriguer', as described by Richard Overy⁵⁰⁴, and during the last two years of the war he fled the political scene to the isolation of Karinhall, his country mansion.

Finally, Veltjens retracted and agreed to unwind his *Aktion* by submitting a liquidation plan in his report of January 15, 1943. This projected the definite cessation of *Aktion Veltjens* for March 1943.⁵⁰⁵ In the Netherlands, Veltjens accepted a 50% reduction in black purchases, after representations from the Reich commissar, Seyss-Inquart, taking

⁵⁰⁰ BA-MA. RW 24 322. ROGES-Beauftragter Marseille (Hotel Splendide) an ROGES Paris, betr. Räumung der Bestände aus Marseille, 23. März 43.

⁵⁰¹ Other issues Laval had hoped to raise included the food quotas and the stifling effects of the new French payments.

⁵⁰² BA-MA. RW 36 3361. Bericht des Gewährsmannes des Deutschen Volkswirts an Amtschef, Inhalt der Zusammenkunft Laval-Hitler am 19. Dezember 1942, 29. Dezember 1942.

⁵⁰³ Eberhard Jäckel, *La France dans l'Europe de Hitler* (Paris, 1969), 260 pp.

⁵⁰⁴ Overy, *Göring. The 'Iron Man'*, 235.

⁵⁰⁵ AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Der Chef der Wirtschaftsabteilung an Gruppenleiter I, 5. Dezember 1942. In addition, Veltjens' 'new powers' were contested by Zentrale Planung on 28 December 1942, s. AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 4 : Wirtschaftsabteilung, Gruppe VIII an Gruppe V betr. muendliche Mitteilung Veltjens vom 2. Dezember 1942, 28. Dezember 1942

effect in February 1943. In France fund attribution was reduced from 150 million RM in February to 100 million RM the following month.⁵⁰⁶ However, *Aktion Veltjens* was not abandoned overnight. Despite the impressive *tour de force* of his opponents, Veltjens used various pretexts in order to delay the liquidation of his Aktion beyond March 1943. Thus, out of a total of 17.4 billion ffrs drawn from the occupation account in January 1943, at least 6 billion were still committed to black market purchasing.⁵⁰⁷ Average daily expenditure of 28,4 Million RM during the first half of 1943 largely exceeded the increase agreed upon by Vichy.⁵⁰⁸

Table 13. 1943 German black market expenditure in France (in mill ffrs)⁵⁰⁹

January	6,200
February	5,600
March	4,200
April	1,800
May	2,400
June	1,800
Total	22,000
<i>Average (per day)</i>	<i>120</i>

Table 14. Shortlist of Black market fund attribution in France in January 1943 (in mill ffrs)⁵¹⁰

ROGES (Veltjens)	3,400
SS	1,240
OT	540
Navy	200
Ministry of Ammunitions	210
Intercommerziale GmbH ⁵¹¹	310
Total	5,900⁵¹²

As a result, the account diminished further and reached its lowest level ever, with 440 Million RM (8.8 billion ffrs), in April 1943.⁵¹³ The situation was still serious enough to prompt an intervention by the military governor in France in April 1943, who reiterated his demand for the immediate cessation of 'Operation Veltjens', pointing to the impending insolvability of the occupation account.⁵¹⁴

⁵⁰⁶ AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Unterredungen vom 23. Februar 1942 bis 10. März 1943 zwischen Veltjens und den Mbf in Frankreich und Belgien und dem Reichskommissar fuer die besetzten Niederlande betr. Aufkaufe nach dem 31. März 1943.

⁵⁰⁷ AN. F 37 196. Dommages subis par la France et l'Union française du fait de la guerre et de l'occupation ennemie (1939-1945). Part imputable à l'Allemagne, vol 2, 121.

⁵⁰⁸ Telegramm von Hans-Richard Hemmen an Emil Wiehl vom 16. Februar 1943 über die finanziellen Belastungen Frankreichs, in: Nestler, *Die faschistische Okkupationspolitik in Frankreich*, 259.

⁵⁰⁹ *ibid.*

⁵¹⁰ Telegramm von Hans-Richard Hemmen an Emil Wiehl vom 16. Februar 1943 über die finanziellen Belastungen Frankreichs, in: Nestler, *Die faschistische Okkupationspolitik in Frankreich*, 259.

⁵¹¹ *Interkommerziale* was another combined purchasing-intelligence agency established in spring 1942. It operated all over Western Europe and its profits went to the Abwehr, s. Nestler, *Die faschistische Okkupationspolitik in Frankreich*, 259.

⁵¹² The difference to the above January 1943 figure is based on discrepancies in the German documents.

⁵¹³ IFZ. Nuernberger Dokumente. PS-1990. Fünfter Tätigkeitsbericht der Deutschen Waffenstillstandskommission für Wirtschaft für den Zeitraum Juli 1942-Juli 1943, 14.

⁵¹⁴ AN. AJ 40 834. Militärbefehlshaber in Frankreich. Division Wi V. Aussenhandel, Geld-, Kredit- und Versicherungswesen - Besatzungskosten. Militärbefehlshaber Frankreich an OKW, Generalstab des Heeres, Generalquartiermeister, zwecks Besatzungskosten, 5. April 1943.

Finally, the renewal of German food demands provided the necessary lever effect in order to stifle all remaining opposition. At the beginning of 1943, new German protagonists appear on the French scene: First OB West, the supreme commander of German combat troops in Western Europe, who had seen his power base extended since the occupation of the Southern zone. Von Rundstedt ordered the re-stocking of his fat provisions, a step putting the military governor in the unenviable position of having to relaunch negotiations with Vichy.⁵¹⁵ The military administration contained a number of astute officials who realised that their small apparatus in France did not have the means to go it alone in the food question and who knew that they depended on Vichy's good-will.⁵¹⁶ This became important when another dignitary, Reich Food Minister Backe, sojourned in Paris from February 27 to March 1, 1943, in order to discuss additional meat deliveries to the Reich with Laval and the Minister of Agriculture, Max Bonnafous.⁵¹⁷ The principal obstacle raised by the French was the activities of the German black market purchasing agencies and Laval supported his claim by handing Backe an extensive documentation.⁵¹⁸ In fact, the Vichy authorities could retrace the avenues along which parts of the occupation costs had been deployed. They were also aware of approximately 75% of all German purchases on the food black market and demanded that they be offset against the official quota deliveries.⁵¹⁹ In exchange for the closure of the purchasing agencies, Laval offered Backe a supplement to the already existing official quotas; equalling the amount of German purchases of agricultural products effected on the French black market.⁵²⁰ On March 1, Bonnafous reaffirmed the French position that the delivery of an additional 70,000 tons of meat was conditional on the suppression of the German black market, especially the trafficking conducted with the aid of heavy military vehicles. When Bonnafous mentioned that political and material considerations precluded instant delivery - Vichy had no intention of letting meat rations drop below 120 grams per week - Backe proposed delivery by stages. He also reminded the participants that he had already reduced Göring's initial exigency of 350,000 tons to 70,000 tons.⁵²¹

There is much reason to believe that Backe's intervention tipped the scales in favour of an immediate cessation.⁵²² The Reich Food Minister was one of the few officials who disposed of enough objective power in the Nazi regime to

⁵¹⁵Umbreit, *Der Militärbefehlshaber in Frankreich*, 301.

⁵¹⁶Karl Brandt, *Management of Agriculture and Food in the German-Occupied and other Areas of Fortress Europe. A Study in Military Government* (Stanford, 1953), 563.

⁵¹⁷The increase demanded (70, 000 tos) was rather substantial and brought total demands to 270,000 tons, s. AN. AJ 40 796. Militärbefehlshaber in Frankreich. Abteilung Wi III. Ernährung und Landwirtschaft Ernährung und Landwirtschaft. Aktennotiz betr. die Schwarzmarktbekämpfung, die Versorgungslage und die französischen Lieferungen, 19. März 1943.

⁵¹⁸SAEF, fonds affaires économiques. Dossier B 49. 476 : Trafic avec l'ennemi : rapports avec le comité de coordination des recherches sur les collaborations économiques. Chemise : "Le Comité du Livre Noir". Note de la Direction Générale du Contrôle Économique concernant les méthodes allemandes employées pendant l'occupation pour détruire l'économie française, 16 pp.

⁵¹⁹Telegramm von Botschaftsrat Schleier an die Deutsche Botschaft in Paris, 2. März 1943, cited in: Umbreit, *Der Militärbefehlshaber in Frankreich*, 293.

⁵²⁰AN. AJ 40 1209. 5. Tätigkeitsbericht der Deutschen Waffenstillstandskommission für Wirtschaft (Paris-Wiesbaden) für die Zeit von 1. Juli 1942 bis 30. Juni 1943.

⁵²¹AN. AJ 41 1546. Protocole de l'entretien Bonnafous, Casanoue, Backe, Schoppmann et Reinhardt et al, 1 mars 43.

⁵²²This is further corroborated by Schleier's report to the Foreign Office on the February 27 meeting. Towards the end of the talks Backe confided that he was due to report to Hitler within the following week and that he would '*describe the French situation in an appropriate manner*', s. Gesandter Schleier (Paris) an das Auswärtige Amt, Telegramm Nr 1333 vom 28. Februar 1943, in: Akten zur Deutschen Auswärtigen Politik (ADAP) 1918-1945, Serie E: 1941-1945, V, Januar bis April 1943 (Göttingen, 1978).

be able to strike a deal on the definite end of German black market involvement. This base was largely determined by his ability to solicit Hitler directly - a striking reminder of the priority attributed to the food question. The new development in the food sector was soon doubled by parallel measures in the industrial sector: thus, the March 1943 Kehrl plan projected an augmentation of French textile deliveries by 6,000 tons per year. The prospect of increased deliveries had its effects. On March 13, 1943 the military administration, Göring, Keitel, Speerle and Dönitz ordered their services and troops to cease all black market activities.⁵²³ The terminology of the German bureaucracy changed as well: After having been termed with the euphemisms 'additional imports' (*zusätzliche Einfuhr*) or 'goods of unspecified provenance' (*ungeklärte Warenbestände*), blackmarketeering was now outlawed as a 'peril to the Reich's provisions'. On March 17, four days after the signing of the Michel-Bichelonne agreement,⁵²⁴ Göring issued the first black market interdiction order concerning agricultural products. The second order concerning industrial raw materials and finished products followed on April 2, 1943. Von Rundstedt, head of superior command in Western Europe, intervened with a circular on April 7, 1943. On the territorial level circulars were distributed by OT, air fleet command 3 Western France and Navy Group Command West, during March and April 1943.⁵²⁵ With it, the gaudy years of official blackmarketeering drew to a close. The Majestic spearheaded the German call for decisive action on the part of the French Ministry of Food and Agriculture, the police services and Economic Control over the subsequent months. Black market restaurants, black slaughtering and the meat black market became the first targets.⁵²⁶

⁵²³AN. AJ 41 1546. Entretien Bonnafeous, Casanoue, Reinhardt, Schoppmann, Schroeckh et al. a/s marche noir, 29 avril 1943.

⁵²⁴X., 'Le marché noir allemand en France', *Cahiers d'histoire de la guerre*, 64.

⁵²⁵AN. AJ 40 900. OB West, Rundschreiben Nr 11, 7 April 1943.

⁵²⁶In order to drive forward this effort another conference was convened at the Hotel Majestic on 6 May 1943. This was attended by Michel, Medicus, Reinhardt, the representatives of the SIPO-SD and of the commander of Greater Paris. French attendants were the Paris prefects, Bousquet, De Saille, Casanoue, the regional *intendant* Bardagelata and three representatives of the *Comité d'organisation professionnelle de l'industrie hôtelière*, s. AN. AJ 41 335.

5. The Introduction of New Standards in Resource Management

Had black market exploitation been an essentially reactive and 'negative' measure indicating the German inability to come to terms with the economies of the occupied countries, the aftermath of the interdiction order saw the extension of the Speer-inspired principles of 'positive resource management' by the military administrations. This undertaking was faced with more difficulties in the occupied territories than in Germany, and had to be based on an approach combining coercion and the granting of incentives. One of the prerequisites for closer collaboration of this kind was, of course, the immediate end of all German black market incursions. Besides political will, drastic change was necessary in the occupied territories, if the German occupier was not to revert back to black market procurement at some stage. This change was generated through the introduction of methods that were responsible for the qualitative shift in the operation of the German war economy during 1942/43. Let us briefly consider the core issues of this economic reorganisation: In his contribution to the debate on the concept of *Blitzkrieg* and economic strategy in Nazi Germany, Richard Overly uncovered a core contradiction: while the bulk of the German economy had been converted to war production before 1942, it did not perform well before that date.⁵²⁷ As we have seen already, until the end of 1941 German war production had been left in the hands of a few military agencies, each jealously protective of their respective domains. They could count on the connivance of their civilian producers to whom the military's inadequate handling of production and the high state expenses it incurred brought huge profits. Hitler's constant admonitions for an increase in armaments in 1940/41 and calls for the adoption of rational methods of production from Todt's Ministry of Ammunitions and General Thomas at the OKW's War Economy Office in spring 1941, were followed by little effect. The landmark for taking firmer steps was *Führer* Order on 'Simplification and Increased Efficiency in Armaments Production' in December 1941 and his directive *Rüstung 1942* of January 10, 1942. This followed an intense power struggle on the Reich's central echelon and the program devised by Todt/Speer only received the necessary impetus by the unappetising prospect that the military campaign against the Soviet Union had failed to achieve its targets and was to continue well into summer 1942. Under these pressures, management of war production was centralised within the Ministry of Armament and Ammunitions. Speer's accomplishment, which would take many months until fruition, was rather that of a gifted politician and power-player than that of a brilliant organiser: Owing to his enjoyment of Hitler's confidence, he ousted from their positions of power all agencies, factions and groups whose interference presented an obstacle to total mobilisation.⁵²⁸ OT, the *Wehrmacht* armaments agencies and the relevant departments at the Ministry of Economic Affairs were regrouped within the new Ministry of Armament and Ammunitions (later: Ministry of Arms and War Production). The armaments competencies of the Air Ministry were to follow in 1944. Responsibility for production was handed over to industrialists and engineers, organised in the famous system of production committees and rings, the original brainchild of Fritz Todt, Speer's predecessor. These organisations were attributed the task of rationalising *'the manufacturing process with a view to saving raw*

⁵²⁷ OVERLY, *War and Economy in the Third Reich*, 18-31.

⁵²⁸ Gillingham, *Belgian Business in the Nazi New Order*, 83.

*materials, creating production efficiencies, and simplifying resupply*⁵²⁹. On the institutional level the Central Planning Agency (*Zentrale Planung*) was to exert tight control over resources and their allocation, and urge all agents of German economic planning to forecast their production potential and raw material needs. *Zentrale Planung* was established in April 1942, following Todt's death in a plane crash and Albert Speer's appointment at the head of the ministry with ample executive powers on February 6, 1942. Changes on the manufacturing level such as product and work process standardisations were implemented, while business concentrations restricted production to the most efficient firms in terms of output. Efficiency was also increased by the reintroduction of market mechanisms. Many of Speer's 'new' ideas were, in actual fact, rather old ideas which had not yet been considered for implementation by policy makers. Speer also had a talent for getting out the best from collaborators such as Kehrl, the chief of the *Planungsamt* (planning office), a body co-ordinating long-term economic planning on a European level from September 1943.

Speer's intentions were not restricted to Germany. As an early advocate of Franco-German economic integration he had his mind firmly set on increasing French productivity and entrusting parts of the German war production with French firms. The basic dilemmas facing German mobilisation of Western Europe were summarised in a document drafted by the Speer think-tank *Planungsstab Europa* (planning unit for Europe), in August 1943:

We have, in the occupied areas [apart from the East], not been able to get down to organising for a long war. In the main, we have concentrated on short-term methods of doubtful effectiveness, on seizing stocks, on black market production, on the displacement of orders, and on the removal of labour to the Reich. There has not yet been the effort at planned, intensive development of the productive assets of [German-dominated Europe] that could raise its arms-producing potential [...] The less dramatic, more private, practical and businesslike the methods, the more successful they are likely to be. The new [planning] work should therefore be undertaken by as few and as highly placed men as possible.⁵³⁰

German business was to receive all powers for the conduct of economic exchange with Western Europe. The fundamental idea was that the control of access to raw materials translated into control of production and distribution. Orders and raw material allocations to French and Belgian business were therefore directed through *Verlagerungsgemeinschaften* (order placement associations) formed on the production committee/ring basis. Another noteworthy innovation in the new armaments structure set up in occupied France and Belgium were the trustee firms (*Paten- und Leitfirmen*) engaging local firms in production programs.⁵³¹ France and Belgium were to be treated along the same lines as Germany, as far as production planning was concerned. Later that year, the Berlin *Planungsamt* (planning office) under Kehrl was charged to co-ordinate the streamlining of European production with the changes operated in the Reich. The apogee of this development were the September 1943 Speer-Bichelonne accords, resulting in the French production minister's agreement to a common European production programme and

⁵²⁹ Gillingham, *Belgian Business in the Nazi New Order*, 83.

⁵³⁰ 'Denkschrift betr. Europa-Planung', 13. September 1943, cited in: Gillingham, *Belgian Business in the Nazi New Order*, 91.

⁵³¹ Gillingham, *Belgian Business in the Nazi New Order*, 89.

the exemption of 700,000 workers from Sauckel's labour draft in December 1943. These workers were allowed to remain in their factories which received the protective status of *Sperr-Betriebe* (restricted enterprises).⁵³² After Speer had gained an understanding with Bichelonne, he gave his programme the final touch in an edict of December 3, 1943. The most relevant passages read:

Up to now the displacement of orders (synonymous with *Auftragsverlagerung*, n.b.) has been dependent in the main on the initiative of particular factories and of public contractors and has been frankly resisted by private enterprise [...]. It cannot be left to the initiative of the individual enterprise to determine whether, where, how much, when, how and to whom he wants to displace orders. From now on this [transfer] will occur on a planned basis [...]. All public procurement agencies, especially those of the Wehrmacht and particularly its offices outside of Germany will cease to place orders on their own, and will instead make their preferences known to the appropriate firms and offices of [industrial self-responsibility] in the Reich which will, when necessary, place them abroad.⁵³³

Speer's concept of the state sharing responsibility for production and resource management with the actual producers of goods never got off the ground in the French and Belgian agricultural sectors. Quite to the contrary, the introduction of German standards of resource management, including new output-boosting techniques was regarded as the mere prerequisite for extensive tributes to Germany. Besides patriotic motivations, there were very few material incentives for farmers to embrace innovation: the official market, on the whole, was unprofitable and state intervention was perceived as a mere prelude to further restrictions. The wartime shortage of labour and machinery made farmers extremely reluctant to face any supplementary demands. With circumvention being relatively easy and control next to impossible, many chose to continue diverting large amounts of their production to the black market.⁵³⁴ The picture was better in the industrial economy, mostly because of the better possibilities of coercion. Here, concentration was the key formula of the new approach. This process was begun in 1943, but not brought to a conclusion before the end of the occupation. After all, some inefficient, but necessary productions, such as the sub-contractors working for the German contract transfer programme, had to continue as before. Another priority was the tighter control of raw material allocation, rationalisation of work processes and the closure of factories.⁵³⁵ Responding to the economic necessity for producers to charge higher prices that covered their expenses, the administration was also eager to encourage cost-cutting measures, such as standardisation and mass production. Resulting from their attribution of a set amount of standard raw material quotas, these measures offered the advantage of preventing the diversion of raw materials.⁵³⁶

⁵³²For more ample details see MILWARD, *War, Economy and Society 1939-1945*, 152. Naturally, these were not the only tendencies; like Speer, Sauckel's labour recruitment actions had the explicit approval of Hitler. They were the straight antidotes to Speer's perspective of integration. Escapees from the labour drafts were rather boosting Resistance in 1943/44.

⁵³³ 'Erlass ueber die Auftragsverlagerung in die besetzten Gebiete vom 3. Dezember 1943', cited in: Gillingham, *Belgian Business in the Nazi New Order*, 93-94.

⁵³⁴Kroener, Müller, Umbreit, *Organisation und Mobilisierung des deutschen Machtbereichs. Kriegsverwaltung, Wirtschaft und personelle Ressourcen 1939-1941*, 226-232; Corni, Gies, *Brot-Butter-Kanon. Die Ernahrungswirtschaft in Deutschland unter der Diktatur Hitlers*, 513 pp.

⁵³⁵*ibid.*, 343-366

⁵³⁶BA-MA. RW 36 260. Abschlussbericht der Abteilung Wirtschaft über Wirtschaftslenkung und Kontrolle beim Militärbefehlshaber in Belgien und Nordfrankreich. Gruppe Gewerbliche Wirtschaft Wi 8. Ausführungen zur Bewirtschaftung In Belgien.

The new priorities also commanded an alteration of German purchasing habits: In Autumn 1943, the Reich Ministry of Economic Affairs created two purchasing circles (*Einkaufskreis*) in France and Belgium. This represented a definite shift, as purchasing no longer provided any base for military or ROGES activities and became the sole responsibility of the Berlin *Reichsstellen*.⁵³⁷ German commercial activity in Belgium was reduced from 200 independently operating companies to 20 firms regrouped in a purchasing ring (*Einkaufsring*).⁵³⁸ Its activity was no longer focused on identifying and obtaining illegally produced goods (as it had turned out to be for ÜWA), but to buying the surplus production (out of the civilian quota) resulting from the rationalisation operated in Western Europe manufacturing. Although purchasing at prices exceeding the official rates continued, the prices offered were no longer black, but simply 'grey'. Increased rationality is demonstrated by the case of a Belgian soap factory selling 21.3 Million packets of washing powder and detergent in the 1943/44 period. Clever negotiating lowered the initial black prices considerably and quality assurance was obtained. Through the payment procedure the deal was camouflaged as *Auftragsverlagerung*, carried out with German raw materials. Negotiations with the Belgian authorities also led to the end of the German quartermaster's practice of selling waste fat from troop consumption to black production sites. Instead, it now had to be handed over to the respective Belgian *Warenstelle* which in return delivered new products. Other services such as the *Luftwaffe* failed to collaborate on this level.⁵³⁹

A relatively broad convergence of views meant that Speer could count on the support of the military administrators in France and Belgium. Large parts of his program resembled measures they had undertaken or advocated since 1940. Speer could also build on the successive reduction of German exports to the occupied territories from December 1941 and the labour draft instituted in spring 1942. However, this tightening of policy had not yet been accompanied by institutional change, leaving raw material savings policy to the military administrations' initiative until January 1943, at which time it was fitted into Reich delivery schedules.⁵⁴⁰

The successful steering of the economy relied on effective monitoring and surveillance through targeted audits (*Betriebsprüfungen*). Already in 1942, the military administrations realised that black market limitation could not rely on the control of raw material use alone, but had to be complemented by production controls. In Belgium, a gigantic effort was deployed as early as spring 1942 in order to uncover Belgian firms engaged in black market production and trade companies stocking such goods. These efforts were not left to the Belgian *Warenstellen* or control services. For this task, the military administration employed German accountants and engineers despatched by the German *Reichsstellen* who

⁵³⁷ BA-MA. RW 36 364. Militärbefehlshaber in Belgien und Nordfrankreich. AWG-Schriftverkehr. Bildung von Einkaufsringen

⁵³⁸ CERHSGM. Tätigkeitsbericht N° 25 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum Juli bis September 1943, 15.11.1943.

⁵³⁹ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

⁵⁴⁰ Gillingham, *Belgian Business in the Nazi New Order*, 84.

visited most firms for several consecutive periods.⁵⁴¹ However, although black fabrication decreased in the largest companies, the Veltjens campaign had a suction effect on the thousands of small processing firms that were impossible to control.⁵⁴² The monitoring efforts resumed during the first quarter of 1943 when 75 German controllers audited 349 firms⁵⁴³; for the next quarter the number of controllers was increased to 114. Efforts were concentrated on industries that presented a certain interest to the occupier, such as iron and metal processing, textiles, leather and building. With their diversified and scattered production bases involving different stages and the use of a variety of materials, they were still most likely to doctor their attributions, divert raw materials to the black market or engage in black production.⁵⁴⁴ Traffic controls were another important measure where the occupier became directly involved, in order to keep a check on the consumption of those extremely scarce commodities that were fuel and transport capacities.⁵⁴⁵ Control of retail business and artisans' workshops - the Achilles heel of German resource management - was left to the indigenous authorities. Social considerations forbade massive closures; however the military administration gave the largest stores in Belgium until May 31, 1943 to reduce their vending space by almost one-third. The labour draft, under which a total of 7,000 Belgian artisans were sent to the Reich by June 1943, was a welcome opportunity for the reduction of the artisanal sector.⁵⁴⁶

Particular attention was paid to the reinforcement of the Belgian and French economic control services which, up to spring 1943, had been paralysed by German interventions. Similar observations were made with regard to the indigenous services charged with resource management. Their enthusiasm in operating controls had slumped equally during the peak period of the German black market. Disappointed by the performance of the 5,000 strong Belgian control services under Director-General Woestijn (Dept of the Interior), the Mbf created a *Wirtschaftlicher Fahndungsdienst* (WFD-Economic Investigations Service) out of the liquidated ÜWA, placing it under the orders of the enigmatic Alfred Naujocks. WFD had twelve men and ten women on its payroll and worked with an extensive network of informers, which received success premiums. Some WFD members were, indeed, SIPO-SD officials. A network of SIPO-SD auxiliaries was also available for exterior duties. As in France, the SIPO-SD had claimed the monopoly on black market repression, but owing to its weak implantation in Belgium its autonomy was restricted to large-scale black market operations which came to its attention through informers. WFD had executive powers to arrest and confiscate, and dealt with infractions of all kind. Between autumn 1943 and spring 1944, WFD intervention led to the arrest of over 240 persons. In the majority of cases, procedures would lead to the confiscation

⁵⁴¹ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle. CERHSGM. Tätigkeitsbericht N° 21 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1.6.1942 bis 1. September 1942.

⁵⁴² BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

⁵⁴³ The numbers of screened companies were as follows: textiles: 177; iron and metal processing: 100; wood processing: 50; paper processing: 11; leather processing: 5; chemical plants: 6, s. CERHSGM, Bericht Nr 23 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Januar bis 31. März 1943, 15. April 1943.

⁵⁴⁴ CERHSGM, Bericht Nr 24 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. April bis 30. Juni 1943, 1. August 1943.

⁵⁴⁵ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

⁵⁴⁶ CERHSGM, Bericht Nr 24 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. April bis 30. Juni 1943, 1. August 1943.

of their goods or they received fines. However, 37 of them had to learn their lesson the hard way when they realised that the German administration's threats of severer action against organised blackmarketeering were no longer mere rhetoric: they were assigned to forced labour in Germany. An identical fate awaited an even larger number of people apprehended during *Feldgendarmarie* traffic controls. During the first quarter of 1944, WFD staff was increased through the official secondment of the four members of the SIPO-SD black market referat. They also received assistance through a newly founded Belgian control corps, comprising up to 110 members (at one stage) who were in the pay of the military administration. This step was designed to counter the unsatisfactory performance of the official Belgian control services and was a practical means of exerting pressure on them to tighten their own measures. The first assignment of this new control corps was in the coal trade sector where multiple manipulations between the mining companies and wholesalers were putting civilian consumption in peril. They were also charged with other comprehensive control efforts affecting restaurants and commercial trade companies. Members of the Belgian control corps were paid above the usual tariffs, in order to prevent them from offering their expertise to the organised black market, as the report of the military wryly states. Although they had no executive powers and although their principal task was market observation, they also carried pistols, which points to the security problems genuine control efforts had to confront.⁵⁴⁷ On the administrative level WFD action was complemented by the creation of an Economic Surveillance group at the Economic Section of the military governor in Belgium and Northern France. The group's main repressive tool was a card index giving details about notorious blackmarketeers, organised along the lines of a register of previous convictions.

The German administration in France entrusted more practical responsibility to the indigenous control services and focused its action on business administrations. French or German commercial firms that had been or were still engaged in blackmarketeering were placed under a temporary German administrator. The idea was to combat the black market from within and to identify sources and connections that were still active in black production. Further black supply stocks could be detected through the pursuit of business relations and the mock acceptance of black offers. In Paris, a system of enforced temporary business administrations of firms caught red-handed was elaborated under a Majestic official, Dr Karl Loskant. The large number of business administrations in France, mostly in Paris (173 in February 1944, with a previous turnover of over 46 billion ffrs), allowed for some degree of market monitoring. Loskant also used informers who surveyed the movements of hundreds of black market professionals and their clients. The extensive use of cover addresses indicates to what extent police methods were deployed. Experience showed that through one of the many available channels Loskant's collaborators got wind of black market deals. After the exploration of the firms' 'business' contacts, liquidation followed; the culprits were enrolled in the labour draft and sent to Germany, or tried by courts. However, it remains doubtful whether the one death sentence and the three long prison sentences mentioned in one German document as the result of Loskant's activity had a particularly deterring

⁵⁴⁷ WARMBRUNN, Werner, *The German Occupation of Belgium 1940-1944*, 214 pp.; BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle; CERHSGM, Bericht Nr 24 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Oktober bis 31. Dezember 1943, 1. März 1944.

effect, for such severe sanction seems to have been the exception rather than the rule.⁵⁴⁸ What weighed heavier was the strong signal sent out by the administration: the massive liquidation of black market business was a clear indicator that the spring 1943 U-turn would remain the status quo and that there would be no more change of mind, as so many black market professionals had hoped. Hence, German accompliceship belonged to the past.

German rule over Western Europe was to end the following year and prevented the long-term elements in Speer's programme from being implemented.⁵⁴⁹ However, as far as our subject is concerned the influence of Speer's methods was incontestable; the altered standards precluded any return to black market procurement after the interdiction order. Although Speer's priority lay on the improvement of efficiencies in the use of production factors, one of the immediate effects of the multiple changes was the increase in the volume of ZAST contract transfers from Germany to the territories. Although the comprehensive centralisation of *Auftragsverlagerung* through the formation of order placement associations was only finalised in early 1944, Belgian ZAST contracts increased steadily and peaked in August/September 1943.⁵⁵⁰

Table 15. Volume of ZAST contracts in Belgium and Northern France in 1943 (in mill RM)⁵⁵¹

February (15-28)	50
March	149,4
April	167,3
May	163,5
June	175

Although price considerations were dropped in cases of prime urgency - which made it necessary for suppliers to turn to the black market for their raw material supplies - ZAST activity in 1943 had a positive overall effect on price negotiations. In the post-interdiction period it achieved to lower initial price demands by 16% and left Belgian entrepreneurs implicated in *Auftragsverlagerung* no choice than to refrain from excessive price demands. Uncontested black market champions such as the navy and the air force agreed to be submitted to ZAST control in late 1943, under the condition that their war-important contracts received a priority status guaranteeing delivery deadlines.⁵⁵² Meanwhile, increased rationalisation of the German war economy had led to an effective lowering of Reich price levels, thus raising the costs of imports from the Western occupied territories. This surge was countered

⁵⁴⁸ Militärbefehlshaber in Frankreich - Wi II an Reichsmarschall/Beauftragter fuer den Vierjahresplan, nachrichtlich an Planungsamt des RMRüKP, Präsident Kehrl, betr. Bekämpfung des Schwarzmarkts, 19. Februar 1944.

⁵⁴⁹ Thus, the Belgian Warenstellen were never attached to the German *Lenkungsbereiche*, the steering-boards keying the allocation of all raw materials to production possibilities.

⁵⁵⁰ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

⁵⁵¹ CERHSGM, Bericht Nr 24 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. April bis 30. Juni 1943, 1. August 1943; Bericht Nr 25 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Juli bis 30. September 1943, 15. November 1943.

⁵⁵² CERHSGM. Tätigkeitsbericht N° 25 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum Juli bis September 1943, 15.11.1943.

in spring 1944, when the Reich Ministry of Armaments and War Production agreed to setting up a compensation fund covering all extra costs.⁵⁵³

The multiple changes were reflected in the statements of thirty senior Reich officials and members of the German administrations in Western Europe who met for an exchange of views at the Quadrennial Plan building in Berlin on September 7, 1943. Despite the venue of the conference, Göring no longer participated in this meeting convened to discuss the effects of the black market ban. This testifies to his demise or, perhaps more correctly, his disinterest in pursuing the matter any further. The echo was overwhelmingly positive: most participants agreed that the ban had had a hardly expected impact. Stringent resource management was described as the crucial factor in erasing the industrial black market. After a brief discussion of the utility of resuming black non-ferrous metal purchases, common agreement was reached that exceptions should only be allowed in the case of platinum, radium, industrial diamonds and vehicle spare parts. These operations were placed under the sole authority of the Reich Ministry of Armaments and War Production. All prices exceeding the official levels had to be approved by the military administrations and the Reich Commissariat in the Netherlands. However, it was admitted that similar methods had proven less effective in the agricultural sector, where blackmarketeering continued. Although it was conceded that the food black market was continuing to turn, severe repressive steps were not recommended as long as food rations in the occupied territories continued to remain below subsistence levels. Another impediment to full success was the unrestricted individual imports to Germany. The assessment of effective collaboration on the part of the civil authorities was as varied as the three countries in question: in the Netherlands only administrative measures were feasible, as the courts were unwilling to co-operate on the issue, and the Dutch authorities were applauded for the severity of their approach to the black market. The Belgian courts were '*failing completely*', while the French courts were reported to have pronounced high and effective verdicts since the German black-market ban. The representatives from the occupied territories made special mention of their fruitful collaboration with the executive organs of the SIPO-SD.⁵⁵⁴

6. German Black Market Operations after the Interdiction Order (1943/44)

For the period after spring 1943 indications of the scope of the German black market are scarce. Many successful black market professionals shifted the bulk of their activities to the Italian zone of occupation in Southern France where rates were higher. The Italians had even opened a purchasing agency in Paris, boulevard des Capucines, where

⁵⁵³BA-R. RW 35 824. Abschlussbericht der ZAST in Belgien und Nordfrankreich, 1941-44

⁵⁵⁴BA-MA. RW 36 365. Militärbefehlshaber in Belgien und Nordfrankreich. Abteilung Wirtschaft Generalreferat. Vermerk betr. Besprechung wegen Schwarzmarktverbot am 7. September 1943 beim Vierjahresplan, 9. September 1943; Vermerk Ergebnis der Besprechung über Schwarzmarktangelegenheiten am 7. September 1943; IfZ, Nürnberger Dokumente-MA 641. RSHA/III D W an BdS Paris, Brüssel, Den Haag betr Ergebnis der heutigen Ressortbesprechung im Reichsmarschallamt über die Schwarzmarktsituation seit dem Verbot in den Westgebieten am 7. September 1943, 9. September 1943.

deals were negotiated. Daily turnover in June 1943 was estimated at 200-300 million francs, with all delivery arrangements set up in Southern France.⁵⁵⁵ Although exploitation on a massive scale ceased on the German side, the reality of prohibition was less categorical. The few authorised purchases that went ahead in 1943/44 were certainly even more systematic and based on more rational principles than had been the case during the ÜWA period.⁵⁵⁶ Centralised in the hands of PIMETEX, they concerned primarily tools and raw materials of vital strategic importance such as radium, platinum, wolfram, quinine and industrial diamonds.⁵⁵⁷ From August 1943 until the end of the occupation PIMETEX Paris was to spend over 3.5 billion ffrs for the purchase of these items.⁵⁵⁸ Also, the Germans could not dispense with the black market in precious metals where they procured double the amount of French official deliveries.⁵⁵⁹ Gold, foreign currency and securities were mopped up by the German banker Kurt Eichel, representative of the *Berliner Handelsgesellschaft* and temporary administrator of the Westminster Foreign Bank in Paris. His organisation spent over 2 billion ffrs from July 1943 to the end of the occupation.⁵⁶⁰ Such vital projects continued to have Speer's permission. In autumn 1943, German interest in the Paris and Marseille marketplace was turning around several lots of radium. In at least one case, a non-specified amount of radium bought by a Marseille blackmarketeering ring at 18,000 ffrs per milligram, was sold for 40,000 ffrs per milligram to a German organisation in Paris, probably PIMETEX. Another lot of 228 milligrams, a pre-war import from Canada, was highly contested between a French group intending to resell to the German authorities, and a Swiss group wishing to acquire this amount for the fabrication of high precision instruments in Switzerland.⁵⁶¹

Contrary to the expectations of the military administration in France, the black market continued to put strain on the occupation account. The reason for this has to be sought in the recrudescence of *Reichskreditkassenscheine* (RKK) purchases effected by combat units and individual soldiers.⁵⁶² *Reichsmark* bills and so-called *Rentenbankscheine* had been withdrawn from circulation through an OKW ordinance of September 19, 1940. Since then, RKKs had been the only accepted legal tender for Germans leaving or entering any of the occupied territories. German and Allied

⁵⁵⁵AN. AJ 40 323. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 11: Abschlussbericht der ÜWA Lille, 9. Juni 1943.

⁵⁵⁶In 1944, officially-backed German black market purchases in France amounted to one-ninth of the 1943 volume and one-tenth of the 1942 volume, s. United States, Chief of Counsel for Prosecution of Axis Criminality. 1946. *Nazi Conspiracy and Aggression*. Washington, D.C., United States Government Printing Office (vol. 4:335), cited in: Gross, *Polish Society under German Occupation. The Generalgouvernement 1939-1944*, 153.

⁵⁵⁷At his trial in 1946, Charles Baszanger, one of the principal French brokers and a world expert in the industrial diamonds market declared that in order to evade requisitions he had declared a mere 10% of his stock in 1940. In late 1944 the carat of industrial diamond fetched 10,000 ffrs on the black market, as compared to a pre-war 100 ffrs per carat, s. Hazéra, Rochebrune, *Les Patrons sous l'occupation*, 316-18.

⁵⁵⁸'La France au Pillage. Rapport d'activité des services français des investigations financières'. *Supplément à L'actualité économique et financière à l'étranger* (septembre 1946), 42.

⁵⁵⁹AN. 3 W 350. HCJ. Télégrammes sur entretien projeté par Laval en vue de la fondation d'une société commerciale franco-portugaise pour l'achat de matières premières dont le nickel et le wolfram, 30 novembre 1942

⁵⁶⁰'La France au Pillage. Rapport d'activité des services français des investigations financières'. *Supplément à L'actualité économique et financière à l'étranger* (septembre 1946), 114.

⁵⁶¹AN. 3 AG 2 353. BCRA-Economie française. Généralités et informations diverses. Rapport N° BRE 13/25800. Date de l'info 10-11/43. According to this source, Swiss pre-war annual consumption was one gram of radium.

⁵⁶²*Reichskreditkassenscheine* (RKK, the occupation currency) had become the German blackmarketeer's standard tender.

experiences with occupation currency show that it can be used for a variety of purposes: as a means of exchange for a victorious army, to transfer occupation costs to the vanquished and to manipulate the economies of the occupied country.⁵⁶³ In Belgium, massive RKK importation had started in January 1942, and this method to circumvent the military administration's currency control was mostly used by services, such as the *Luftwaffe*, which considered their funding as insufficient. Another means of circumvention was the importation of illegally acquired French and Belgian francs from outside Belgium or, even simpler, the accumulation of huge debts with deliverers.⁵⁶⁴ However, in Belgium the exchange of RKK bills was blocked in August 1942.⁵⁶⁵ Not so in France, where the year 1943 saw the greatest number of purchases with RKKs. During the first half of 1943, *Aktion Veltjens* still consumed an average of 6 million RM per day. After its cessation, overall expenditure from the occupation account was expected to be reduced from 28,4 million RM to 22 million RM per day. However, this hope was partly cancelled out by an increase in RKK redemption which shot up from 20 to 30 Million RM per month in early 1942 to a staggering 90 to 100 Million RM per month in mid-1943.⁵⁶⁶ News about the latest black market rigour in Western Europe had invariably spread over other parts of occupied Europe where RKKs were legal, but often practically useless tender. The strained supply situation in some areas of Eastern Europe had caused the effective repeal of a money economy and a return to a barter economy. This was never the case in France where confidence in the currency was maintained. Troops moved from other parts of Europe to France were aware that the country's supply basis was still much better than in other parts of Europe. Therefore they imported them illegally on an unprecedented and systematic level. To what degree such action was endorsed or initiated by troop commanders is impossible to say. In any case, the resurgence of imported RKKs (s. figure) and the cost of strategic constructions were the prime reasons behind the military administration's failure to reduce expenditure during 1943. In fact, by end 1943 German occupation costs in France were back to 28 million RM per day, the peak expenditure figure of the German black market purchasing campaign.⁵⁶⁷

Military commanders were divided in their opinions, as black market purchases seemed an easy enough (and unbureaucratic) solution to rampant supply problems and was much preferred to the rigors of official allocation. German correspondence through 1943 contains numerous references on how hard it was to get troops to comply by the new standards and give up dearly held habits. A German informer reported on April 30, 1943 that the ban was showing its effects and that blackmarketeering in Belgium had been practically at a standstill since the middle of the previous month. However, extensive purchasing was still being carried out by French civilians for German services in

⁵⁶³Petrov, *Money and Conquest*, 252.

⁵⁶⁴CERHSGM. Tätigkeitsbericht N° 21 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. Juni bis 1. September 1942.

⁵⁶⁵CERHSGM. Tätigkeitsbericht N° 22 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum 1. September 1942 bis Dezember 1942.

⁵⁶⁶RW 35 265. Bericht der Abteilung Finanzen beim Militärbefehlshaber in Frankreich 1940-44. The figure for RKK redemption during the period 1 July 1941 - 30 June 1942 was 20 Million RM per month, s. AN. AJ 40 1209. 5. Tätigkeitsbericht der Deutschen Waffenstillstandskommission für Wirtschaft (Paris-Wiesbaden) für die Zeit von 1. Juli 1942 - 30.6.1943.

⁵⁶⁷BA-MA. RW 35 284-305. Militärbefehlshaber in Frankreich. Chef des Verwaltungsstabs. Wirtschaftslagebericht, Oktober-Dezember 1943.

France. They escaped all control, as they disposed of military travel orders, and goods shipped across the border were declared as *Wehrmacht* property.⁵⁶⁸ Another substantial form of active blackmarketeering troops continued to be engaged in was black slaughtering. The administration saw few means to alter this situation, as it involved entire units, and merely recommended steps leading to the collection of the skins. Nevertheless, deterrence did not fail its impact on indigenous suppliers. In October 1943, the supply officer of a combat unit in Belgium revealed that all the Belgian suppliers known to him were declining black market deals, as they considered the risk too high.⁵⁶⁹ In France, the meat market was of equal, if not greater importance. Not surprisingly, the priority status of the new food deliveries negotiated between Laval and Backe in spring 1943 shifted the German administration's attention to clamping down on black slaughtering and the black meat market. This prompted their decision to focus control on road and rail communications which were the only point where effective repression was possible.⁵⁷⁰ A direct link existed between the lowering of French meat rations, following the increase of the deliveries, and the meat black market. In March 1943 gendarmerie reports observed that black slaughtering was becoming particularly recurrent in meat surplus areas where full rations were unavailable.⁵⁷¹ According to French governmental statistics, the black market was absorbing more than 300,000 tons of meat in 1943, while official collection only amounted to about 600,000 tons.⁵⁷² This meat market was an area of intense Franco-German black market collaboration. The Germans' inviolability offered their French suppliers the best of possible covers against prosecution by their own authorities. By granting protection, individual German units or soldiers had the possibility of joining forces with local blackmarketeers and making some extra cash on the side. Thus, the gendarmerie reported in May 1943 that many black slaughters were carried out in German billets and then transported to areas of consumption by lorry. Their transport system was sophisticated, with reconnaissance posts established along the itinerary, in proximity of telephone lines and briefed to sound the alarm in case of danger.⁵⁷³ Presumably, this required a large degree of troop participation and the sophistication of these operations suggests that they relied on the military infrastructure. The meat black market allowed a net gain of up to 10,000 ffrs per bovine in spring 1943.⁵⁷⁴ In the commune of Noailles, near Brive, a clandestine slaughterhouse was discovered in July 1943, on the premises of a telephone

⁵⁶⁸BA-MA. RW 36 211. Militärbefehlshaber in Belgien und Nordfrankreich, Wirtschaftsüberwachung. Vertraulicher Aktenvermerk, 30.4.43.

⁵⁶⁹BA-MA. RW 36 211. Militärbefehlshaber in Belgien und Nordfrankreich, Grams X/1 Dr Do. Vertraulicher Aktenvermerk betr. Schwarzhandel der aktiven Truppe, 21 Oktober 1943.

⁵⁷⁰AN. AJ 40 899. Lagebericht des Befehlshabers für Nordwestfrankreich, 1. Januar -31. März 1943

⁵⁷¹AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, March 1943.

⁵⁷²AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, June 1943; David, *Le Marché Noir*, 49; Corni, Gies, *Brot-Butter-Kanon*, 513 pp.

⁵⁷³AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, mai 1943. In a similar case of ingenuity in Brest, artificial colouring had been added to black market white bread (the production of which was banned), so as to make it resemble ordinary bread, s. AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, mai 1943.

⁵⁷⁴AN. AJ 41 423. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels pour la Zone Libre de la Direction Générale de la Gendarmerie, 1943-44. August 1943.

company installed in the Chateau de la Fage. Two high officials, the district controller of rationing at Pradelles (Haute-Loire) and an official butter collector were arrested by the gendarmerie. As outlined above, being able to procure transport facilitated black market transactions, many of which proceeded via railway employees. Thus, the gendarmerie in Castelnaudary (Aude) apprehended an SNCF employee dealing in foodstuffs who had applied for *Milice* membership in order to cover his action.⁵⁷⁵

One of the repercussions of the meat black market was the trafficking of animal skins on an unprecedented level. The governmental decision to allow the free sale of animal skins (originating mostly from black slaughterers), in order to prevent them from being dumped on the black market was seen by many as a sign of weakness and as a signal that the government was losing control.⁵⁷⁶ Many lorries carrying animal skins stopped by the gendarmerie in spring 1943 were in the possession of permits (*laissez-passer*) issued by the ubiquitous *Dienststelle* 03069 DT which, in fact, camouflaged 'Otto'. In a number of documented cases, permits were forged, leading to the arrest of the individuals in question: seven men on board a lorry transporting eight tons of animal skins and apprehended at Marans, near La Rochelle, on March 22, 1943, suffered this fate and were interrogated in the presence of the departmental director of Economic Control. They testified that they had been travelling on the orders of a French company, GEX, which was based in Paris and worked for the occupier. Then the *Feldgendarmerie* got involved, leading to the discovery of the clandestine organisation's books and a list of skin collectors. In this case the Frenchmen were not released, and the gendarmerie was even encouraged to search for the secret slaughterhouses; however, the German authorities seized the lorry including its contents. In other cases, the confrontation between blackmarketeers and French police organs could take more violent forms: thus, on April 18, gendarmes arrested four individuals, among them an Organisation Todt officer, following a short exchange of shots. They had attempted to smuggle a lorry loaded with corn across the Franco-Belgian border, which was a widespread practice, considering the high prices foodstuffs fetched on the Belgian black market.⁵⁷⁷ German intervention in this type of affair slowly receded over the ensuing months, and starting in June, the German authorities increasingly stuck to a rigorous approach, especially by surrendering seized black market goods to the French authorities. The extent of change is further corroborated by a number of other cases. On July 24, 1943, a transport of 55 cattle destined for an unnamed German organisation in Paris was seized at the station of St Denis de Gastines (Mayenne). Although this black transport had full German authorisation, 23 of the animals were surrendered to *ravitaillement général*.⁵⁷⁸ The example demonstrates convincingly the French authorities' increased scope of intervention in German blackmarketeering. The withdrawal of RKKs from circulation in France, in December 1943, further stifled troop participation on the black market.⁵⁷⁹ Finally, in May 1944, Göring

⁵⁷⁵AN. AJ 41 362. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports des préfets de la zone occupée, avril 1943.

⁵⁷⁶AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative à l'état moral et matériel de la population dans les TO, July 1943.

⁵⁷⁷AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Rapports decadaires-Renseignements de la Gendarmerie, TO, janvier 1943.

⁵⁷⁸AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Rapports decadaires-Renseignements de la Gendarmerie, TO, 11 août 1943.

⁵⁷⁹Buchheim, 'Die besetzten Länder im Dienste der deutschen Kriegswirtschaft während des Zweiten Weltkriegs', 117-145.

agreed to limit and abolished the soldiers' baggage allowance (ordinance of October 23, 1942) which had allowed for the unrestricted importation of food to the Reich.⁵⁸⁰ In Northwestern France black troop purchases decreased considerably during the first quarter of 1944.⁵⁸¹

7. The German Police and the Subterranean Universe in France (1943/44)

In the following section we will examine the emergence of the German Police (SIPO-SD), the most powerful SS branch in the occupied territories and the main rival of the *Abwehr* in the German intelligence community. In comparison to preceding chapters, this final chapter may seem incomplete and patchy. This reflects the severe source problems confronted by anyone interested in the German practice of policing during the occupation. However, the immense interest of the topic precludes an exclusion of this topic on the mere grounds of the incidental character of the available information. Any discussion of German black exploitation would be inadequate without at least making an attempt at contextualising the role of the German police. Although SIPO-SD intervention on the black markets was negligible from a quantitative point of view, the impact of their manipulation and utilisation of black market circuits merits attention. French Economic Control was not entirely mistaken, when it singled out the SS as one of the main black market interventionists.⁵⁸²

In striking contrast to Belgium, the SS penetrated France from the beginning of the occupation. The pretext justifying their establishing base in France was easily found in the presence of a great number of political refugees from Germany and Central Europe, and the largest Jewish community in Western Europe. After a first compromise with the military in summer 1940, the SIPO-SD was allowed to continue its activities, however without being granted executive powers. However, the SS soon demonstrated their potential for rendering themselves indispensable to the military administration, while at the same time undermining its power base. This period ended when the SIPO-SD received the military administration's executive police powers on Hitler's order in March 1942. Thence, all police matters, security and reprisal measures, and a great deal of the secret intelligence executive were centralised in the hands of Himmler's direct representative (*Höherer SS-und Polizeiführer*-HSSPF) in France, Carl Oberg. However, Helmut Knochen, head of the SIPO-SD (Befehlshaber der SIPO-SD-BdS), exercised most of the real power in France. Their ascension marked an important power shift within the occupation system and Knochen used his

⁵⁸⁰BA-MA. RW 36 365. Militärbefehlshaber in Belgien und Nordfrankreich. Reichsmarschall - Rundschreiben an alle massgeblichen Reichsministerien und Reichsvertreter in den besetzten Westgebieten betr. Mitführung von Nahrungsmitteln in das Reichsgebiet, 15. May 1944.

⁵⁸¹AN. AJ 40 899. Lagebericht des Befehlshabers für Nordwestfrankreich, Januar-März 1944.

⁵⁸²SAEF, fonds affaires économiques. Dossier B 49. 476 : Trafic avec l'ennemi : rapports avec le comité de coordination des recherches sur les collaborations économiques. Chemise : "Le Comité du Livre Noir". Note de la Direction Générale du Contrôle Économique concernant les méthodes allemandes employées pendant l'occupation pour détruire l'économie française, 16.

autonomy of action to usurp an ever-increasing set of political and economic attributions.⁵⁸³ The success of SIPO-SD penetration in France had as much to do with Heydrich's and Himmler's personal ambition not to abandon the occupied territories to sole military authority, and their particular determination to get a foot in the door in France, as with the greater steadfastness of the military administration in Belgium to withstand outside incursion. The military administration in Paris was easily compromised in that it came to rely heavily on the SIPO-SD in their policing of France. Close collaboration between Gestapo, Abwehr and Secret Field Police (GFP) was the rule rather than the exception. Their colleagues in Belgium, and especially Reeder, the head of the military administration, never regarded the SS as indispensable. Therefore the German police got off to a bad start in Belgium; in fact, very few areas existed in occupied Europe where their position in the interior power structure was, and remained, equally weak.⁵⁸⁴

SIPO-SD activity on the French black market is above all a reminder of its tendency to undermine the military authority by usurping and using important executive prerogatives. These served as a prolonged arm in order to increase the political and economic weight of the SS in the occupation regime and exert an ideological influence. Similar to the SIPO's implementation of anti-Jewish policy or its combat against the Resistance, both of which legitimised extraordinary measures, black market prerogatives could justify bold incursions into the economic area which increased its power base. The pre-eminent position of the SIPO-SD in the black market universe owed to the fact that it was charged to survey and enforce prohibition in France after the 1943 black market ban. This was the entry point justifying intervention. As a general rule the SIPO-SD had missed no opportunity to claim its prerogative in black market regulation. One typical example was the clash between the SIPO-SD and the military commander of Greater Paris over German authority in checking on restaurants in the French capital in 1942. This battle ended in favour of the SIPO. After spring 1943 it instituted a power of discretion whenever it considered 'German interests' were at stake.⁵⁸⁵ The rise of the SS to the status of an important player in French black market affairs culminated in December 1943, when tasks hitherto assigned to ROGES were handed over to the *Auftragsverlagerung RFSS*. The new regulations held that the latter was responsible for the transportation of all confiscated black market goods to Germany. *Auftragsverlagerung RFSS* worked on close terms with the SIPO-SD; their informers were extremely well reimbursed, receiving commissions equalling 10% of the value of seizures. Military calls to restraint, in view of the dangers resulting from the combination of economic interests and police tasks, demonstrate to which extent the SS managed to exercise authority through their appropriation of black-market-related tasks.⁵⁸⁶ SIPO-SD executive control over the black market in France had become ever more tight throughout 1943 and served as an effective tool

⁵⁸³Paul Sanders, 'Anatomie d'une implantation SS, Helmut Knochen et la Police Nazie en France, 1940-1944', *Revue d'Histoire de la Shoah* (février 1999), 112-45; Birn, *Die Höheren SS- und Polizeiführer. Himmlers Vertreter im Reich und in den besetzten Gebieten*, 250-59.

⁵⁸⁴ The only area where the SS had a reasonable degree of success was in the recruitment of Belgian Waffen-SS volunteers, an area falling into the competence of Berger, head of the SS main office.

⁵⁸⁵According to Helmt Knochen, commander of the SIPO-SD in France, s. AN. 334 AP 51. Cabinet Bluet. Procès Oberg-Knochen, chemise 7, audience du 5 octobre 1954.

⁵⁸⁶AN. AJ 40 790. Militärbefehlshaber in Frankreich. Wi II S an BdS Frankreich betr Auftragsverl RFSS übernimmt Aufgaben der ROGES hinsichtlich Abtransport der Waren in Reich, 17. Dezember 1943.

to engage the military: following the arrest of two Frenchmen and one German soldier caught trafficking, on January 9, 1944, near Segonzac (Charente), the SIPO-SD openly opposed the local *Feldkommandant* who insisted that the transport was regular, and told the French authorities to get on with the prosecution. This occurrence was rather characteristic for the later period of the occupation, when the SIPO-SD would act entirely on its own initiative and took little notice of the wishes of the military administration.⁵⁸⁷

The SIPO's black market combat was, of course, only one side of the coin and the clean image it claimed was fake. Just like other law enforcement agencies, the SIPO's role was subject to a great deal of ambiguity. The paradox is particularly striking when one considers that hitherto the SS - a service at constant loggerheads with the military administration over the appropriation of important areas of competence - had developed enormous energies for black market activities. The list of SS purchasers in France continued to rise throughout 1942 and by January 1943 they had become the second largest German purchaser on the French black market.⁵⁸⁸ Penetration of the black market for the purpose of obtaining information on goods available made perfect sense. Section III (SD-Economic Intelligence) at SIPO-SD HQ in Paris, under Dr Maulaz, was tasked to survey French economic life, and the black market. It obtained its information through a network of informers and had close links with Engelke, the WVHA envoy in France, to whom it acted as market advisor.

The position of the SIPO-SD was privileged and it could choose, according to circumstances, between the role of policeman or active perpetrator. Like any other body present on French soil in 1943, the German police also strove to feed its members. Thus, a Nantes butcher was the principal meat caterer to the German police unit based in the city; on average he supplied them with a total of ten cattle per week, bought at twice the official rate. He disposed of a network of paid informers who ventured the countryside in search of 'fat cows'.⁵⁸⁹

Many Frenchmen faced a rather difficult situation after the 1943 black market U-turn. In Clermont-Ferrand, French industrialists working for Germany were defended by the occupying authorities until mid-May 1943. Up to that time they defied French controllers by refusing to show their books and invoices, and they phoned 'the Germans' who usually arrived 15 to 30 minutes later. This changed abruptly from May 1943, with some even being denounced by their former protectors to the French authorities.⁵⁹⁰ The SIPO-SD flexed its muscles when it disclosed the names of all the black market leather producers and collectors in the Nantes region to the French authorities. Subsequently, 670 infractions were registered and 428 tons of leather seized.⁵⁹¹ A large number of the previous interventions had been

⁵⁸⁷ AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Rapports decennaires-Renseignements de la Gendarmerie, TO, 1 février 1944.

⁵⁸⁸ For figures on black market purchases see Hans-Richard Hemmen's telegram to Erich Wiehl, 16. Februar 1943, in: Nestler, *Die faschistische Okkupationspolitik in Frankreich 1940-1944*, 259.

⁵⁸⁹ AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Rapports decennaires-Renseignements de la Gendarmerie, TO, mai 1943.

⁵⁹⁰ AN. 3 AG 2 353. BCRA-Economie française. Généralités et informations diverses. Rapport LIA/11/25800. Date de l'info: juillet-août 1943.

⁵⁹¹ This move was very clearly a warning signal to the Abwehr, and in particular Organisation OTTO which by then was still heavily engaged in leather purchasing.

based on the German interest to protect undercover agents deployed in black market organisations. Others were simply fraudulent manoeuvres: caught in the act by *contr_le économique*, many French businessmen seem to have developed the habit of contacting their local *Feldkommandantur* in order to strike a deal with the Germans, an efficient method in avoiding total loss. Thus, during the first quarter of 1942, 10% of all black market cases filed by *contr_le économique* were seized by the German military courts, on the grounds that the goods in question were German property.⁵⁹² If we look at the entire period of the occupation the number of similar interventions in French procedures totalled 3,000 in the department Seine (Paris) alone.⁵⁹³ After prohibition the SIPO-SD became the prime interventionist on the behalf of economic offenders.⁵⁹⁴ On March 24, 1943, Kiefer, chief administrator at the research division of the French Economic Control Service, received a letter from GESTAPO officials informing him that certain German services intended pursuing their purchases either directly, either by intermediaries, and that they did not want to be obstructed by *contr_le économique*.⁵⁹⁵ Prior to this, on March 17, 1943, its regional and departmental directors had been informed that, forthwith, they were dispensed from paying attention to any German interventions. With two exceptions: the local *Feldkommandantur* could still intervene in cases of simple offences against price legislation, whereas clear-cut cases of blackmarketeering were the sole prerogative of the regional SIPO-SD commander.⁵⁹⁶ At the same time, the military authority had authorised the SIPO-SD to carry out seizures of booty or black market goods in Southern France. To this effect they employed paid informers who received a 5% commission for all information leading to disclosures.⁵⁹⁷ What the rationale was behind the large number of SIPO-SD interventions in French investigations in Paris during 1943 can only be guessed. These interventions were repertoried by *contr_le économique* with a view to establishing a documentation for post-war prosecutions: they concerned all sectors of the black economy and it is most likely that they were used for blackmail, to protect economic collaborators or to get a hand on the seizures.

⁵⁹²AN. F 60 1009. Commission interministerielle pour la repression du marché noir. Ministère de l'Economie et des Finances, Direction de l'économie générale à Darlan. Note confidentielle a/s interventions des autorités allemandes dans la repression du marché noir, 31 mars 1942.

⁵⁹³ Comité de confiscation de profits illicites-Contributions directes (Seine), rapport 'Otto' (in possession of Jacques Delarue).

⁵⁹⁴For more ample details see Bobrowski, Edouard. 'Le livre blanc du marché noir', in: Bernard Michal, *Les Grandes énigmes de la Résistance*, vol. 3 (Paris, 1968), 101-152; André Brissaud, 'Les trafics de la Gestapo', in: Jean Dumont, *Histoire de la Gestapo*, vol. 2 (Genève, 1971), 191-256; Jacques Delarue, *Histoire de la Gestapo* (Paris, 1963); idem, *Trafics et crimes sous l'occupation*; idem, 'La bande Bonny-Lafont', in: *L'Histoire* (numéro spécial), 63- 69; *La Gestapo en France* (Historia hors série), vol 2 (1972), 26/27; Hasquenoph, *La Gestapo en France*; Lucien Steinberg, *Les Allemands en France 1940-1944* (Paris, 1980).

⁵⁹⁵ SAEF, fonds affaires économiques. Dossier B 16.039 : Direction Générale de la concurrence et des prix. Enquêtes Économiques, situation économique outre-mer, enquêtes sur les prix (Rapports Monsieur Lemenager), 'Le *contr_le* des prix en France, 1939-1950' (janvier 1953), 580.

⁵⁹⁶ SAEF, fonds affaires économiques. Dossier B 16.039 : Direction Générale de la concurrence et des prix. Enquêtes Économiques, situation économique outre-mer, enquêtes sur les prix (Rapports Monsieur Lemenager), 'Le *contr_le* des prix en France, 1939-1950' (janvier 1953), 613.

⁵⁹⁷AN. 393 Mi 1-3. Archives des services de la police allemande en France pendant l'occupation (=Série R 70 du BA. Polizeidienststellen im Bereich des Militärbefehlshabers). Document R 70/16: note de la section Wi II Gen du Majestic à propos du traitement des marchandises du marché noir mises à l'abri par le SD en zone Sud en avril 1943.

The ramifications of the SIPO's pre-eminent position and information advance was revealed after the war: an unnamed former SD agent testified to his French investigators that, in 1943, the SIPO-SD was charged with a secret mission of obtaining foreign currency through the sale of black market goods purchased in France. He revealed that this move had been decided in the highest echelons of the Nazi bureaucracy and was approved by the head of the RSHA (Reich Security Main Office), Kaltenbrunner, Hitler's secretary Borman and Schellenberg, head of Foreign Intelligence at the RSHA. This mission resembled other compensation purchases that were being co-ordinated by German services in France at about the same time; however a marked difference existed in that it was kept entirely secret from the *Wehrmacht* and the Reich Ministry of Economy. The proceeds were placed with banks in non-belligerent countries, '*with a view to enabling the pursuit of Nazi policy*'.⁵⁹⁸ Schellenberg masterminded the operations, for which two organisations were set up in France. Captain Radecke and a certain Captain Wagner who reported directly to the RSHA headed the first. Radecke, a close relative of Himmler and former 'Otto' collaborator, was the man behind the creation of the unit of French Gestapo auxiliaries set up at rue Lauriston in Paris. Radecke also headed the ÜWA successor in the French capital, the 'Central Service for Black Market Combat' (*Zentralstelle für die Bekämpfung des Schwarzen Marktes*), set up by the military administration after the ban. Radecke's multiple attributions are probably the best example for the Janus-faced reality of German black market intervention. The fact that an *Abwehr* officer headed a secret SS organisation speaks volumes for the legendary 'rivalry' between *Abwehr* and SS. Radecke's SS organisation worked with foreign firms specialised in the exportation of perfumes, chemical and pharmaceutical products. It also acquired electricity, radio and signalling patents, which were sold in non-belligerent countries. Radecke's agents were placed in foreign branches of firms such as Braunstein Bros. (Zig Zag cigarettes), Tokalon Creme SA and André Shoes SA. Captain Wagner also collaborated with the Ministry of Armaments and War Production, in view of transferring German patents to neutral countries.

The second, more extensive organisation was under the orders of Dr Maulaz, head of section III at SIPO-SD HQ, and comprised six sub-branches: One headed by Georg Beridze organising platinum purchases in the Southern zone and the smuggling of industrial diamonds. Currency was acquired via Swiss banks. The second branch was set up in early 1943 under the orders of Mumm, an agent of the Dutch SIPO-SD section posted to Paris in order to complete the 'aryanisation' of the oriental rug trade, a task he had already executed in the Netherlands and in Belgium. Sales were effected via a commercial office in Barcelona. Eugen Lang, a former German employee, ran the third branch with a French colonial firm. He was Schellenberg's personal representative and a political agent at the German Embassy in Switzerland. He proceeded to found a trading company in Monte Carlo, under the name of SOCOMA, which held an account at the Zurich *Wehrli Bank* until 1944. SOCOMA was under direct RSHA control. Lang and one of his employees, the Swiss national Ernst Freyvogel served as go-betweens for platinum and industrial diamonds, of which they are said to have bought 700 kilograms in Marseille. Other traded goods included Champagne, which was exported to Spain, brandy, cigarette paper, vehicles and gum arabic. Lang and Freyvogel also acted as SIPO-SD intermediaries in a ransom case involving a Drancy internee who was promised liberation, on condition that his fiancé

⁵⁹⁸SAEF, B 57.046. Déclaration par ancien agent du SD de Paris, 4 janvier 1946.

co-operated in the acquisition of 6-8 kilograms of platinum worth 7-8 billion francs. The next branch, specialising in the purchase of British and American companies in France, was directed by Fehrmann who was in association with an organisation called *Sofindus* and based in Spain. *Sofindus* is reputed to have bought a fleet of ships in the range of 2,000-3,000 tons. The Frenchman Jules Radenac directed a branch selling furs, liquor, radio sets and cigarette paper via two firms he had set up abroad: *La Commerciale et Industrielle SA* (Geneva) and *La Barcelonesa Industriel y Mercantil SA* (Barcelona). Finally, the last branch employed many members of the largely reduced Organisation OTTO that, at this time, was equally engaged in compensation deals with Spain and Portugal.⁵⁹⁹

As mentioned in an earlier chapter, the black market was also an excellent ground for the recruitment of informers and other police auxiliaries. Lack of available auxiliaries in the early days of the occupation led the occupier's secret services to rely on convicted criminals and notorious blackmarketeers. Between June and September 1940 hundreds of common law prisoners were released from Fresnes on orders of the occupying authority. Subsequently, many of them were employed by the *Abwehr*.⁶⁰⁰ In synchronicity with their military counter-espionage colleagues, the SIPO-SD copied this recruitment technique. Until the merger of SIPO-SD and *Abwehr* in 1944, the number of agents supervised by SIPO-SD was still dwarfed by the *Abwehr*, which handled a minimum of 200 agents per individual *Abwehr* unit in France. Even up to October 1943, the SIPO-SD operated no more than 400 permanent informers in its seventeen provincial branches.⁶⁰¹ The SIPO-SD which never comprised more than 2,500 German police and SS in the whole of France, was suffering from a severe manpower shortage and a secret March 1943 BCRA report from the Southern zone suggests that they were desperate to recruit '*anyone willing to do the job and often those who were too compromised to refuse*'.⁶⁰² Naturally, few areas existed offering better conditions for penetration than the black market; for some time, the SIPO-SD had also been busy implanting agents in various sectors of the official economy, most importantly the hotel and catering business. They extended their tentacles as far as the French dairy industry: When a position of dairy manager in Chef-du-Pont (Manche) was advertised in a German magazine in spring 1943, the SIPO-SD recommended Otto Eigensatz, a Swiss resident in the department who had pre-war managerial experience in the branch. Eigensatz had taken the initiative of offering his services to the SIPO-SD and the German police claimed that they had a particular interest in winning him over as an agent, considering his excellent knowledge of the situation and the population in Manche.⁶⁰³

Blackmarketeers were an even better target, as they did not need to be paid. Their remuneration was no other than a charter to continue their illegal activities with impunity. They were also a rather easy prey, as they could be forced into collaboration through blackmail. The case of Guy De Federici, a Paris blackmarketeer specialising in radios,

⁵⁹⁹SAEF, B 57.046. Déclaration par ancien agent du SD de Paris, 4 janvier 1946.

⁶⁰⁰BA-MA. RW 35 635. Schreiben von General DOYEN, Vorsitzender der französischen Delegation bei der deutschen Waffenstillstandskommission an General VOGL, Vorsitzender der deutschen Waffenstillstandskommission, 23. Juli 1941.

⁶⁰¹AN. 3 W 358. HCJ. Interrogatoire Knochen. Troisième audition.

⁶⁰²AN. 171 Mi 116. BCRA. Note sur l'organisation des Services de renseignements allemands et de la Gestapo en France, 15 août 1943.

⁶⁰³AN. F7 15142. Archives du SD en France. BdS in Frankreich, Abteilung II pol (Hü/Kck) an Firma Milei, Dr Lutz, Stuttgart, 21. Juni 1943.

watches and currency, is typical in this respect. It also demonstrates to what extent the black market was infiltrated by SIPO-SD agents by late 1943. De Federici found himself under duress when he was unable to pay back 150,000 frs to a German sailor called Thalheimer, after a failed black currency transaction. Suzanne Marteau, a long-standing Brussels black market contact who was probably already working as a German agent, had provided the contact. Thalheimer took De Federici straight to Gestapo HQ where he was presented to an intelligence officer. The conversation soon changed from threats against his family to a proposal to erase his debt, on condition that he become a German agent. Subsequently, De Federici accepted this proposal and was despatched to Algeria, where he was arrested shortly after disembarkation from a German submarine, near Oran, on October 10, 1943.⁶⁰⁴

Section V at SIPO-SD HQ (KRIPO-Criminal Investigations) was the section officially charged with 'combating' the black market and corruption. As we have already seen above, caution is necessary here, as this 'combat' was subject to a great deal of ambiguity. In the worst case, the KRIPO simply reduced competition to German purchasers by clearing the black market of those competitors acting without German accreditation and catering exclusively to the French civilian sector. By arresting blackmarketeers and handing them over to section IV, the GESTAPO, they also fulfilled an important role in the recruitment of indigenous agents. A typical example of this practice is the case of Berger, a German national and former *Abwehr* agent arrested for blackmarketeering by the KRIPO in February 1943. Thus left with a choice between collaboration and prosecution, he was 'turned' and set up a purchasing agency with GESTAPO funds. Like their *Abwehr* counterparts, many SIPO-SD satellite services of indigenous auxiliaries disposed of a commercial cover. In August 1943 Berger was working for the GESTAPO, section A, and received his orders from an official called Wenzel. Berger proceeded via the same method of 'turning' that had become his own fate: the arrest and blackmail of traffickers. In 1943/44 Berger's lair at 14, rue du Colonel Moll became a lively Parisian black market relay. After having 'recruited' around 30 auxiliaries on the black market, he moved office to 180, rue de la Pompe, in the chic 16th arrondissement, in April 1944. Berger's activities were now entirely dedicated to the repression of the Resistance and he demonstrated great cunning in decimating a number of networks.⁶⁰⁵ Rue de la Pompe became the scene of some of the worst atrocities committed during the occupation.⁶⁰⁶ Immunity combined with the warrant to search, seize and deal on the black market were also the principal baits leading to the formation of the notorious *équipes de choc* of French or foreign Gestapo agents. These autonomous teams existed already since late 1941; however in autumn 1943 their numbers increased and they were granted *carte blanche* in a number of areas, including the repression of resistance. Besides the GESTAPO, which put the Bony-Lafont gang and other misfits on its pay roll, indigenous collaborators were also recruited by section VI (SD-Foreign Intelligence). Roland Nosek was one of the SD prodigies in France: his under-section VI N1 comprised 34 staff handling 200 agents and informers, most of whom were implanted in the collaborationist movements. Their task was to procure French and

⁶⁰⁴AN. 171 Mi 129. BCRA. Affaire de Federici, octobre 1943, Paris.

⁶⁰⁵ Organisation Juive de Combat (OCJ), réseau 'F2', réseau 'Cotty', 'Résistance Polonaise', 'Phalanx', 'Les Cloches des Halles', réseau de l'Ecole Normale Supérieure, 'NAP', Libé-Nord. The list of networks dismantled with the help of Masuy (one of OTTO's most successful recruits) and his gang is even longer, the most prominent being 'Interallié' and Rémy's 'Confrérie Notre-Dame', s. Delarue, *Trafics et Crimes sous l'occupation*, 118; 125-127.

⁶⁰⁶Delarue, *Trafics et Crimes sous l'occupation*, 127-30.

foreign political intelligence. Having said this, the available evidence suggests that this delimitation was of purely theoretical value and that his 'people' dealt in all types of information; it was Nosek himself who, during his post-war interrogation by the French authorities, coined the witticism: *'tout était marchandise pendant l'occupation'*.⁶⁰⁷ In addition, Nosek admitted having disposed of secret funds, *'allowing him to recompense specific services or to cover exceptional expenditure'*. It also served his personal usage.⁶⁰⁸ Nosek's remarks suggest that confidential information was bartered like any other item that could present an interest to the occupier. Although it is impossible to test the veracity of information provided by a French KRIPO informer in 1944, the following case needs mentioning, as it proves that economic information was being circulated as bargaining material. Even if only one of the items of this case was factual, then the quality of information provided through this source was, indeed, rather significant. At the time of his report, the informer was, in fact, serving a jail term for blackmarketeering at Fresnes prison. According to this man, one of France's household businesses, the renowned Lesieur oil factories, had amassed a total of 17 tons of oil filters through pre-emptive purchases, possibly on instructions of the *patron* of Lesieur, Jacques Lemaigre-Debreuil, who was with the Free French in Algiers. In early 1944 Lesieur had allegedly planned to sell this stock of oil filters to agents acting on behalf of the Allies, at half the official prices of 325 ffrs per kilogram. However, on second thoughts the intermediaries charged with this operation decided to sell the stock on the black market for 725 ffrs per kilogram. When they offered the lot to French economic police informers, they were apprehended and the entire scheme was uncovered.⁶⁰⁹

A sustained presence on the black market could also serve as a plug in order to penetrate Resistance networks. This is another reason why the German authorities could not afford to let this area slip out of their control, as infiltration of the subterranean universe was an elementary stepping-stone to sowing terror and retaining power. This was as clear to the German occupier as it was to Vichy. Control in this area was an adequate means of detecting many other forms of non-conformist or defiant action, and could prove a definite reinforcement of rule. This aspect is further confirmed by the comments of a 1943 gendarmerie report:

Il n'y a pas présentement, en France, beaucoup d'hommes de 20 à 50 ans qui n'aient pas un motif d' être arrêtés par le premier policier venu.⁶¹⁰

A BCRA report stated that by summer 1943 black-market repression had become an area of intense joint Franco-German collaboration. It also suspected that an increase in the number of German police searches served

⁶⁰⁷ibid. ; AN. 3 W 358. HCJ. Interrogatoire Nosek, audition du 18 novembre 1947.

⁶⁰⁸Ibid.

⁶⁰⁹AN. F 7 15149. BdS, Abt. V B 4, Paris, V-Mann Bericht, 25. April 1944.

⁶¹⁰3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. Etat-major particulier du Général de Gaulle. Rapport ARQ 2, Bru 5.

other purposes than merely to combat the black market.⁶¹¹ Control of the rationing system was another effective tool to keep a check on dissidence, as labour draftees, *maquisards*, victims of racial or political persecution and Allied airmen on the run found themselves without ration cards.⁶¹² In the rural hinterland, where many clandestines came to rely almost totally on peasant defiance, keeping track of dissidence proved impossible. The urban context, however, proved to be more conducive. Here, the alternatives were few: purchases on the black market or obtaining false, stolen or surplus ration cards. Some relied on the connivance of officials, policemen or mayors, others reverted to the more violent means of robbing a *mairie*. In a documented case, two 'terrorists' were apprehended by the gendarmerie on September 29, 1943 in Rueil, outside Paris, when they attempted to sell 950 sheets of bread ration cards. This discovery led to the arrest of eighteen accomplices in the Paris area and the seizure of 100,000 frs. They admitted having sold thousands of false ration cards.⁶¹³

The phenomenology of the elusive black market universe defies all straightforward definition. As much as collusion existed between collaboration and black market, a definite collusion also existed between resistance and black market. In his book *The Red Orchestra*, Gilles Perrault goes as far as claiming that two main social groups enjoyed the luxuries of occupied Paris: 'the political and economic collaborators and the upper hierarchy of the Resistance movement'.⁶¹⁴ The author of the novel *Dr_le de jeu*, Roger Vailland, sets scene after scene of his resistance universe in Parisian black market restaurants, bars and night-clubs.⁶¹⁵ Apart from providing by far the most fertile ground for the survival of subversion, the black market universe could also be a deadly trap: it can be no coincidence that Joseph Kessel sets the arrest of Gerbier, the hero of his novel *L'armée des ombres*, in a Lyon black market restaurant. Although they shared no ambition to provide exact histories or historical novels, both Kessel and Vailland had been senior resistance workers. Many of the situations they described were representative. Once again, literary accounts of underground life bring realities to the foreground that would be lost otherwise. Unfortunately, the role played by the black market is an aspect blanked out from the consciousness of most survivors and rarely reminisced in Resistance memoirs. Despite the plenty of circumstantial evidence, historians have failed to ask resistance icon Raymond Aubrac, arrested together with a fellow resister in Lyons in 1943, the obvious question why he used the cover of a blackmarketeer and fed the GESTAPO with a story that the object of their *rendezvous* had been to strike a deal.

Similar to resistance workers, intelligence agents operating in the urban centres needed a legal or illegal economic cover: Until they were dismantled by the *Abwehr* in February 1943, the former Italian and German sections of the French *Deuxième Bureau* continued operating from the premises of *Technica*, a Lyons purchasing agency.⁶¹⁶ The run

⁶¹¹AN. 3 AG 2 352. BCRA. Les autorités d'occupation et l'organisation du marché noir. Rapport ALO.7/315000. Date del'information: juin 1943.

⁶¹²Sédillot, *Histoire des marchés noirs*, 111 pp.

⁶¹³AN. AJ 41 395. Organismes issus de l'armistice de 1940-Direction des services de l'armistice. Synthèses des rapports mensuels de la Gendarmerie, relative a l'état moral et matériel de la population dans les TO, octobre 1943.

⁶¹⁴Gilles Perrault, *The Red Orchestra* (London, 1968), 97.

⁶¹⁵Roger Vailland, *Dr_le de jeu* (Paris, 1977 edn.).

⁶¹⁶Gerard Chauvy, *Histoire secrète de l'Occupation* (Paris, 1991), 55-6.

for cover was also imitated by foreign intelligence. The excellent camouflage provided by black market purchasing was particularly appreciated: The most famous example of this was the cover set up for the 'Red Orchestra', Moscow's spying eye in Nazi-occupied Western Europe, with a network spreading over Paris, Brussels and Berlin. The shadow organisation sheltering the Orchestra's nervous centre in Paris, SIMEX, was set up in autumn 1941 and dealt exclusively in the black market. Their principal customer was the OT and they installed themselves on the Champs-Élysées, opposite the OT HQ at the Marbeuf Cinema. An important explanation for their success was psychological: they raised little German apprehension, because this type of economic collaboration was perceived as a serious commitment to the German cause. The occupier was desperate for such dependable collaborators and in Brussels they gained access to the highest echelons of the military hierarchy. The OT, an organisation whose autonomy in black market affairs was unique, protected SIMEX.⁶¹⁷ Any potential suspicion was neutralised through generous cash handouts which sealed tongues. This protection beat the toughest logic: It was only after the dismantling of the 'Orchestra' that Franz Kortner, their Abwehr adversary in Brussels, realised that his commercial cover 'Riepert, Imports and Exports', had shared the same building, at 192 rue Royale, with SIMEXCO (the Brussels dependency) for several months.⁶¹⁸

Collusion between resistance and black market also existed in another area that needs mentioning: We have heard earlier that many clandestines and resisters in rural France came to rely heavily on the local population for their survival. Whether these efforts relied on the initiative of individual farmers or formed part of a more sophisticated effort in terms of organisation cannot be said with certainty. One case of the creation of a highly organised alternative circuit of distribution for clandestines is documented in Werner Warmbrunn's study *The Dutch under German Occupation 1940-1945*. In this example the response of the rural population amounted to an act of resistance in itself: In late 1942 the *Landelijke Organisatie voor Hulp aan Onderduikers* (L.O.), an underground organisation providing assistance to clandestines was founded. Most of its early members were Calvinists, based in the countryside. Their main zones of activity were the provinces of Friesland, Groningen and the northern end of Noord-Holland, all three food-surplus areas where L.O. superseded official authorities. The network counted 15,000 adherents and farmers were instructed on whether to deliver food to legal channels or they were designated 'legitimate' clandestine channels. Peasants were instructed not to sell to black market operators and to respect reasonable price levels when engaging in direct sales to civilians. L.O. was also a chief supplier of ration cards and moved food to the cities where a separate secret organisation took charge of storage and distribution. When the need arose L.O. also reverted to threats and violence: only after a few boats were scuttled in the fishing village of Volendam, north of Amsterdam, could certain fishermen be convinced to provide fish at acceptable prices.⁶¹⁹ The creation of alternative circuits of distribution by resistance movements was also practised in Greece in Autumn 1943, when the National Liberation Front (EAM)

⁶¹⁷ An excellent idea of their power base is demonstrated by the fact that the OT continued to rely on black market purchasing right up to the end of the occupation.

⁶¹⁸ Perrault, *The Red Orchestra*, 159; 166 pp.

⁶¹⁹ Werner Warmbrunn, *The Dutch under German Occupation 1940-1945* (Stanford, London, 1963), 192-196.

requisitioned supplies from wealthy merchants and distributed them at rationing prices.⁶²⁰ For France and Belgium documentary evidence on such collective action is sparser. One such example is mentioned in a German report and concerns action taken by the 'White Brigades' in Belgium. This secret network instigated a threatening letter campaign against Belgian economic controllers who, as a result, refused to carry out their duties in the countryside.⁶²¹

Equally riveting is the collusion of resistance and blackmarketeers turning coats in the last months of the occupation. We mentioned earlier Joanovici, uncontested 'king' of the French black market and an alleged German agent. Joinovici escaped immediate post-war prosecution through his generous subsidies and assistance to the resistance network *Honneur de la Police*, based at the Paris police prefecture, towards the end of the occupation. This was a smart move, as *Honneur de la Police* was to play an important symbolic role in the armed up-rising leading to the liberation of Paris. In the aftermath the Paris *préfecture de police* afforded Joinovici protection from the judiciary that matched its immense popularity and its political standing with General de Gaulle's provisional government. A similar case involved Frida Schmidt, a German national who was arrested by French police in March 1947. At a superficial glance, this appears like an error, as Schmidt had been awarded the French *croix de guerre* after the war for her 'signal services to the resistance' through her relations with an unnamed FFI (*Forces Françaises de l'Intérieur*) officer. However, Schmidt also headed a vast purchasing network during the occupation, making her motives perhaps less unselfish than they appeared in the enthusiasm of liberation. Her confederates were a cosmopolitan and motley mix of fourteen individuals: two German WW I officers, one Italian, one Spaniard, one Romanian, one Swiss, two other Germans and four French who were in flight or under arrest. This group operated all over France until mid-1944, under Frida's orders and those of her partner Max Dahlsheimer, a German who had been living in France before the war. French police managed to apprehend twenty-two of the group's suppliers. Schmidt had her offices in the Quartermaster's office, Ave Foch, and was said to have made hundreds of millions.⁶²²

A turncoat of a somewhat milder kind was René Kovacs. This employee in a Paris food company belonging to the Buitoni group converted into a black market middleman after he was made redundant in late 1940. Apparently, Kovacs was unaware that a French business contact with whom he was negotiating the sale of an important stock of canvas was not acting on his own behalf, but on the *Luftwaffe's*. Thus exposed to the German authorities as a blackmarketeer, Kovacs willy-nilly continued in their exclusive service, realising profits of several million francs. Typically, in some cases he succeeded in positioning himself well enough in the chain of intermediaries to buy back goods from one purchasing agency and resell them to another at a higher price. At his trial in 1946 he pleaded that he had also manipulated the quality and the quantity of his deliveries in order to 'diminish the purchasing power' of the occupier. Kovacs's opportunism and moral ambiguity did not end here, as he financed a resistance organisation and participated actively in street fighting during the liberation of Paris. This may have helped to clear his bad conscience

⁶²⁰ Stavros B. Thomadakis, 'Black Markets, Inflation and Force in the Economy of Occupied Greece', in: John O. Iatrides (ed.), *Greece in the 1940s. A Nation in Crisis* (Hanover, London, 1981), 61-80.

⁶²¹ BA-MA. RW 36/257. Militärbefehlshaber in Belgien und Nordfrankreich. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle.

⁶²² AN. BB 18 7123. New York Herald Tribune, 11 March 1947 (European Edition).

and, significantly, he gave himself up voluntarily to the French authorities in September 1944, after it had come to his attention that a warrant had been issued for his arrest. However, the public authorities took a different view of the matter. Kovacs's supposed intention to 'take the Germans for a ride' (an extremely popular excuse) was the main line of defence at his trial and the presiding judge went to great lengths in explaining to the defendant that his action had, in fact, impoverished his country doubly: firstly, by helping drain its supply, and secondly by aiding the occupier to put his occupation levies to good use. Although the latter argument appears flawed in retrospect and reflects the wide-spread notion of the day that blackmarketeers like Kovacs were the vital cogs in an elaborate German scheme, the court's final verdict was by no means controversial: Kovacs was accorded attenuating circumstances due to his resistance support and received a two-year prison term. His assets were confiscated.⁶²³

⁶²³ Hazéra, Rochebrune, *Les Patrons sous l'occupation*, 322-23.

CONCLUSION

Assessment of German Black Market Operations

In the following chapter we shall attempt a final assessment of *Aktion Veltjens* in particular and German black market intervention in general. The total volume of ÜWA purchases amounted to more than 1.1 billion RM on November 30, 1942.

Table 16. RM volume of Veltjens Purchases (up to 30-11-1942)⁶²⁴

France	929,100,100
Belgium (incl. Northern France)	103,881,292
Netherlands	73,685,162.64
Serbia	1,125,727
Total	1,107,792,818.64

More than 80% of these sums were spent on the French black market, financed through French occupation levies. In the other countries concerned, Belgium, the Netherlands and Serbia, finances were provided through clearing.⁶²⁵ During the first half of 1943 another 1.1 billion were spent in France alone.⁶²⁶ The figures, together with what has been said about black production, point to the self-evident fact that the significance of German black market activity lies less in the amount of extra goods placed in the occupier's hands; the real significance of this intervention was in the sums spent, its impact on public finances, its long-term inflationary effects, and the encouragement it provided to other closely-related illegal activities.

Further interesting information is provided by ROGES black market expenditure figures pertaining to the four countries concerned by the Veltjens campaign, for the entire period 1942-1944.⁶²⁷

Table 17. ROGES black market expenditure in Western Europe and Serbia, 1942-44

	Cost price (RM)	Sales price (RM)	Overpayment (RM)
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⁶²⁴ AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Taetigkeitsbericht Veltjens an Göring, 15. Januar 1943.

⁶²⁵ AN. AJ 40 71. Dossier 4, chemise f : Mbf in Belgien und Nordfrankreich. Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942-August 1943. Taetigkeitsbericht Veltjens an Göring, 15. Januar 1943.

⁶²⁶ AN. AJ 40 1209. 5. Tätigkeitsbericht der Deutschen Waffenstillstandskommission für Wirtschaft (Paris-Wiesbaden) für die Zeit von 1. Juli 1942 - 30.6.1943.

⁶²⁷ 'La France au Pillage. Rapport d'activité des services français des investigations financières'. Supplément à *L'actualité économique et financière à l'étranger* (septembre 1946), 27.

France	1,667,929,868	382,778,503	1,285,151,364
Belgium	398,927,483	143,129,683	255,797,799
Netherlands	196,966,782	38,996,865	157,969,916
Serbia	6,185,551	1,183,959	5,001,592
Netherlands (warehouse campaign)	10,351,901	5,019,886	5,332,014
Total	2,280,361,585	571,108,896	1,709,252,685

Total RM expenditure per financial year:

1942-43	2,034,560,254
1943-44	245,538,857
1944-45	34,494,928

The figures suggest a much better yield in terms of lowering prices in Belgium than in France; at the same time the amount spent in Belgium was quite high. While only half of this amount was spent in the occupied Netherlands, prices paid there were even more exorbitant than in France. The Dutch warehouse *Aktion* was very similar in its implementation to the Christmas campaign. This is the most obvious reason behind the merely two-fold grey prices paid for goods in conjunction with this campaign.⁶²⁸

A collusion of several structural factors forced the German hierarchy to see sense in late 1942. These problem areas were the management of food and financial resources, the effects of corruption and the suffocation of legal production by the black market. According to the calculations of the Mbf in France, approximately 20% of French gross production was finding its way onto the black markets, a fact mostly determined by considerations to cover costs. Black production of goods bought at four to five times the official rate demasqued the ÜWA system as non-sense in the long run. Although one of the founding principles of ÜWA was precisely to avoid the purchase of production goods, the system was sufficiently leaky to allow for such an eventuality: thus, the economic section knew that a number of Göring's Christmas shoppers had, indeed, proceeded to direct production purchases.⁶²⁹ Fraud was a possibility that had to be reckoned with at all the stages of the system, whether on quantity or quality controls. The result of ÜWA activity was particularly negative in a sector such as textiles where cupidity and resource competition was severest. In his final report, ÜWA fabrics examiner Rudolf Klocke warned that many fabrics for military purposes (such as camouflage or tents) that had been bought via black markets, were of such bad quality that they disintegrated after a short usage. Coupled with excessive price demands, this led Klocke to turn down two-thirds of all offers in the final stage of ÜWA activity. Besides, German purchases of military fabrics, goods for which there was no demand on the civilian black market, points to black production. As a logical consequence, it should have been much easier for the occupier to ensure control in an area dominated by his own demand and force producers to

⁶²⁸ This would suggest a smaller, but more monopolistic and tighter black market in the Netherlands.

⁶²⁹AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 1 : Geheime Zusammenfassung der ÜWA zu diversen Aspekten der Weihnachtsaktion, 24 September 1942.

go 'white'. Other points of critique advanced by Klocke were the lack of centralisation in textile acquisition, the failure of co-ordination among ÜWA experts and the fact that offers were not sorted according to production sectors.⁶³⁰ It was not before February 1943 that purchases of textiles and textile products were actually centralised; and not in the hands of AWG, as the military had wished, but under FUCHS, the Air Ministry purchasing service. Only then did quality standards improve and the Germans were able to reduce prices onto the level of the coefficient (400-500%) adopted during Aktion Veltjens.⁶³¹ Characteristically, ÜWA staff in close contact with FUCHS drew a wholly different picture of the rationality of the measure and recommended its continuation. Other final reports painted a picture that was even more sombre (and critical towards ÜWA activity): the two experts responsible for the examination of bast fibre testified that there were no secret stocks in Belgium that justified the black market effort. Relatively late, on November 3, 1942, a fourth ÜWA had been created in Lille, in order to absorb the rich textile resources of those parts of Northern France under the authority of the Brussels administration. It is worth taking a closer look at the conditions of this new implantation, which allows a number of conclusions on German resource competition. Northern France had long been eyed with envy by the Paris purchasing bureaux, but was, alas, inaccessible to them. However, the chances of getting a foot in the door improved in the course of time, although the Brussels administration had believed, fallaciously, that they would be allowed to maintain their exclusive access to this market, as AWG remained the only accredited purchaser in Lille until mid-November. This was not to last, and, characteristically, the Parisian purchasing agencies, most prominently BERNARD, ESSEX (SS), PIMITEX and FUCHS soon followed suit. 85% of the ensuing purchases were, indeed, in the largely unexplored textile sector, and the arrival of a flock of German purchasers led to a daily in-flow of 200-300 offers.⁶³² This supports the hypothesis that there is little point in seeking the rationale of black market exploitation somewhere within the seemingly handy dichotomy of 'wild exploitation-pillage' or 'rational exploitation'. In the case of black market exploitation such a categorisation is anachronistic, as its real determinant was, above all, German resource competition. This category took very little interest in the rationality or irrationality of the measure. Nazi polycracy therefore had a greater influence on the course of the entire *Aktion* than policy blueprints drafted by the administrations or any ministry think-tank. Black market exploitation accommodated old-style pilferers and economic amateurs such as Göring, and brilliant civil servants and economists in the Reich ministries and the administrations. The military administrators implementing rational policies in Paris or Brussels were not totally opposed to black market exploitation. They knew that black markets were the manifestation of inescapable economic realities and had to be dealt with. However, they had little reason to endorse wholeheartedly the simplistic rhetoric of Aktion Veltjens, i.e. the notion of 'exhausting' black markets, followed by a return to economic normality; They sensed that the main rationale behind Göring-style rationalisation (and the Veltjens campaign was presented in this light) was to provide a convenient cover for major

⁶³⁰AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Abschlussbericht von Rudolf Klocke an die ÜWA, 31. Mai 1943.

⁶³¹AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Abschlussbericht der Sachverstaendigen Andreas van Liempt, Erich Giersch, Josef Heinemann an die ÜWA (5. Juni 1943).

⁶³²AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Abschlussbericht der ÜWA Lille (9. Juni 1943) und Taetigkeitsbericht des Textilsachverstaendigen J. Röhrer (1. Juni 1943).

economic incursion. Ideally, they aspired to deal with the black economy on their own terms and, most importantly, without outside disruption. The veritable stake of German black market intervention was the military administrations' wish to maintain their prerogative over the black economy and to serve the military clientele first, while causing the least possible obstruction to the exploitation of the official economy. In this perspective the inclination of the Brussels administration to influence ÜWA activity in Belgium by interposing themselves proved a partial success. In contrast to their colleagues in France, they managed to monopolise Belgian occupation payments for military use. Secondly, AWG, a military creation, retained its lead over the other accredited purchasing agencies. With an expenditure of 174.8 million RM from March 1942 to May 1943, it was the biggest spender on the Belgian black market.⁶³³ Price levels on this market were reduced from 600% above the official rate in summer 1942, to 318% in May 1943.⁶³⁴ Three services under ÜWA authority, but outside the supervision by AWG, paid prices that were above this norm: PIMETEX, H-FUCHS and MINERVA.⁶³⁵

ÜWA experts assembled an impressive array of systematic data which they communicated in weekly internal news bulletins to members of the military administration. In addition to market analysis and information on price movements, they commented on the nature and scope of purchases, and on offers that had been turned down.⁶³⁶ Thus, the centralisation of black market procurement and the fixing of prices through the Berlin *Reichsstellen*, coupled with commercial manipulations, led the way to a relative harmonisation of black market prices. This price stabilisation represented the only genuine achievement of ÜWA; a partial victory in a situation otherwise characterised by polycratic turmoil. Otherwise the disadvantages outweighed the benefits. With its precise demands channelled through ÜWA and backed by massive capital funds, the purchasing system created an extremely favourable terrain for specialised black production, albeit at stabilised prices. Had it been for the military administration to decide, centralised black market purchasing would have been of much shorter duration than it actually was. In this respect the implementation of the campaign did not match their expectations: Contrary to an agreement between Veltjens and the Brussels administration, which was decided to clamp down on the organised black market at the earliest possible stage, the purchasing services jealously guarded the names of their top deliverers. They refused to communicate them to the economic section in July 1942. This state of affairs continued well beyond the liquidation of ÜWA in summer 1943.⁶³⁷ The facade of legality and the apparent respect of norms only served to hide the absence of legality. This came to the forefront during the final audit of ÜWA in 1943. Many of the purchasing bureaux had maintained no proper accountancy and there were innumerable possibilities of fraud.⁶³⁸ The liquidation of PIMETEX Brussels and

⁶³³AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 9 : Abschlussbericht des Wirtschaftsprüfers Selbach zu Konten der ÜWA und der angeschlossenen Organisationen, 3. September 1943; also see table 18.

⁶³⁴The slump was most notable from March to May 1943. Exception has to be made for the period December 1942 to February 1943 when a particularly high German demand drove up prices one last time.

⁶³⁵AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 9: Abschlussbericht des Wirtschaftsprüfers Selbach zu Konten der ÜWA und der angeschlossenen Organisationen, 3. September 1943.

⁶³⁶AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 1: ÜWA-Rundschreiben vom 28. Februar 1943.

⁶³⁷BA-MA. RW 36 211. Militärbefehlshaber in Belgien und Nordfrankreich. Militärverwaltungschef. Programm für Besprechung mit Veltjens, 7. Juni 1943.

⁶³⁸Despite its massive expenditure of an estimated 50 billion ffrs, OTTO maintained no accountancy at all, s. Delarue, *Trafics et crimes sous l'occupation*, 115-16.

AWG in November 1943 faced major difficulties. At about the same time, the disappearance of 59 receipts was delaying the liquidation of H FUCHS in Lille.⁶³⁹ The auditor's report on PIMETEX Paris was scathing, criticising the uncooperative attitude of PIMETEX staff and their failure to satisfy the request for important documents, and resuming that the irregularities in its accountancy were in contradiction to the general code of practice. At *SS-Rome* in Paris, there was no trace of an unaccounted 24 million ffrs which, finally, were booked as an 'undeterminable loss' in the ROGES accounts.⁶⁴⁰

Although one must acknowledge the apparent sophistication of the German purchasing system, its existence did not equal rationality. Neither did it prove the existence of stocks. Intervention on the black market in one form or another was indispensable and black market manoeuvres of the type conducted by the German occupier in Western Europe made economic sense. As long as hidden stocks existed, they procured for the German war machine highly sought-after goods that could not be obtained via other channels. In view of the very special situation, it is fair to conclude that this was a necessary step which compares to forms of economic warfare such as the pre-emptive allied wolfram purchases in the Iberian peninsula.⁶⁴¹ However, this overall reflection needs to be modified by critical remarks on the implementation of the measure, which overshot the mark. This would not have been the case if it had been effectively centralised and limited in time, and if it had taken sufficient account of real stocks. After exhaustion, purchasing could also have been restricted to certain limited categories, as was done eventually. Instead black market procurement was extended to areas where official quota policy yielded higher returns. Its counter-productive nature is equally well documented in the extension of black purchasing onto import materials (such as wood or paper from Germany and Scandinavia) or onto markets where control would have been relatively easy (s. example of rabbit fur collection in Belgium). The launching and sustaining of an equally avoidable black market production belongs into the same category of effects. Such developments were abusive and could not be justified in terms of economic rationality. *Aktion Veltjens* was based on wishful thinking, and perpetuated the inability to revise a measure at a stage when it presented no more genuine economic interest. These problems had their cause in the structural idiosyncrasies of German rule which was prone to unconfined resource competition; its main symptoms were institutional chaos and lack of centralisation. German black market policy therefore offers an example of irrationality and lack of sophistication in the Reich's mobilisation of European resources.

It is correct that, if we accept the equation of black market=pillage by other means, the final abandonment of the Veltjens campaign in spring 1943 confirms the considerable changes and the increased rationalisation of German war production policy after the famous end of the *Blitzkrieg*. It also demonstrates the growing interdependence of the French and German economies which was certainly more instrumental to the German change of heart than the intervention of Vichy officials, however numerous and vociferous their protestations were. Most striking, however, is

⁶³⁹AN. AJ 40 322. Mbf in Belgien und Nordfrankreich (ÜWA). Dossier 10 : Mitteilung von Dr Selbach an Rüger, 5. Juni 1944; Mitteilung von Halbreiter betr Liquidation der Organisation H. FUCHS (ÜWA Lille), 26. November 1943.

⁶⁴⁰La France au Pillage. Rapport d'activité des services français des investigations financières'. Supplement à *L'actualité économique et financière à l'étranger* (septembre 1946), 42; 44.

⁶⁴¹Christian Leitz, *Economic Relations between Nazi Germany and Franco's Spain 1936-1945* (Oxford 1996), 170-199.

the incapacity of the German system to act at a prior stage, before the irruption of a full-scale crisis. The remaining eighteen months until the end of the occupation would not suffice to echo the achievements made in the conversion of German war production in the territories.

System Theory

The approach chosen by the occupier in order to deal with black markets in France and Belgium - exploitation through monetary resources - and the methods implemented point to the structural deficiencies and inefficiencies of German economic organisation. The assembled research seriously challenges and nuances the notion of German success in exploiting occupied lands. This failure was largely self-inflicted through the power structure of the Nazi regime, and the piecemeal and haphazard character of German rule. As a result of the short-term material spoils that could be reaped, black market activities offered a fertile ground for hobbesian turmoil. That this state of affairs was not only allowed to continue, but actively encouraged, illustrates convincingly the lack of strategic direction and irrationality of Nazi policy in the economic area. Polycracy and conflicting sources of legitimacy led to mismanagement, waste, corruption and unchecked resource competition.

Naturally, post-war perception in France and Belgium was blinded by the havoc the German black market had reaped. The discourse on the phenomenon therefore assumed premeditation, rationality and a polished scheme, when the plain truth was nowhere as flattering: Black market exploitation on the grand scale practised by the German authorities was political and economic nonsense. The exploitative reflex with which they responded to black markets revealed a trying lack of imagination. The system's lack of foresight is proven by the fact that the indigenous authorities and populations were expected to swallow this bitter pill without further ado, and that little brainwork went into preparing for other scenarios. It makes imminent sense to link these observations to the broader theoretical discourse on the structure of power in Nazi Germany. Three of the main exponents of a structuralist approach are Hans Mommsen, Ludolf Herbst and, recently, Walter Naasner.⁶⁴² Their research suggests failure of the system's steering capacity which was hampered by three factors: bureaucratisation, clashes of competence and blind trust in the *Führer*. Incontestably, the balance of economic exchange in Western Europe was severely perturbed by war and occupation, and in need of state regulation. This led to the foundation of extensive state bureaucracies that affected an increasing number of areas and therefore had little chance of keeping pace with a constantly evolving situation. This bureaucratisation tendency remained in perpetual motion, often leading to rather arbitrary measures. Owing to a very basic reactive nature and a trying lack of direction, the occupation regime confronted this challenge with radical and

⁶⁴² Hans Mommsen, 'Der Nationalsozialismus. Kumulative Radikalisierung und Selbstzerstörung des Regimes', in: *Meyers Enzyklopädisches Wörterbuch* (Stuttgart, 1976), 785-790; idem, 'Ausnahmestand als Herrschaftstechnik des NS-Regimes', in: M. Funke (ed.), *Hitler, Deutschland und die Mächte. Materialien zur Aussenpolitik im Dritten Reich* (Düsseldorf, 1976), 30-45; Ludolf Herbst, *Das nationalsozialistische Deutschland 1933-1945* (Frankfurt, 1996), 9-24; Walter Naasner, *Neue Machtzentren in der Deutschen Kriegswirtschaft 1942-1945. SS, GBA und RMBM/RMRK im Nationalsozialistischen Herrschaftssystem* (Koblenz, 1994), 455-475.

often irrational solutions, conditioning continual improvisation and correction. Unrealistic premises hampered regulation and had a depressing effect on the flow of information. 'Cumulative radicalisation', Hans Mommsen's rationalisation of the process leading to the Holocaust, proves a valid concept in the present context. Hierarchical turmoil and a permanence of clashes of interest exacerbated the regime's violent dispositions and outward aggression, but also laid the seeds for 'cumulative self-destruction'. Blind trust in Hitler, which found expression in the *Führerprinzip*, led to the system's incapacity to consider alternative solutions and undermined any rational treatment. Hitler's preferment for protégés and his suspicion of expert opinions was outrightly counter-productive. When faced with the issue during the December 1942 talks with Laval, he wholeheartedly endorsed Göring's view. Hitler is the great absentee in this study and reference to the *Führerprinzip* only appears in the context of staking claims in terms of prioritising exclusive access to the black markets. This was the case of the OT, which justified its non-committal to centralised black market purchasing with its special status condoned by Hitler. As Walter Naasner rightly points out, the category of 'will', inspired by Hitler's example, replaced rationality. Reality was blanked out and the system's reform capacity was dependant on coincidence and the impact of forces that lay outside its reach. Typical attributes of Nazi rule were sudden thrusts of change and periodically recurring crises. Faced with pressure, the regime had an almost built-in necessity for crisis in order to move forward. However, it should be noted that the system remained surprisingly stable as long as the regime succeeded in enlarging its resource basis. The regime's survival mechanism was therefore geared to exploitation in all its forms.

This corresponds with the reactive nature of the German black market effort, where crisis provided the only incentive for change: The first change in the German attitude came towards the end of 1941, as a manifestation of the resource crisis Germany was facing after the end of the *Blitzkrieg*. This new situation led to the intervention of an increasing number of Reich services in the occupied Western territories. The most obvious effect of this uncoordinated action was the surge of black prices and the draining effect on official production in favour of black production. A compromise with the holders of sovereignty in France and Belgium, the military commanders, in summer 1942, led to concerted action and the establishment of a central purchasing system which contained if not all, than at least some of the worst abuse. After the introduction of the seemingly 'catch-all' solution provided by Veltjens, the black market situation was left to deteriorate further. When a second crisis erupted after the Allied landing in North Africa, no other choice was available than to brutally reverse gear and abandon the irrational and controversial practice altogether. Thus *Aktion Veltjens* was brought to an end through outside pressure, forcing the regime to accommodate and confront the multiple challenges. Only then a sound package of measures was adopted in the black market, price control and resource management sectors. This final change of course was based on coincidence and not on premeditation.

The Reich leadership was living in a theatre set and its baseless economic reasoning and occasional interventions could not be other than questionable. On the surface the task of the Veltjens organisation was based on a higher principle, the exhaustion and combat of black markets, again a fitting subterfuge in order to gain access. The claim that an exhaustion of black markets was feasible was in itself utopian. In the end, its rationale points to the deposition

of Göring as the Reich's *Wirtschaftsdiktator* and illustrates his desperate attempt to regain initiative in the economic area, if not inside Germany then at least in the occupied territories.

With compromise discarded as a concept alien to the regime's extreme Social darwinism, polycracy was the inevitable outcome. Black market exploitation points to several of these characteristics: Especially the ground level was determined by a hands-on-approach with plenty of initiative and an immediate response to change. However, this predisposition reinforced improvisation rather than prevision and generated short-term solutions. Genuinely positive, long-term action was limited to a small elite of military administrators and technocrats whose hands were often tied. A book published in wartime London under the title 'Insurmountable Belgium', claimed that the Germans in Belgium *had lost their orientation in the maze of diverse agencies, in particular those handling war production*.⁶⁴³ As the example of the Western occupied territories documents, lack of direction and conflicting interests made resource management in such a system inadequate and irrational.

Frequent changes and the absence of clear direction blurred the German view in the economic area. This paralleled in particular the half-baked nature of German policy towards France, which vacillated between ideological postulates (e.g. the reduction of France as a major player on the European stage) and practical necessity (the utilisation of economic capacity). The decision for the latter came at a time when it was already too late, despite the impressive achievements made in 1943/44. These achievements confirm Liberman's thesis qualifying the economic exploitation of Western Europe as a success (s. Introduction), although not to the extent as he suggests. In view of the multiple challenges, resource management in France and Belgium was relatively successful from 1943 on; what happened before that phase of the occupation is a different matter altogether and should be viewed with a more critical eye. That the industrial nations of Western Europe could be successfully manipulated into boasting the Nazi war effort is beyond doubt, but this was subject to the occupier fulfilling a number of pre-conditions. Thus, the argument on the infallible power of coercion on occupied industrialised societies proves somewhat flawed.

Divided opinions also appeared in as crucial a question as the stability of the French and Belgian currencies: the destructiveness and the ignorance of Göring, and the followers of a policy of radical exploitation prevented them from being concerned about this, as long as some goods kept trickling in.⁶⁴⁴ The partisans of a more rational stance, such as the military administrations, had difficulty in bringing back the point that an orderly exploitation was subject to monetary stability and the maintenance of sensible price levels. However, even the foresight and the attitude of the military administrations and other figureheads of rational exploitation were nowhere as clear-cut and unequivocal as it may appear. Speer and other Reich officials such as Funk, the Minister of Economic Affairs, endorsed the entire *Aktion* in spring 1942. For a long time, the military administration in France considered the black market a 'tightrope walk' determined by the need of obtaining an equilibrium between tax revenue earnings covering the occupation

⁶⁴³ CERHSGM. Tätigkeitsbericht N° 23 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum Januar-März 1943, 15. April 1943.

⁶⁴⁴ Göring made this point sufficiently and drastically clear during the infamous Air Ministry conference (6 August 1942), when he allegedly declared that he did not attribute more importance to the French franc than to a 'certain kind of other paper'.

payments and the pressing needs of the German war economy.⁶⁴⁵ Double standards in black market policy thrived in such an environment of ambiguity and half-hearted approaches. The attitude in the part of French territory administered by Brussels was quite similar: according to one senior administrator in Lille, the *Militärverwaltung* officials were rather apathetic towards the black market in Northern France which they tended to regard as an entirely 'French affair'. Quite in unison with the French courts they were little inclined to take decisive steps against it and were largely favourable to German purchasing. He interpreted the 1943 breakthrough as guided by necessity and direct German interest, and elicited that, again, the German administration strove to concentrate repression in Belgium and Northern France on those areas that interested them most: steel, metals, textiles, heavy fabrics for military use, leather and food.⁶⁴⁶

Acute problem-solving in the Nazi system relied heavily on special envoys or plenipotentiaries, secondary by-pass structures, who eclipsed the already extant bureaucracies and created further conflict over respective areas of competence.⁶⁴⁷ This type of substitution could provide preliminary relief, but in the long run their rather selective orientation could not match the complexity of the challenges. In his study on the ascendancy of powerful new economic agencies⁶⁴⁸ in Nazi Germany during the crucial year 1942, Walter Naasner argues that their substitution to the Quadrennial Plan, the Ministry of Economic Affairs and the Ministry of Labour was the response of wishful thinking and the repudiation of crisis rather than of effectual crisis management. By 1942/43, the Reich's political, military and economic crisis had become unmanageable, and the bolstering of the German war economy only helped to prolong the war. Veltjens' commission is a typical example of the mechanism of tackling crisis through substitution. However, the simple transmission of such regulatory mechanisms from the Reich, where Hitler's will was tantamount to divine edict, to the occupied territories faced great difficulties. Coercion was less easily enforced in a context that called for the German administrations to proceed with tact in bending the often-incalculable indigenous administrations in the desired direction. And how their measures would be viewed and observed on ground level was an altogether different question. Thus the Veltjens commission suffered from improvisation, and the unnecessary and uncoordinated division of labour, endemic features of the Nazi regime.

The history of the black market as portrayed in this study clearly delineates the limits of German power. Political and military domination did not translate into automatic economic domination. In this area the occupier could not dictate his terms indefinitely. The evasion of control was a form of denying the occupier access to certain segments of economic life. It provoked a continuous cat-and-mouse game between occupier and occupied. For the occupier the succession of events ended in a *cul-de-sac*: the black market placed goods outside his reach; he then reacted by

⁶⁴⁵BA-MA. RW 35 265. Bericht der Abteilung Finanzen beim Militärbefehlshaber in Frankreich 1940-44.

⁶⁴⁶BA-R. RH 36/518. OFK 670 Lille. Beiträge des Regierungsrates Haase vom Finanzamt Hamburg-Altstadt zum Abschlussbericht der Militärverwaltung und des Reichkommissars Belgien/Nordfrankreich.

⁶⁴⁷Mommsen, 'Der Nationalsozialismus. Kumulative Radikalisierung und Selbstzerstörung des Regimes', in: *Meyers Enzyklopädisches Wörterbuch*, 785-790.

⁶⁴⁸The new bodies were the Speer Ministry, Sauckel's labour draft organization and the SS Economic Administration Office (WVHA).

participating in this game; this affected his relations with the indigenous authorities, endangering official quota deliveries and public finance, while increasing social fragmentation. All these were obstacles to swift exploitation, which the short-term benefits gained from black market exploitation, could never offset. The French and Belgian authorities were the occupier's principal relay to the economy. They could not afford to be seen dealing any crucial blows to the illegal economy, as long as the Germans continued their unlawful activities. In some instances, the indigenous authorities used their equivocal views on the issue of repression of economic misdemeanour as bargaining material in the on-going negotiations. Thus German guarantees on the cessation of black procurement were a precondition for stepping up repression in 1943/44. However, this was as far as the Germans would get in terms of collaboration. Civilian subsistence procurement, up to certain predetermined levels, was tolerated in both countries until the very end of the occupation. The last chapter of the study provides further proof that it would be wrong to brand blackmarketeering, unidimensionally, as a particularly insidious form of collaboration. Neither should it be subsumed under 'resistance' or 'defiance'. As most readers will have realised by now, the phenomenology of black markets can produce a variety of disparate meanings. In fact, considering the high prices they were charging (and obtaining) many economic collaborators were, willy-nilly, harming the German war effort. Rural black markets remained largely indomitable. They escaped the German stranglehold and one could argue that in many cases peasant refusal to comply with German-inspired production and delivery quotas constituted petty resistance or defiance to the occupying authority. If we choose not to take our interpretation that far, we can, at least, maintain that this behaviour demonstrates a stubborn will to assert independence. The result amounted to the same: harnessing the agricultural economy, an area the German occupier never mastered, proved a fiasco. Lynne Taylor rightly remarked that the black market was rather a category of its own, in that it did not match the Manichaean representation of what traditionally has been considered occupation politics⁶⁴⁹: An arena where occupier and occupied confronted each other like gladiators, and where choices were supposedly straightforward and square. This model has become rather outdated and it contributes little to attaining a more thorough understanding of the dynamics of occupation. In her research on occupied Northern France, Taylor emphasised that the '*black market arose, first and foremost, as a reaction to the imposition of a controlled economy, not to an occupation by foreign forces*'.⁶⁵⁰ However, there is no denying that the importance of the illegal economy during the occupation helped to politicise the phenomenon. The diverse manifestations of blackmarketeering acquired differing political connotations which did not necessarily bear any relation to the initial intentions of those engaging in illegal action. They were drawn into a logic over which they exerted little control, instilling into sometimes very trivial acts of survival a political and moral significance.

⁶⁴⁹ Lynne Taylor, 'The Black Market in Occupied Northern France, 1940-4', *Contemporary European History*, 6, 2 (1997), 172.

⁶⁵⁰ Taylor, 'The Black Market in Occupied Northern France, 1940-4', 171.

APPENDIX: Theoretical Treatise of Black Markets

In economic theory scarcity is the key concept by which human societies are conditioned. Free markets are reputed to solve all basic allocation problems and determine the use of society's scarce resources by deciding "*what, how and for whom*" will be produced.⁶⁵¹ The instrument through which markets achieve this task is the price mechanism. Prices are determined by the forces of supply and demand, their play fixes the level at which markets clear and decides among which competing uses the available resources will be allocated. Furthermore prices, sales and profits provide producers and consumers alike with the signals necessary to organise the circuit of scarce goods. High prices serve as a rationing device when goods are in short supply (e.g. in times of crisis or war), a form of allocation that will be generally perceived as socially unfair, in particular when it concerns basic foodstuffs.⁶⁵²

The term *black market* defines an illegal market. Such illegal markets form in situations where legal markets are no longer able to satisfy demand. This characteristic has also led to black markets being called 'parallel markets'. Coupled with a restriction of market forces or the complete or partial repeal of a market economy, the prerequisites for the creation of black markets are assembled. The operation of black markets would not make much sense in a genuinely free market economy where the price mechanism is the only tool to accommodate supply and demand. The correlation of state intervention and the emergence of black markets have led many critiques to label black markets as the inevitable and direct result of excessive statism.⁶⁵³ In developed countries black markets thrive on supply restrictions generated by war, prohibition or other contexts of crisis. War economies have to cope with three important challenges: (i) the reorientation of means of production towards an unproductive use, war, creates (ii) scarcity and gives rise to (iii) inflation. Less supply for civilian needs, and thus a decrease in real possibilities of consumption, is opposed to tendencies increasing global purchasing power, such as full employment and wage rises which are due to the increased demand for labour in all war economies.⁶⁵⁴

Under such conditions government intervention can provide a solution: price controls are measures that prevent the adjustment of prices to clear markets.⁶⁵⁵ Rationing is the attempt to provide the just distribution of scarcity by its quantitative control of individual and global demand.⁶⁵⁶ The third main form of such intervention is embodied in control of the allocation of production factors and raw materials. This leads on to the second, parallel usage of the term 'black market', describing the sum of *transactions effected in violation of economic policy*.⁶⁵⁷ This broad

⁶⁵¹ W. D. Nordhaus, Paul Samuelson, *Economics* (New York, London, 1989 edn.), 69.

⁶⁵² David Begg, Stanley Fischer, Rudiger Dornbusch, *Economics* (London 1991), 40-44; Greenwald (ed.): *The McGraw Hill Encyclopedia of Economics*, 890-91.

⁶⁵³ see G. Reimann, *The black market, inevitable child of statism* (Hindsdale, 1948).

⁶⁵⁴ Keynes, 'How to pay for the war', in: Moggridge, *The collected writings of John Maynard Keynes*, XXII, *Activities 1939-1945. Internal war finance*, 40-49; Pertz, 'Oorlog en economie, België 1940-44', 14-20.

⁶⁵⁵ Begg, Fischer, Dornbusch, *Economics*, 40-44.

⁶⁵⁶ Three main forms of rationing are distinguished: Queue, points and coupon rationing, see John Butterworth, *The Theory of Price Control and Black Markets* (Avebury, 1994).

⁶⁵⁷ Baudin, *Esquisse de l'économie française sous l'occupation allemande*, 134-150.

economic definition represents an extension of a legal definition, based on the French law of March 15, 1942, in which black market transactions are set down as all violations against the requirements of regulations pertaining to price-fixing, circulation, allocation and rationing.⁶⁵⁸ The wartime black markets in Europe traded commercial goods and production factors, or rationing tickets and procurement allocations for production factors. Profit maximisation and speculation were not the sole motivation for transactions in the former two. Faced with the need to provide for continued production and economic viability, producers could find themselves under an obligation to engage in illegal action. In addition to the consumption and industrial production black market, the French economist Baudin also classified a third type in the area of capital investments. Here, a markedly speculative rationale prevails.⁶⁵⁹

Inflated prices, alone, do not suffice to define an illegal transaction,⁶⁶⁰ neither do all clandestine economic transactions: 'Grey markets' are commonly typified by non-profit bartering, based on the idea of preserving the economic circuit in order to keep up production.⁶⁶¹ In occupied Western Europe the term was also used for sales exceeding official prices by a cost-covering margin. These markets received generous treatment within the occupied societies of Western Europe, even though they often comprised economic exchanges qualifying, technically, as 'black market'. Populism and fear of civil unrest precluded any rigorous approach in this matter on the part of the indigenous authorities. Giving an extensive interpretation to measures that invariably were perceived as bearing the mark, and being in the interest, of the occupier would have compromised their legitimacy. Besides, high tolerance levels were also justified in order to enable the local economies to absorb the multiple shocks and remain in business. Warmbrunn in his study on occupied Belgium asserts that black market dealings were more common in Belgium than in other occupied countries *because of the special circumstances prevailing in Belgium*.⁶⁶² Their determining factors were the Belgian authorities' unwillingness to impose high taxes or exact compulsory savings, the Belgian tradition of liberalism and individualism, and German insistence on retaining the official price levels.

Economic planning in all war-waging countries singled out inflation as their prime enemy and declared price stability as one of the main objectives of economic policy.⁶⁶³ During World War I, British war finance had drawn partly on the time lag between real wages and prices, a model denounced by Keynes for its social injustice and its probable failure in a greatly modified situation at the beginning of the European War in 1939. In his *'How to pay for the war. A*

⁶⁵⁸This is also the definition adopted by the Belgian economist T. Chelmicki, s. *Le marché noir* (Louvain 1950), 3.

⁶⁵⁹Baudin, *Esquisse de l'économie française sous l'occupation allemande*, 134-150.

⁶⁶⁰In some instances black prices may actually be lower than official prices, s. Butterworth, *The Theory of Price Control and Black Markets*, 44/45.

⁶⁶¹Karl Kromer, *Schwarzmarkt, Tausch- und Schleichhandel* (Bleckede a d Elbe, n.d.)

⁶⁶²Warmbrunn, *The German Occupation of Belgium 1940-1944*, 222-225. Warmbrunn's assessment applies to the Belgian civilian black market.

⁶⁶³Contrary to conventional belief, inflation is not a negative phenomenon *sui generis* and certain national economies have been known to operate swiftly despite unusually high rates of inflation. However, in many cases inflation leads to an unequal distribution of income and favours proprietors of 'real values', s. Begg, Fischer, Dornbusch, *Economics*, 502/03.

plan to the Chancellor of the Exchequer' ⁶⁶⁴, Keynes demonstrated that in order to achieve a just allocation of materials and labour, price control would have to be complemented by other demand-restricting measures, as it does not address the problem of excess demand.⁶⁶⁵ Rather than purging inflation from the system by restoring balance, many control measures simply suppress inflationary pressure: by damming up demand at particular points surplus will be left '*free to swirl past at points where there are no controls*'.⁶⁶⁶ Keynes introduced the concept of 'deferred consumption' into British Second World War finance: progressive rates of forced saving should help prevent the socially damaging side effects of wartime inflation. While pre-war minimum standards in consumption were to be maintained, this policy would ensure market equilibrium and constant price levels. Instead of outright taxing, which would have deprived workers of the benefits of their increased efforts, excess purchasing power was to be siphoned off into bank accounts and stopped from circulating in the economy until after the war. Only then would it be available for consumption.⁶⁶⁷ Keynes admitted that the choice of the right policy was a difficult task, with no universally applicable formula available fitting all eventualities, and he warned that ill-conceived policies could further aggravate scarcity. This occurred in other countries where more traditional methods of war finance were practised, such as the emission of bonds or activating the printing press. The German case was exceptional: war finance and the maintenance of sufficient supply was largely based on the wholesale exploitation of occupied Europe, and subsistence black markets were practically unheard of until late 1944. This owed as much to the untarnished authority of the state as to the rigorous implementation of control policies, accepted as a preliminary sacrifice by an approving public. Black market offences that went unpunished in the occupied territories were severely repressed in the Reich.⁶⁶⁸

Controlling prices is an endless task and an economy subjected to such measures will have a natural tendency to extend its activities into areas where control is no longer feasible. Extreme decentralisation of the system provides no solution, as this will suffer from lack of co-ordination. Therefore, in most observed cases control administrations were centralised and split in two: one office for agricultural products and one for industrial or non-agricultural products. Price control often proceeds in freezing prices at free market rates on a precise date. In the long run, such procedures will prove inadequate in an economy undergoing vast mutations. The question price controllers had to face was whether the historical cost price or the value of substitution of the good should serve as a basis for price fixing. The stakes are important: if the public hand sets prices that will fail to guarantee fair recompense, producers may block sales or cease production, leading to the disappearance of the product in question from the market. Another substantial obstacle that has to be overcome is the vast number of article prices under control. In sectors

⁶⁶⁴ Keynes, 'How to pay for the war', in: Moggridge, *The collected writings of John Maynard Keynes*, XXII, *Activities 1939-1945. Internal war finance*, 40-49.

⁶⁶⁵ Butterworth, *The Theory of Price Control and Black Markets*, 186.

⁶⁶⁶ A. Cairncross, *Introduction to Economics*, (London, 1960 edn.), 472. Such 'points' may be articles of substitution which in their turn will have to be price-fixed and rationned because unsatisfied demand will shift onto them.

⁶⁶⁷ Keynes, 'How to pay for the war', in: Moggridge, *The collected writings of John Maynard Keynes*, XXII, *Activities 1939-1945. Internal war finance*, 120.

⁶⁶⁸ Paul Erker, *Ernährungskrise und Nachkriegsgesellschaft. Bauern und Arbeiterschaft in Bayern 1943-1953* (Stuttgart, 1990), 25-8.

where production of an article is spread out over several firms, price control may confront insurmountable difficulties. Some entrepreneurs may abuse standardisation procedures by delivering a product of inferior quality.⁶⁶⁹ The substitution of goods complicates the authorities' task in two ways. Firstly, intermediary products can be utilised for various applications. Price fixing will serve to distribute vital factors of production according to their use in more or less regimented commodities. If the legislator regiments the price for milk, but fails to do so for dairy products such as cheese or butter, then farmers will be inclined to convert all their dairy production and no fresh milk will arrive on the market. An outcome contrary to the original intention, which was to provide reasonably priced milk in sufficient quantities. A second difficulty arises from the fact that certain needs can be satisfied by several products, leading to increased demand for all products of substitution. This may, in turn, necessitate a regimentation of their supply. Measures of economic control have an extensive nature and the price authority has to take account of substitution effects in the establishment of its price-fixing measures.⁶⁷⁰ The authorities may have to proceed with the closure of smaller businesses and concentrate scarce supply in larger firms, thereby increasing the possibilities of control. However, successful control of larger firms and a consumer tendency to pay higher prices may cause tension that will spill into the artisanal sector, an economic area where sale price control is virtually impossible.⁶⁷¹ Other absurd effects of a controlled economy are the increased production of expensive, but alas, non-regimented luxury goods, anathema to concepts of social justice. Rationing and central allocation will add further to the confusion and create the specific set of problems linked to meeting production targets, known from planned economies. A great difficulty consists in obtaining adequate information on stocks and capacities of production. The amount of stocks declared would usually be smaller than real stocks and producers will overstate their capacities of production in order to gain a greater share of production factors. Both over- and under-provision of certain elements of production caused by errors in allocation will have seriously disrupting effects on production planning. The establishment of production coefficients will depend on the state of technology employed in each sector and can therefore differ greatly from one firm to another. Profit margins will be calculated rather higher than lower in order to safeguard reasonable profits for industry. The opposite would be unwise as it may leave manufacturers with no other choice than to produce for the black market in order to keep turning.

Black markets can be interpreted as one reaction of the private economy sector against statism. In this case it may be as much the result as the complement of shortcomings in state allocation and distribution. Consumers in possession of virtually worthless rationing tickets will have few scruples to buy on the black market. Bureaucratisation does not help either: an entrepreneur with an urgent need for supplementary production factors, e.g. to complete a manufacturing process, will in many cases not hesitate to buy on the black market, rather than rely on official allocation and put himself through yet more red tape. Where production is in danger, the rapid delivery will make all the difference. However, amidst the virulent criticism and the animosity that exists against economic control, it is

⁶⁶⁹Pertz, 'Oorlog en economie', 1-7.

⁶⁷⁰Chelmicki, *Le marché noir*, 10.

⁶⁷¹*ibid.*, 35-38.

difficult to consider other alternatives in a situation of utter penury. It must be clear that free markets fail to serve as a sufficient instrument of allocation in crisis situations, creating social injustice and endangering political stability.⁶⁷² Some control policies were astonishingly successful, especially where public opinion was strongly in favour. Britain's wartime experience with a regimented economy is a vivid reminder of this.⁶⁷³ Perhaps this is the lesson that can be learnt: successful economic control measures are based, above all, on popular consensus and their endorsement by consumers and producers alike. With millions of transactions daily in a sophisticated economy, the concept of government control is, indeed, a myth.

Let us now turn to black market formation: An obvious correlation exists between the increase of money supply in an economy and productivity on the one hand, and black market demand and supply on the other.⁶⁷⁴ Other important factors include the adequacy of official food rations or the existence of undeclared stocks which can be turned over on the black market.⁶⁷⁵ Loss of confidence in the monetary, political and economic future of a country prompts money flight into real estate, valuables or scarce consumer items.

The supply of production factors is determined by one of the following elements:

- (i) On the introduction of regulation manufacturers and retailers create secret reserves.
- (ii) Manufacturers overstate systematically their capacities of production. They then receive excess supplies, part of which disappear into black market production. The opposite tactics will be applied by agricultural producers who will understate their capacities of production and sell any surplus on the black market.
- (iii) Manufacturers can also economise on their supplies. A pretext, such as technological or economic changes due to 'special conditions' of production, will serve to convince controllers that the production targets could not be met. Savings can then be used for black production or sold for high prices to other producers.⁶⁷⁶ Obviously, there is no end to such methods, some of which require varying degrees of non-compliance. In societies fragmented in their basic social, economic and moral foundations, the proliferation of criminal practices and corruption can only be question of time.⁶⁷⁷

Demand for production factors depends on two main elements: the scope of running production of consumer goods for the black market and the efficiency of the system of allocation: if official allocation of goods essential to production is insufficient, producers will be inclined to choose rapid delivery by the parallel market.

As concerns supply of consumer goods we have to differentiate between supply of undeclared stocks in existence at the onset of rationing and price controlling, and supply out of running production. In the first case it is a function of

⁶⁷²F. Jenny, 'Le Contrôle des prix', *Le Temps*, 5 janvier 1942.

⁶⁷³Butterworth, *The Theory of Price Control and Black Markets*, 13-16; 186/87.

⁶⁷⁴Pertz, 'Oorlog en economie', 14-20.

⁶⁷⁵Robert Kalt, 'Rationierung der Nahrungsmittel und Schwarzer Markt in der Kriegswirtschaft', (Ph.D dissertation, Universitaet Freiburg, Switzerland, 1949), 91-94.

⁶⁷⁶Chelmicki, *Le marché noir*, 75.

⁶⁷⁷P. L. Baudin, *La consommation dirigée en France en matière d'alimentation* (Paris, 1942), 232; Chelmicki, *Le marché noir*, 75.

business behaviour and tendencies to withdraw reserves from the control imposed by the authorities. We have already heard that such tendencies will be very substantial in times where the political, financial and economic future is uncertain, and state authority is low. The supply of goods from running production will depend on supply of production factors to the parallel market.⁶⁷⁸ The vicious circle continues, as end products on offer from the use of these production factors can again only be placed on the black market. Certain articles having disappeared from the official market will be available in the black economy only, thus putting a greater strain on non-restricted articles. We can therefore say that on the supply-side the black market is characterised by a certain tendency to expand. This phenomenon is also encountered in complementary production: illegal slaughtering will invariably result in the appearance of leather products on the black market.⁶⁷⁹

Supply of black consumer goods is subject to the organisation of rationing. In one case a certain amount of consumers may not command the necessary pecuniary resources to pay the full rations they have been allocated. They may therefore be tempted to sell part of their ration tickets on one urban or provincial black market and then try to buy cheaper on another. Others may have been allocated a ration that is too large for them and their unused tickets will almost certainly find their way onto the black market. Again the role of unlawful appropriation, by theft of goods or falsification of rationing tickets, has to be considered. A second crucial factor for the black market supply is the efficiency of production control.⁶⁸⁰ Control of sectors with centralised production is easier than in sectors with a widely spread production. Control is largely simplified for sectors that were subject to government intervention before the introduction of control regulations and for raw materials like coal or fuel that play a central role in the production process. However, the controlling authorities have to consider very carefully what steps should be taken against abusive practices and proceed with great imaginativeness. A too repressive manner in enforcing official prices can put continued production at risk, thus aggravating scarcity and black market proliferation.⁶⁸¹

Demand on the black market for consumer goods is a function of the provisions made at the onset of scarcity, the amount of calories provided by official rations and again the effectiveness of control policies.⁶⁸² Prices and turnover on the black market are determined on the basis of free market forces. Free price formation takes account of factors such as scarcity in civilian consumption and purchasing power overhang. It is erroneous to believe that the level of black price rises is determined solely by the practice of chain trade. Other determining factors are the reinforcement of control policies which increase risk, and thus the black market premium. Black prices therefore also include a scarcity premium, a risk premium and a monopoly tax, and these three elements interact in a varying degree for each commodity and each eventuality.⁶⁸³ Contractions in the legal markets are equally important, as they put pressure on

⁶⁷⁸Jacques Debū-Bridel, *Histoire du Marché Noir 1939-1947* (Paris, 1947), 109.

⁶⁷⁹Chelmicki, *Le marché noir*, 35-38.

⁶⁸⁰*ibid.*, 59.

⁶⁸¹Debū-Bridel, *Histoire du Marché Noir 1939-1947*, 109.

⁶⁸²Pertz, 'Oorlog en economie', 29-32

⁶⁸³*ibid.*

consumer demand to use the black market: when the French butter ration dropped from 310 grams to 175 grams between January and April 1943, black market prices rose from 500 frs to 700 frs per kilogram. The same pressure is exerted by inflation, scarcity and wage rises. Equally important is the nature of products: official and illegal prices for foreign imports, easily stockable goods and goods under tight production surveillance will all demonstrate significant disparities.⁶⁸⁴ Shifts in demand and supply may occur as a consequence of the special conditions of the black market. It is clear that black market goods will originate from the fringes of the regimented economy and are therefore subject to various fluctuations. Changes in the official market and in the system of allocation and rationing will have an immediate influence on demand and consequently on black market prices. Another destabilising factor is speculation. Based on changing provisions buyers and suppliers will either change cash assets into *real* values or vice versa. In a situation of important inflationary movement and lack of monetary confidence this factor can encourage permanent price rises on the black market. Constant creation of money will also find its expression in a rising black market price level.

Although chain trade was to some extent a cost-raising factor, the available evidence suggests that the more substantial transactions in the illegal economy during the occupation relied on a predetermined number of reliable middlemen. The German reputation of buying at almost any price encouraged such speculative tendencies of private individuals with some exposure to the black market universe. However, the organised black market in the proper sense of the term had a vital interest to restrict the number of middlemen and operated on a principle of trust and exclusive relationships with its industrial clients. French documents support the thesis that mounting repression in 1943/44 increased the elusiveness of non-subsistence black markets which could no longer be pinned down to precise physical locations. Relations between French and Belgian business and their black market suppliers came to be characterised by even greater privacy and discretion than this had been the case up to that point. This was accompanied by an increased professionalisation of blackmarketeers. Volatile chain trade belongs more to the domain of grey market goods diverted into black market channels. As Brandt noted, the insufficiency of food supply during the occupation forced the entire population of France and Belgium into black market participation. Civilian speculation in this market was a means of retaining capital that could be used to procure essentials necessary for survival.⁶⁸⁵

Only an oligopolistic black market structure will play in the direction of price inflexibility. Illegal trading is extremely heterogeneous and relations between consumers and suppliers are often based on preference or trust. First choice is given on a basis of personal acquaintance and the willingness to accept the demanded price.⁶⁸⁶ Similar relationships can be detected between providers of raw materials and the manufacturers of final products.⁶⁸⁷ Suppliers are in a superior position and certain holders of goods will sell these on a progressive basis, at ever

⁶⁸⁴Baudin, *Esquisse de l'économie française sous l'occupation allemande*, 134-150.

⁶⁸⁵Brandt, *Management of Agriculture and Food in German-Occupied and other Areas of Fortress Europe. A Study in Military Government*, 546.

⁶⁸⁶Baudin, *Esquisse de l'économie française sous l'occupation allemande*, 220.

⁶⁸⁷Chelmicki, *Le marché noir*, 69.

increasing prices. Whereas in ordinary circumstances competition exists predominantly among the sellers, black markets will favour competition among purchasers, with all its inevitable price-increasing effects. Retailers may also be tempted to abuse their quasi-monopolist position. The illegal character of black markets as a system of allocation gives rise to varying forms of imperfect competition, as most of the transactions are passed in great secrecy. The market is therefore not very transparent and information on market constituents - supply and demand, quality and prices in differing market environments - is hard to obtain.

The determining characteristics of free markets are lacking: the consumer has little possibilities for comparison, no equilibrium price is obtained and markets do not clear on the basis of offer and demand. As a consequence, prices can be subject to great variation from one locality to another. The imperfect competition of black markets will command strategic prices. Consumer and holder may reach an agreement at the price that offers a sufficient recompense for the risk involved; a less scrupulous monopolist, on the other hand, will have little trouble exploiting his clients. As black markets operate through the same commercial channels of distribution as white markets, legal activities will serve as a cover for illegal transactions, with retailers buying supplements from 'specialised' wholesalers or other suppliers.⁶⁸⁸ Illegal transactions which can not take advantage of the traditional channels of distribution will tend to be more direct in introducing producers to consumers. The link between the two is provided by middlemen, usually specialised in different commodities.⁶⁸⁹ 'Black market' may therefore also designate the locality in which blackmarketeers gather, while more important deals will be struck in private.⁶⁹⁰ Other black market goods that can not be entrusted to the ordinary commercial circuits (producer-wholesaler-retailer-consumer), reach the consumers via circuits which are highly specialised for each commodity, with many twists and turns and a high potential for speculation.

Amidst the virulent criticism and animosity that exists against economic control, it is difficult to discern any other alternatives for running a national economy in a situation of utter penury. Invariably, free markets will fail to serve as a sufficient instrument of allocation to the majority of the population, thus creating social injustice and in many instances political crisis. Economics textbooks eschew this problem which they identify as a 'normative value judgement', a problem of society that economics as a discipline does not account for. Social objectives belong to the domain of politics, making the suspension of free markets and the enforcement of control a purely political matter. A failure of control policies can not be booked as a failure of the idea of control *per se*, as it is often influenced by political or social realities. Control policies based on popular consensus have been capable of achieving astonishing success.⁶⁹¹

⁶⁸⁸ibid., 73.

⁶⁸⁹ibid.

⁶⁹⁰ibid, 32-38.

⁶⁹¹Butterworth, *The Theory of Price Control and Black Markets*, 13 pp.

TABLES AND FIGURES

Table 18. Final accounts of ÜWA purchases in France and Belgium⁶⁹²

PARIS		BRUSSELS (including ZAM purchases) ⁶⁹³		LILLE	
Organisation	RM Expenditure	Organisation	RM Expenditure	Organisation	RM Expenditure
Otto	1,047,543,403	ZAM (until 7/42)	164,449,607	Bernard	36,917,812
Essex (SS)	396,931,495	AWG	174,847,300	AWG	10,799,399
PIMETEX	119,632,706	PIMETEX	78,029,264	Essex (SS)	8,853,496
Rome (SS)	58,902,452	HKB	33,901,551	PIMETEX	7,127,387
HKB	2,951,108	Sanitaetspark	25,053,224	O. FUCHS	2,917,197
SODECO	2,479,218	PATEWI (SS)	22,936,501		
Sanitaetspark	2,288,540	H. FUCHS	20,500,000		
Others	9,133,562	MINERVA	5,973,880		
		Special purchasing campaigns	86,402,556		
TOTAL	1,639,862,484	TOTAL	612,093,883	TOTAL	66,615,291

Note: A word of caution is necessary in connection with the above figures. They are to be considered approximate in indicating the scale of ZAM-ÜWA purchases. In no way should they be viewed as the final word. Drawn from a variety of different German sources the numerous discrepancies confronted in the documents would take the toughest auditor a lifetime to disentangle.

Considering the deficient code of practice of accountancy in the context of black market purchasing and the secrecy of the opera-

⁶⁹² IHTP. Copies of microfilms of German documents captured by the American Army and conserved at Alexandria (Va.). Bobine 181. Flash 1: "Abschlussbericht der Überwachungsstelle beim Militärbefehlshaber in Belgien und Nordfrankreich über die legalisierte Ausschöpfung des schwarzen Marktes in Belgien und Nordfrankreich, 1942-1943 (13.3.1942 — 25.3.1943 bzw. 31.5.1943)"; AN. AJ 40 323. Mbf in Belgien und Nordfrankreich. ÜWA. Original-Statistik und Filme zum Abschlussbericht der ÜWA, n.d.; Zusammenfassung aller Aufkaufe die mit der Genehmigung der ZAM und ÜWA vorgenommen worden sind, n.d.; AWG-Abschlussbericht, 20. August 1943; SAEF. B 57045. Service des investigations financières. Abschlussrechnung der Aufkaufsorganisationen in Paris, n.d.; Abschlussrechnung der Aufkaufsorganisationen in Lille, n.d.

⁶⁹³ During the official period of ÜWA operation in Belgium (August 1942—May 1943) the largest share of available financial resources was allocated to textile purchases, with in second place non-ferrous metals and engineering material, and in descending order, leather, automobile spare parts and medical equipment, s. AN. AJ 40 323. Mbf in Belgien und Nordfrankreich. ÜWA. Original-Statistik und Filme zum Abschlussbericht der ÜWA, n.d

tions, the task of resolving these irregularities is practically insurmountable. This point was not lost on the French and Belgian post-war investigators who in many cases had to rely on mere estimates. By no means do these figures cover all German purchasers, many of which - such as the Navy, the OT and a number of Abwehr bureaux - were outside central control.

Figure 4. Offences registered in the departments Pas-de-Calais and Nord (1942/43)⁶⁹⁴

Date	Number of offences
May 1942	4094
Jun-42	4716
Jul-42	3571
Aug-42	3457
Sept-42	3322
Oct-42	3116
Nov-42	2519
Dez-42	2590
Jan 1943	2758
Feb-43	3019
Mar-43	3131
Apr-43	2839
May-43	2477
Jun-43	1943
Jul-43	1617
Aug-43	1359
Sept-43	1651
Oct-43	2275
Nov-43	1979

⁶⁹⁴ AN, AJ 40 368. Mbf in Belgien und Nordfrankreich. Vierteljahrsberichte der OFK 670, Lille für Zeitraum 1.10.43-31.12.43 (21.1.44).

Figures 5 and 6. Seizures (in kg) in the departments Pas-de-Calais and Nord (1942/43)⁶⁹⁵

Date	Fats	Meat	Tobacco
May 1942	3949	2114	4830
Jun-42	5720	3447	5336
Jul-42	3873	2252	5461
Aug-42	2022	2698	2811
Sept-42	4788	2341	3622
Oct-42	3006	1729	3422
Nov-42	3075	1745	1939
Dez-42	1900	1872	3185
Jan 1943	1501	1346	3872
Feb-43	569	2149	4973
Mar-43	2620	2769	5149
Apr-43	3037	758	4729
May-43	2700	911	4581
Jun-43	1700	1500	2227
Jul-43	1788	2728	1461
Aug-43	850	784	1703
Sept-43	992	963	2464
Oct-43	225	1872	4244
Nov-43	1752	2907	3676

⁶⁹⁵AN, AJ 40 368. Mbf in Belgien und Nordfrankreich. Vierteljahrsberichte der OFK 670, Lille für Zeitraum 1.10.43-31.12.43 (21.1.44).

Date	Bread grain
May 1942	123 200
Jun-42	51 050
Jul-42	30 398
Aug-42	12 477
Sept-42	14 700
Oct-42	23 900
Nov-42	30 600
Dez-42	22 000
Jan 1943	29 700
Feb-43	19 500
Mar-43	18 360
Apr-43	18 206
May-43	28 201
Jun-43	17 500
Jul-43	27 961
Aug-43	7 500
Sept-43	13 900
Oct-43	7 683
Nov-43	11 657

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Y 5091 idem
Y 5100 Verwaltung. Frankreich. Allgemeines
Y 5100/1 Frankreich. Finanzen
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37520 (Film) Allgemeine Preisbildungs- und Vergabungsangelegenheiten
37521 (Film) idem
37522 (Film) Besondere Preisbildungs- und Vergabungsangelegenheiten, Allgemeine und besondere Fragen der Preisüberwachung
1799-1805 Vergabungswesen, Preisbildung, Preisüberwachung
1807 Besondere Preisbildungs- und Vergabungsangelegenheiten
1811 Allgemeine Fragen der Preisüberwachung
1814-1815 Besondere Fragen der Preisüberwachung
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- 134-135. Groupe 9. Réglementation des prix.
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- 324. ZAST
- 368. Rapports de l'OFK 670 Lille, novembre 1942 — décembre 1943

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- 450. ROGES, juin 1941 - juillet 1944.
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- 537. Réunions de travail des chefs de groupe, novembre 1940-juin 1943.

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- 578. Généralités.

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- 774. (5) Achat au marché noir de produits textiles, mars 1941; r_ le des centrales d'achat dans le commerce franco-allemand, mai-juin 1941
- 775. (3) Rapport du service central d'achat en France pour le mois de sept 1941, (4) relations de ZAST avec autres services allemands, octobre 1941
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- 778. (7) Statistiques de marchandises d'origine obscure (marché noir) déc 1942-juillet 1943
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- 783. Passierscheine, Einreisegenehmigungen, 1941/42
- 784. Classement de certains restaurants en catégorie exceptionnelle
- 785. Grands restaurants à régime spécial, 1941/42
- 790. Lutte contre le marché noir, Marseille, juin et decembre 1943; lutte contre le terrorisme et le marché noir, 1944

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- 794. (1) Affaires secrètes
- 795. (2-3) Circulaires secrètes, 1943/44
- 796/797. Livraisons françaises à l'Allemagne
- 812 (7). Les prix, 1941.

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- 834. Frais d'occupation.

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- 853 (8) Etudes du DIfWIFO, 1944

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- 869 Correspondance avec la GFP
- 870 Correspondance avec l'Abwehr, 1941
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- 918 (5). Evolution des prix, 1940-1941

- 919-20. Ravitaillement de l'armée allemande.

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1213. (8) Années 1943-1944 : achats allemands et italiens

1215 (6) Procès-verbaux de la délégation franco-allemande pour l'économie, 1942-1944

1364. (29) Section Wehrmacht R. Questions économiques

1368 à 1377. Le représentant du ministère des affaires étrangères.

1381 à 1399. Officier de liaison de la délégation allemande à Paris

- AJ41 Organismes issus de l'armistice de 1940

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99. Marché noir

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334. Libérations de détenus de droit commun, 1940-43.

335. Délits relatifs au ravitaillement et la législation sur les prix.

336. Immixtions dans la vie économique

342. Immixtions dans la vie économique (zone Nord-Pas de Calais)

423. Synthèses des rapports des préfets de la zone libre 1942/43

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- 16. Commandes allemandes, 1940-43.
- 17 à 20. Economie intérieure
- 21. Prix, 1940-42
- 24. Contr_le économique allemand, 1940-43.
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