

This article was downloaded by:[Sanders, Paul]
On: 14 February 2008
Access Details: [subscription number 790583120]
Publisher: Routledge
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Global Crime

Publication details, including instructions for authors and subscription information:
<http://www.informaworld.com/smpp/title~content=t714592492>

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Online Publication Date: 01 February 2008

To cite this Article: Sanders, Paul (2008) 'Economic draining - German black market operations in France, 1940-1944', Global Crime, 9:1, 136 - 168

To link to this article: DOI: 10.1080/17440570701862876

URL: <http://dx.doi.org/10.1080/17440570701862876>

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Economic draining – German black market operations in France, 1940–1944

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Study of the black market is vital to understanding the social, economic and political stakes of the occupation in the Second World War. It allows a re-examination of German occupation policy, but also highlights civilian survival strategies, wealth distribution and the changing occupier – occupied relationship. In France, the German occupiers spent at least 15% of all financial resources made available to them through the Vichy occupation levy on the illegal market. This purchasing started from the onset of occupation and until the December 1941 resource crisis; German economic agencies bought ‘anything, at any price’. This uncoordinated bidding led to a black market bubble, the effects of which spilled over into the official markets where they caused havoc. Spring 1942 brought the centralisation of purchasing. During the ensuing second phase (until spring 1943), the occupier still bought ‘anything’, but no longer at ‘any price’. Although this stabilised prices, it also encouraged illegal production, with raw materials diverted from official industry allocations. During this period 50–60% of all Vichy occupation payments were spent on the black market, at a strategic juncture of the war when such extravagance was no longer justifiable. This undermined German finances in France and became a liability to exploitation and collaboration. The third phase of black market exploitation, from summer 1943 to the end of the occupation, was the most rational. The Germans restricted purchasing to genuinely indispensable strategic raw materials. This built on the effective implementation of a German black market purchasing ban in spring 1943, the support of the Vichy government and French industrial leaders for economic collaboration, business concentrations and closures, market monitoring and resource management methods. As a result, the illegal market in the industrial economy was largely controlled. Arguably the same degree of economic mobilisation could have been achieved one or even two years earlier, had the Germans abstained from unilateral black market purchasing and instead heeded Vichy calls for closer cooperation. German failure in this area was due to lack of coordination, institutional chaos, economic dilettantism, endemic corruption and reckless resource competition; all have their origin in the structure of the Nazi system. Illegal food markets, on the other hand, demonstrated the limits of coercion. As the nutritional value of official civilian rations remained below subsistence level, the French continued to depend on the illegal market for sustenance. Evading food restrictions became something of a national pastime. This further compounded Vichy’s lack of willingness (and authority) in enforcing economic regulation in the countryside.

Keywords: black market; World War two; France; Germany; organised crime in history

Black markets and illegal economies have attracted increasing academic inquiry in recent years. No doubt, this interest is in large part influenced by our recent history, in particular the need to better understand the challenges facing the West in its assistance to the reforming economies of the former Communist bloc. One look at Russia illustrates that it is

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impossible to make sense of its present-day reality without taking into account its illegal and informal economy. This feature is intricately connected with other cultural idiosyncrasies such as strong patron – client relationships and insider networks, many stretching back to the Soviet era.¹ The topic warrants many aspects and approaches – a vibrant discussion exists, for example, on the issue of correlation between black or grey economies and marketisation. Other authors have drawn a link between the underground economy and the systemic collapse of the Soviet Union in 1991.²

The informal and illegal economy was also an important feature of the occupation and the post-war reconstruction years. Its ubiquitous and pervasive character even prompted Georges Bernanos on one occasion to state that the black market constituted *the* core reality of life in post-war Europe. What is certain is that the topic offers a privileged vantage point to study the economic stakes of the period. After all, a substantial share of economic activity was taking place here. By nature inaccessible to quantification, the difficulty of obtaining hard data should not disqualify the phenomenon from academic inquiry; for the black market is of interest not only to economists but also to social scientists, partly because it operates on the margins of society and thus opens up access to new perspectives of civilian life and occupation society. Wartime diaries and *Alltagsgeschichte* accounts clearly document the preoccupation of millions of people with the task of securing their supply of basic necessities. They also point to a vigorous survival and improvisation culture. In the register of self-help strategies, the black market was the most entrenched. Finally, black markets and wartime inflation had a decisive role to play in the redistribution of pre-war wealth, in favour of opportunists, collaborators and supporters of the new regime. The environment created by the black market conveys some of the moral essence, epitomises the absurdity, ambiguity and cynicism of the period. It draws attention to difficult choices and equally to the beginning disintegration of civil society in occupied lands. When director Louis Malle consulted historian Jacques Delarue on the plausibility of Lacombe Lucien – a fictional wartime character – the retired police officer and former *résistant* responded that one should not limit oneself to the idea that everything was imaginable during the occupation, but rather concede that ‘all imaginable situations actually occurred’.³ In a similar vein, Roland Nosek, a German intelligence officer in occupied France, stated plainly in his post-war deposition, that ‘everything was merchandise during the occupation’⁴: consumer goods, information, power, influence and human lives.

The occupier’s position towards the illegal economy was always ambivalent and paradoxical, accommodating two opposing roles: on the one hand he sought to control and suppress it and on the other he was an active participant. In Western Europe, and in France in particular, this German participation in the black economy – mostly on the buying side – developed in its most extreme form, rising beyond what would normally be expected

1. For more in-depth analysis, see Stephen S. Cohen, ed., *The Tunnel at the End of the Light – Privatization, Business Networks and Economic Transformation in Russia* (Berkeley, CA: University of California Press, 1998); also Alena Ledeneva, *Russia’s Economy of Favours – Blat, Networking and Informal Exchange* (Cambridge: Cambridge University Press, 1998).

2. See, for example, V. Treml and M. Alexeev, ‘The Second Economy and the Destabilizing Effect of Its Growth on the State Economy in the Soviet Union – 1965 to 1989’ (working paper, Duke Economics, #95–33, Duke University, Durham, NC, 1993).

3. Author’s interview with Jacques Delarue, April 28, 1999.

4. Interrogatoire Nosek, November 18, 1947, Paris, Archives nationales (AN), Haute cour de justice (HCJ), 3/W/358.

from an occupier in terms of improvising and profiteering. As well as developing on an industrial scale, the phenomenon also spread from agriculture into the industrial economy. Behind the occupier's establishment of a centralised black market purchasing infrastructure in Western Europe, in 1942, stood the clear intention to manipulate the black market as an additional draining mechanism. Without this initiative, it is unlikely that the black market would have attained the proportions it did.

As any historian having dealt with officially sanctioned covert economic operations will be able to confirm that this sort of data is not easy to come by. The German black market drive in occupied Western Europe is one of the fortunate exceptions to this rule, for the occupier's extensive efforts entailed the creation of an ample documentary base, much of which outlasted the war. The by far most significant archival find are the files of the centralised German black market purchasing organisation (*Überwachungsstelle*, abbr. ÜWA) and its satellite agencies in the area of the German military administration for Belgium and Northern France. These survive intact at the Archives nationales de France in Paris and provide an excellent top-down account of *Aktion Veltjens*, a black market purchasing campaign coordinated across Western Europe and Serbia between May 1942 and May 1943. Although references to the 'grassroots' routine of the purchasing agencies present on the vast majority of the territory of France are scarce, this 'Belgian' collection includes correspondence as well as preliminary and final reports (and accounts) detailing the wider aspects of *Aktion Veltjens*. Besides a detailed description of the activities and accounts of all five ÜWAs in occupied Europe, it also records correspondence between Göring's *Vierjahresplan* and Veltjens, and between the latter, the ÜWAs, and the German administrations in France, Belgium, The Netherlands and Serbia. In addition, a number of useful inferences can be drawn from the 'Belgian' material, as the Brussels purchasing structure – established as early as 1941 – provided the formula from which the four other ÜWAs in Paris, Lille, The Hague and Belgrade were cloned in 1942. Other German materials referring to the purchasing agencies have survived in the collections of the French and Belgian economic control bodies at the archives of the French ministry of finance in Savigny-le-Temple, the Archives générales du Royaume in Brussels, the Centre d'études et de recherches historiques de la seconde guerre mondiale (CERHSGM), also in Brussels, and, in microfilm, at the Institut d'histoire du temps présent (IHTP) in Paris. Further context can be gleaned from the archives of the German military administrations in France and in Belgium (in particular the files of the economic sections), and from the files of the French and Franco-German commissions and services administering the 1940 armistice.⁵ Important accessory documents concerning Reich ministries, institutions and agencies involved in economic exploitation (and, by extension, in the black market effort) are accessible at the Bundesarchiv in Berlin and the Munich Institut für Zeitgeschichte. The French official and unofficial side, on the other hand, emerges through what remains of the archives of Vichy, prefects' reports, police and gendarmerie correspondence, as well as the tons of material created by wartime economic control organisations such as *ravitaillement général*, *contrôle économique*, *police économique* and *contrôle des prix*. Wartime monitoring by the Free French, post-war official investigations, including the massive French government report on war damages,⁶ as well as trial instructions and proceedings contribute to the remainder of the

5. The materials of German military administrations and armaments services are split between the Archives nationales de France, the Bundesarchiv-Militärarchiv in Freiburg and the CERHSGM.

6. *Dommages subis par la France et l'Union française du fait de la guerre et de l'occupation ennemie 1939–1945*, several volumes, AN, F/37/196 et 197.

documentary basis.⁷ The grassroots level of French blackmarketering and economic collaboration can be gauged from the hundreds of investigations and convictions of the *cours de justice* and the proceedings of the *comités de confiscation de profits illicits*, stored in departmental archives across France.⁸ Although there were some scandalous omissions, the number of prosecutions refutes allegations that the French did everything to avoid dealing with their past. If these official proceedings are anything to go by, this is certainly not what can be said about the immediate post-war.

Black market formation in summer 1940

The underlying conditions of black market formation in France must be sought in the erosion of supply and the generalisation of scarcity following the fall of France, in June 1940. Pillaging by troops, official requisitions and the breakdown of public services until August 1940 motivated civilian hoarding on a massive scale. Under the effect of the British blockade, supplies from overseas dwindled and for many vital imports, such as coal and fuel, replacement through continental supplies was insufficient, thus making scarcity chronic.⁹ Economic control measures such as mandatory declaration of goods, rationing and price control, introduced by both Vichy and the Germans in autumn 1940, lead to a second hoarding drive. The overall architecture of French economic control was piecemeal, and riddled with problems. Prices and wages were frozen at the beginning of hostilities, a step aimed at demand compression. An additional good reason for the German administration to maintain this measure was that it kept the price of exports to Germany down. The other intention of economic control was anti-inflationary, aimed at preventing industrial prices from chasing prices for agricultural products. Under the conditions of scarcity, however, controlled prices soon bore little relation to real prices and many manufactured products disappeared onto the black market. Rural prices suffered the same fate. While the Vichy government may have acted in the best of intentions by raising the official prices of food products with a high nutritional value such as potatoes in order to give a stimulus to their production, the effort was not adaptive to reality and back-fired.¹⁰ Other sources of confusion were prefectural price-fixing powers. These often created price gaps between surplus and deficiency *départements*, thus encouraging black market formation. A similar suction effect, based on price differentials, existed between the occupied and the unoccupied zones of France, and between France and her neighbours.¹¹

The effects of scarcity were reinforced by a variety of German monetary manipulations, aimed at facilitating exploitation: the mark – franc exchange rate was

7. These collections are located at the Archives nationales de France, the Service des archives économiques et financiers (SAEF) at Savigny-le-Temple and the Service historique de la gendarmerie nationale (SHGN).

8. Although never attempted, a history of grassroots economic collaboration in France is feasible through this documentary basis. Another major collection is that of the (newly accessible) French military justice system.

9. Rolf-Dieter Müller, 'Die Mobilisierung der deutschen Wirtschaft für Hitlers Kriegsführung', in *Organisation und Mobilisierung des deutschen Machtbereichs – Kriegsverwaltung, Wirtschaft und personelle Ressourcen 1939–1941*, eds. Bernhard R. Kroener, Rolf-Dieter Müller and Hans Umbreit (Stuttgart: Deutsche Verlags-Anstalt, 1988), 391–6.

10. Paul Sanders, *Histoire du marché noir* (Paris: Terre d'histoire, 2001), 31–49.

11. Comptoir textile de Remiremont, rapport sur la situation du marché vosgien, January 18, 1941, Paris, AN, direction des services de l'armistice-marché noir, AN, AJ/41/99.

set artificially high (one RM = 20 francs), enabling troops to enter upon a buying spree. Such behaviour was nurtured by the extreme scarcity of many consumer items in Germany. A mark overvalued by 25% also gave Germany a considerable advantage in the importation of French goods, while discouraging exports to France. Secondly, all occupied countries agreed to pay substantial tributes. In France these levies were camouflaged as 'occupation and billeting costs' – a provision made by article 18 of the June 1940 Armistice. Naturally, the Fr 300 to 500 million, demanded per day, exceeded the mere cost of the upkeep of an army of occupation and was employed for other purposes.¹² In addition, France, as all other European countries, had to sign a clearing agreement which was exploited by the Reich for its unilateral benefit, as trade flow was in one direction only.¹³ Yves Bouthillier, first Vichy finance minister, compared the combined effects of exchange rate manipulation, occupation payments and clearing to a *triple vacuum cleaner* (triple pompe aspirante) sucking up value. Taxation covered only 30% of total Vichy expenditure, the remainder was financed through treasury bonds, and the printing press.¹⁴ Bonds constituted the lynchpin of Vichy's 'closed circuit' policy, as they were to limit money circulation, mopping up the surplus and directing cash back into the Treasury, thus preventing spillage of liquidities into investments, speculation or illegal purchasing.¹⁵ The 'circuit' remained fairly intact during 1940–1941, but the increased German drain on the occupation account in 1942 accelerated its collapse. By 1943, it was clear that the relative stability of the franc merely reflected the lack of choice for savers and investors, and masked the considerable losses of the French economic tissue.¹⁶ In contrast, countries such as Britain, Switzerland or Sweden had dealt with the absorption of excess purchasing power through 'forced saving' and 'deferred consumption'. For obvious political and psychological reasons, Vichy France

12. The amount of French occupation payments to Germany changed during the course of the occupation.

Period	Amount (in million francs per day)
June 1940–March 1941	400
April 1941–1915	300
15 December 1942	
16 December	500
1942–August 1944	

13. Alan S. Milward, *War, Economy and Society 1939–1945* (Harmondsworth: University of California Press, 1987), 38, 138. Foreign payments to Germany accounted for 38.4% of her war budget, of which France contributed the bulk (two-fifths). However, monetary exploitation peaked in Belgium, during the financial year 1942, when 41 billion Belgian francs (67% of national expenditure), went to Germany.

14. While the French tax revenue stood at ninety billion francs in 1942, expenses for that year were more than fourfold and totalled Fr 385bn. Of these, Fr 247bn alone were expenditure for occupation and billeting payments, and German clearing debt, see report of the *Handelspolitischer Ausschuss* to the German armistice delegation, Economic section, on the subject of the French budget, October 10, 1942, in Ludwig Nestler, *Die faschistische Okkupationspolitik in Frankreich 1940–1944* (Berlin: Verl de Wiss, 1990), 242–3.

15. Commission interministérielle pour la répression marché noir: Prix et contrôle économique, n.d., Paris, AN, vice-présidence du conseil, section des études générales, documentation classifiée par administration ou par matière, 1941–1943, F/60/1429.

16. Michel Margairaz, *L'état, les finances et l'économie – Histoire d'une conversion 1932–1952*, vol. I (Paris: Comité pour l'Histoire Economique et Financière, 1991), 542–50.

could not put together such a drastic (and disciplined) wartime finance package. Monetary confidence and macroeconomic stabilisation were impossible to achieve under occupation. This situation rather offers a textbook case of how the combined effects of scarcity and monetary overhang can reinforce each other mutually. In the end the excess liquidities simply flood the gates of price control and rationing, to be absorbed by the illegal market.

This was not the only factor favouring black market growth. Rational market participants had either of three logics in mind: economic survival, profit-making and speculation. Precisely because prices had been fixed, official markets had little to offer. Selling and buying at official prices were unsustainable, and all profitable business had to have at least one foot in the illegal economy, in order to survive. As a consequence, black and grey market practices soon generalised to an extent where they were regarded as economic normality. The tendency was to counter the effects of inflation through the retention of stable-value goods. Materials vital to war production such as metals, textiles and leather were a safe bet, and their speculative value progressed the longer the war dragged on. Over time more and more goods were to enter this category of speculative, stable-value goods. What remained of business also took to manipulating official raw material allocations or consumer good supplies and diverting as much as possible to the black market. This led to the emergence of an entire parallel economy based on black market production and distribution.¹⁷ A lot of this may reek of callous wartime profiteering, but it is important to keep in mind that most businesses were merely surviving, even if they engaged in illegal practices. In any event, the profiteers were not some universal categories such as farmers, retailers or *patrons* – as has been suggested by popular myth – but, rather broadly defined, all those in close contact with either Germans or Vichy officials, or both. This included the new caste of middlemen created by the new Vichy corpus of economic legislation, as well as legally operating businesses, tradesmen, land owners and officials who knew how to turn the new regulation to their advantage.¹⁸

German black market intervention (1940–1941)

According to official post-war figures, French contributions to Germany during the occupation totalled Fr 862.5bn.¹⁹ Of these funds at least Fr 126.7bn (15%) were allocated to the black market.²⁰ A peak in expenditure was attained during 1942 and 1943, when these

17. Sanders, *Histoire du marché noir*, 22–8, 320–3.

18. Pierre Laborie, 'L'opinion publique dans le département du Lot pendant la Deuxième Guerre Mondiale' (PhD thesis, université Toulouse-le Mirail, 1990), 550–60.

19. This figure includes occupation and billeting payments, and clearing debts, see Alfred Munz, *Die Auswirkungen der deutschen Besetzung auf Währung und Finanzen Frankreichs* (Tübingen: Inst. f. Besatzungsfragen, 1959), 75; Harald Winkel, 'Die Ausbeutung des besetzten Frankreich', in *Kriegswirtschaft und Rüstung 1939–1945*, eds. Friedrich Forstmeier and Hans-Erich Volkmann (Düsseldorf: Droste Verlag, 1977), 361.

20. One figure cited in a post-war report cites even higher German black market expenditure in France, Fr 200bn. This figure may be the combination of black market expenditure financed through the occupation account, and black market expenditure financed through the clearing account. Unfortunately, the source of this figure is indeterminable; see note du commissaire du gouvernement près la Cour de Justice de la Seine au procureur général, August 30, 1945, Paris, Archives de Paris (AdP), rapport sur les procédures dirigées contre le personnel des bureaux d'achats allemands, 1320/W/75.

Table 1. German black market purchases in France (in Fr bn).²²

Purchaser	1941	1942	1943	1944	Total
Veltjens (ÜWA)	0	23.1	8.0	0	31.1
Army	5.1	15.7	19.6	4.5	44.9
Credit bill (RKK) importers	0	5.2	13.2	0.4	18.8
Wehrmacht	0	12.6	15.7	3.6	31.9
Total	5.1	56.6	56.5	8.5	126.7

purchases absorbed between 30 and 50% of all new funds arriving on the account.²¹ This level of expenditure should not mislead one into assuming that its significance lay in the amount of extra goods it placed in the occupier's hands, as was claimed by many of the German officials most prominently involved in the purchasing structure; the real significance lay rather more in its impact on public finance, and its stimulation of illegal and criminal activities.

The German rationale for such a massive purchasing effort was that under conditions of tightening scarcity, and faced with a continental blockade, the use French francs could be put to was diminishing by the day. Official markets offered limited spending possibilities and were unable to absorb the excess cash in German hands. The occupier realised this early on, and also that the value of the French franc was eroding steadily, despite the window dressing of the Vichy government. It is for this reason that the Germans proposed the reduction of the occupation levies during the Franco-German negotiations of spring 1941, in exchange for a partial payment of the remainder in goods or gold. This offer was turned down by Vichy, and by December 1941 Germany had accumulated a credit of Fr 80bn on the occupation account.²³ From this perspective it is easy to understand that the black market looked like one of the best opportunities to maximise the limited purchasing potential and overcome the obstacles of official French procurement.²⁴

Naturally, post-war perception was blinded by the havoc the German black market purchasing had reaped. In post-war statements, officials of the French board of economic control described this German purchasing as more efficacious than 'classic' spoliations, because they avoided putting personal strain on individuals, while exploiting the nation under the cover of business transactions which gave incentives to collaborators. The discourse on the phenomenon reveals that post-war investigators often assumed premeditation, rationality and a polished scheme, when the plain reality was nowhere as flattering. The same officials also considered that spending astronomically high sums for black market goods was only apparently irrational, as it constituted no real sacrifice on the

21. The calculation is based on the amount of total occupation payments received during this period (see note 12 above), and the black market expenditure figures contained in Table 1.

22. Christoph Buchheim, 'Die besetzten Länder im Dienste der deutschen Kriegswirtschaft während des Zweiten Weltkriegs-Ein Bericht der Forschungsstelle für Wehrwirtschaft', *Vierteljahreshefte für Zeitgeschichte* 34 (1986): 117-45.

23. Jacques Debû-Bridel, *Histoire du marché noir 1939-1947* (Paris: Le Jeune Parquet, 1947), 40.

24. Direction générale des prix et du contrôle économique - 5e division, *Le caractère officiel du marché noir allemande*, n.d., Savigny-le-Temple, SAEF, fonds affaires économiques, rapports avec le comité de coordination des recherches sur les collaborations économiques, B/49476.

part of the spenders.²⁵ The idea that ‘money played no role’ 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 1941–1942 the Reich leadership 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 increase of the armed presence in Western Europe, imposed themselves.²⁶ It is with this in mind that Simon Karter distinguished two periodisations in his study of the occupation: 1940–1941, which he calls the period of French protest and German flexibility, and 1942–44, the period of German dependence and French compliance.²⁷ Theoretically the demands of the changed situation should have determined a more responsible utilisation of resources.

Three-quarters of black market expenditure in France were incurred by either specialised military purchasing agencies, individual military units directly or individual soldiers. The high incidence of military involvement shows the clear intent that the occupation should put as little strain as possible on German domestic resources. In the first period until late 1941, the bulk of black market purchasing followed an overall logic of ‘living-off the soil’. From the beginning an extensive interpretation was given, however, as purchasing agencies were also set up by operational arms such as the air force and the navy. In theory their usage of occupation levies was against the rules, for these troops launching combat operations from French soil were, at least technically, not part of the occupying force.²⁸ Later that year, in autumn 1940, an *Abwehr* organisation code named ‘Otto’ became active in Paris. Led by Hermann Brandl (‘Otto’), a German engineer and long-time *Abwehr* operative, the organisation was soon to become the most important German purchasing agency. Similar to other secret services, ‘Otto’ was a two-headed hydra conducting commercial and intelligence activities.²⁹ ‘Otto’s first commission already went well beyond the logic of improvising troop supplies, to locating and draining stocks of hidden strategic raw materials in occupied as well as in unoccupied France.³⁰ Operations in the latter zone were a blatant violation of Vichy’s sovereignty and the need for camouflage – which the organisation achieved through its use of French

25. Administration du contrôle économique, ‘Le marché noir allemand en France’, *Cahiers d’histoire de la guerre* 4 (1950): 46–71.

26. Coastal defense expenditure peaked between autumn 1942 and March 1943, see 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, 2 vols. (Paris, 1947) I, xi–xxv, Paris, AN, F/37/196.

27. Simon Mathew Karter, ‘Coercion and resistance, dependence and compliance – The Germans, Vichy and the French economy’ (PhD thesis, Ann Arbor, MI, University of Michigan, 1976).

28. John Gillingham, *Belgian Business in the Nazi New Order* (Gent: Jan Dhondt Stichting, 1977), 101–24; Paul Sanders, *Le marché noir allemand en France et en Belgique 1941–1944* (DEA thesis, IEP de Paris, 1996), passim; Etienne Verhoeyen, *La Belgique occupée – De l’an 40 à la Libération* (Bruxelles: De Boeke, 1994), 215–29.

29. Many other intelligence agencies also used the camouflage of the black market business – the ‘Red Orchestra’ was operating from the premises of SIMEX, a black market operator catering to the OT, see Gilles Perrault, *The Red Orchestra* (London: Barker, 1968), 159, 166. The French *deuxième bureau* ran a similar operation in Lyons, until February 1943, see Gerard Chauvy, *Histoire secrète de l’occupation* (Paris: Payot, 1991), 55–6.

30. The importance of clandestine commercial operations is demonstrated through the importation of motor vehicles from the Southern zone. Up to June 1941, 13,000 heavy goods vehicles were bartered against other goods worth one billion francs. In spring 1942, Amt *Abwehr* entrusted all these purchases to a specialist agency, the *Interkommerziale*, see Hans-Richard Hemmen to Emil Wiehl concerning France’s financial charges, February 16, 1943, in Nestler, *Die faschistische Okkupationspolitik*, 259.

intermediaries – explains why the *Abwehr* was charged with this commission.³¹ ‘Otto’ deployed a prodigious energy and within a few months the service expanded its total staff to 400, most of whom being industry experts. In addition, a sub-system of about 30 satellite bureaux was founded in the provinces, each of which could fall back on informers spread out across towns and villages. By early 1942 ‘Otto’ had established an extensive network covering the whole of France. ‘Otto’s’ total expenditure until the formal end of the black market in 1943 is estimated at Fr 50–60bn.³² At the height of the purchasing campaign, his expenditure rose to a daily average of Fr 150m, with a peak around Christmas 1942, at Fr 322m. During that period about 40 fully loaded railway trucks departed daily from the ‘Otto’ warehouse complex at St Ouen-les-Docks, just outside Paris.³³ Simultaneously, Radecke, ‘Otto’s’ right hand, built networks for intelligence gathering and repression. Typically, his recruits began as informers, charged with the task of uncovering secret stocks. The best-known of these *équipes de choc* was the Bonny-Lafont gang. Under the command of a former police inspector and a mobster, they made their *début* as *Abwehr* auxiliaries in 1941, pursuing deliverers who had tried to ‘cheat on “Otto”’.³⁴ They also gave a helping hand to the currency protection unit (*Devisenschutzkommando-DSK*), charged with chasing the owners of undeclared gold and currency. Lafont himself became rather influential in Paris, trafficking goods and influence, and blackmailing and bribing high officials. There were many such gangs, all over France. They often presented a motley mix of social misfits and die-hard collaborators, the occasional ‘turncoat’ resistance worker, as well as rather more unassuming people.³⁵ In the final phase of the occupation, most of these gangs shifted entirely to repression.

‘Otto’ was not the only purchasing agency with an early interest in the French black market. Nor were the purchasing agencies the only important German black market customers. Individual German units contracted private operators with food orders and other purchases, by-passing inefficient Vichy-appointed deliverers providing them with an often monotonous staple diet of carrots and cabbage.³⁶ Such black purchases were effected by military commanders on behalf of their units and paid out of the French occupation account. In addition, individual soldiers and German civilians made their own private purchases. A measure of these purchases is given in a 1944 report of the *Wehrmacht* research bureau for

31. Note on Transmare purchases on behalf of Organisation ‘Otto’ in Southern France, February 17, 1941, Freiburg, Bundesarchiv-Militärabteilung (BA-MA), Wehrwirtschafts und Rüstungsamt, WIFO-ROGES, RW/19/2396. To begin with *Abwehr* purchases in unoccupied France focused on foreign currency and securities, plus raw materials that were to be sold on the world market. Later these plans were dropped in favour of direct purchases of strategic materials.

32. Administration du contrôle économique, ‘Le marché noir allemand en France’, 68; Jean-Claude Hazéra and Renaud de Rochebrune, *Les Patrons sous l’occupation* (Paris: Odile Jacob, 1995), 192.

33. Direction générale des prix et du contrôle économique – 5e division, *Le caractère officiel du marché noir allemande*, n.d., SAEF, fonds affaires économiques, rapports avec le comité de coordination des recherches sur les collaborations économiques, B/49476.

34. Hazéra and Rochebrune, *Les Patrons sous l’occupation*, 208.

35. For literature on local auxiliaries, see Jacques Delarue, *Trafics et crimes sous l’occupation* (Paris: Fayard, 1968); Delarue, ‘La bande Bonny-Lafont’, *L’Histoire*, numéro spécial (1985): 63–9; Hazéra and Rochebrune, *Les Patrons sous l’occupation*, 183–279.

36. This is what units in Brittany were receiving in late 1941, see FK 752 (Quimper) an Bezirkschef B. Wirtschaftsabteilung, November 3, 1941, Paris, AN, Militärbefehlshaber in Frankreich, Militärverwaltungsbezirk (MVBez) B (Angers), AJ/40/919.

military economy (*Forschungsstelle für Wehrwirtschaft*). This estimated that military personnel in France spent up to 50% of their pay in the parallel economy.³⁷ Finally, there were those deals involving fraud, currency speculation or gold purchases that were illegal even by German standards. They were the domain of particularly enterprising or well-connected Germans who relied on the assistance of corrupt officials.³⁸ The military administration's awareness of this type of problem was only matched by its powerlessness. On the grounds that many superior authorities were engaged in it, German military courts were adamant in their refusal to crack down on individual soldiers' involvement in the black market. In a rather typical example, one German NCO who obtained over 166,000 daily French food rations through forged documents between July 1942 and June 1943 was only found out when he extended his commercial activities to Germany.³⁹ Price differentials made trafficking across the demarcation line, or across national borders, a prime target for lucrative 'joint ventures'.⁴⁰ In the Lille region large smuggling organisations continued operating well into 1944, relying to a large extent on the support of *Wehrmacht* personnel. The bribes offered to soldiers were attractive – a commission of RM 5,000 for every truck of wheat and three to five pfennigs on every smuggled cigarette.⁴¹ Paris blackmarketers designed particularly ingenious methods to avert the intervention of the French police. They paid members of the occupying forces 150 francs for accompaniment to a metro station and 500 francs for every delivery of their merchandise by lorry.⁴² What emerges from these examples is that transport facilities were a highly prized commodity where undersupply was just as rampant as in other sectors.⁴³ Due to their control of communication lines and transport, as well as their access to passes and fuel, Germans had a virtual monopoly in the sourcing of this black transport market.⁴⁴ In 1943–1944 instances multiply where the German occupier also appears in the role of black market supplier. In one such example, documented for 1943, an entire cattle herd was transported

37. Buchheim, 'Die besetzten Länder im Dienste der deutschen Kriegswirtschaft', 117–45.

38. Intercepted 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, see Bericht der Auslandsprüfstelle des Reichsministeriums für die besetzten Ostgebiete, Ergebnisse von Privatpostprüfungen deutscher Firmen und Angestellter in der Ukraine, September 3, 1943, Munich, Institut für Zeitgeschichte (IfZ), microfilms, MA/798.

39. Gericht der Wehrmachtsskommandantur Berlin Abt XI an Militärbefehlshaber in Frankreich, Wirtschaftsabteilung betr. Strafsache gg Unteroffizier Kokisch wegen schwerer Urkundenfälschung, Kriegswirtschaftsverbrechens et al., Oktober 5, 1943, Paris, AN, Le commandant militaire en France occupée, AJ/40/795.

40. Synthèse des rapports mensuels de la gendarmerie, relative à l'état moral et matériel de la population dans les territoires occupés, September 1943, Paris, AN, Organismes issus de l'armistice de 1940-Direction des services de l'armistice, AJ/41/395.

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

42. Synthèse des rapports mensuels de la gendarmerie, relative à l'état moral et matériel de la population dans les territoires occupés, April 1943, Paris, AN, Organismes issus de l'armistice de 1940-Direction des services de l'armistice, AJ/41/395.

43. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle, n.d., Freiburg, BA-MA, Militärbefehlshaber in Belgien und Nordfrankreich, RW 36/257.

44. The height of audacity was attained by a German pilot in Suresnes (France) who used his aircraft to transport black market goods, see synthèse des rapports mensuels de la gendarmerie, relative à l'état moral et matériel de la population dans les territoires occupés, August 1943, Paris, AN, Organismes issus de l'armistice de 1940-Direction des services de l'armistice, AJ/41/395.

across the Franco-Spanish border, in exchange for Spanish coffee sold in France at prices of up to Fr 2,000 per kilogram.⁴⁵

The Veltjens interlude (1942–1943)

Already in mid-1941 the idea was circulating in the German military administration and the armaments inspection in Belgium that the piecemeal strategies of black market purchasing should be centralised in a structure briefed to ‘exhaust’ the black market, while also, simultaneously, enforcing price ceilings. This idea was pioneered by the German military administration in Belgium, and was finally copied outside Belgium some months later, after the failure of the *Blitzkrieg*.⁴⁶ In late 1941 France was being targeted to provide extra supplies for the German civilian population as well as for the German troops fighting on the Eastern front. This prompted the uncoordinated irruption of an increasing number of German purchasing agencies in France, driving up their number in Paris alone to a staggering 220.⁴⁷ When they provoked a speculative black market bubble through their mutual overbidding, Göring himself, in his capacity as head of the Four Year Plan, took matters in hands. In May 1942 he appointed an old comrade, Colonel Veltjens, as his ‘plenipotentiary for special tasks’. In practical terms this meant that Veltjens would assume command over a pilot purchasing system scheme, the central declaration service (*Zentrale Anmeldestelle-ZAM*) previously run by the military administration in Belgium, and extend its tentacles to France, Holland and Serbia. To this effect three new agencies were set up in Paris, The Hague and Belgrade. As the Brussels prototype, they all received the name ÜWA (Überwachungsstelle-Surveyance agency). Later that year a fifth ÜWA was established in Lille, in Northern France. The main tasks of the five ÜWAs were to restrict and monitor the number of purchasers, and to make sure that certain price ceilings and quality standards – determined by the German ministry of economic affairs – were not transgressed. Therefore, at least in theory, all black market purchases were subject to prior ÜWA approval.⁴⁸

As the number of official purchasers allowed to operate under the ÜWA scheme was restricted, black market purchasing licences were a source of considerable infighting. With

45. Synthèse des rapports mensuels de la gendarmerie, relative à l’état moral et matériel de la population dans les territoires occupés, October 1943, Paris, AN, Organismes issus de l’armistice de 1940-Direction des services de l’armistice, AJ/41/395.

46. ‘Abschlussbericht der Überwachungsstelle beim Militärbefehlshaber in Belgien und Nordfrankreich über die legalisierte Ausschöpfung des schwarzen Marktes in Belgien und Nordfrankreich, 1942–1943’, 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.

47. Administration du contrôle économique, ‘Le marché noir allemand en France’, 46–71. There are no total figures for the whole of France, but scale is indicated through the 110 procurement agencies of Navy Group West in France. One must also add hundreds of business representations and industrial envoys who intervened directly in production, see ‘Deutsche Wirtschaftspolitik in Frankreich’, Untersuchung von Oberst Dr Krull, July 10, 1943, Freiburg, BA-MA, Militärbefehlshaber in Frankreich, RW/35/721.

48. ‘Abschlussbericht der Überwachungsstelle beim Militärbefehlshaber in Belgien und Nordfrankreich über die legalisierte Ausschöpfung des schwarzen Marktes in Belgien und Nordfrankreich, 1942–1943’, 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.

each of the Reich's main bodies and ministries trying to assert its position by running one of the ÜWA-authorized sub-agencies, it closely reflected the distribution of power within the Third Reich and in the occupied territories. A brief comparison with occupied Belgium is instructive: from three purchasing agencies to which the draining task was to be limited, initially, the number was soon extended to seven in Belgium and nine in occupied France. While both territories had a strong presence of army purchasers, plus one air force, Speer ministry and SS purchaser each, France also had to accommodate *Abwehr* and Four Year Plan, on top of a second SS purchaser. Belgium, in contrast, had two purchasing agencies that were directly subordinate to the military administration. The basic indication is that the military administration in Belgium maintained better exclusive control over their area than their colleagues in the separate military administration in France and managed to thwart some of the incursions of Reich services.⁴⁹ Another significant appreciation is the lack of mention of navy and Organisation Todt purchasing services in the available documents. In fact, both were sacrosanct and could do as they pleased. Their political leverage was such that they never needed to join the centralisation effort and could continue their individual black market purchasing, virtually unhindered, until 1944.

Aktion Veltjens, the ensuing German purchasing spree from May 1942 to May 1943, consumed anywhere between Fr 31.1bn⁵⁰ and Fr 40bn⁵¹ for raw materials and finished products on the French black market alone. Although its system of price ceilings managed

49. The Brussels administration's success in repelling intruders had as much to do with the tactical sensibility of Reeder, the head of the military administration, as with the 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 thwart encroachment attempts. At the same time, they embraced a pragmatic approach, thus being able to influence events. Another important factor was the respective size, economic and political importance, and unity of a given territory. This was effectively reflected in the amount of outside intervention it would receive. Naturally, from this point of view a territorially and administratively carved up France was worse off than a largely intact Belgium. The most salient examples of thwarted intruders were Himmler and Sauckel who both implanted their direct representatives in all other occupied territories (except Belgium), see Warmbrunn Werner, *The German Occupation of Belgium 1940–1944* (New York: Peter Lang, 1993), passim; Alexander von Falkenhausen, *Memoires d'outrre-guerre-Comment j'ai gouverné la Belgique de 1940 à 1944* (Brussels: De Mayer, 1974), passim; Ruth Bettina Birn, *Die Höheren SS- und Polizeiführer. Himmlers Vertreter im Reich und in den besetzten Gebieten* (Düsseldorf: Droste Verlag, 1986), 250–9, also Sanders, 'German Black Market Operations in France and Belgium 1940–1944', 98–115. Dualism between armaments services and the military governor's industrial economy section was also more pronounced in France than in Belgium. Even Speer, it was claimed, had experienced greater difficulty in introducing his new ideas in Belgium, see Aktenvermerk, 'Organisation der Militärverwaltungen in Belgien/Nordfrankreich und in Frankreich', Leiter WiAbt, St Germain, Oktober 19, 1943, AN, Militärbefehlshaber in Frankreich, AJ/40/899.

50. Buchheim, 'Die besetzten Länder im Dienste der deutschen Kriegswirtschaft', 117–45.

51. This composite figure is based on two documents: Veltjens's activity report of January 15, 1943 and Hemmen's fifth activity report. The Veltjens's report gives the following listing of purchases, up to November 30, 1942 (in RM m): see Tätigkeitsbericht Veltjens an Göring, January 15, 1943, Paris, AN, Militärbefehlshaber in Belgien und Nordfrankreich, Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942–August 1943, AJ/40/71/4/f. The expenditure figure for 1943 – RM 1.1bn – is mentioned in Fünfter Tätigkeitsbericht der Deutschen Waffenstillstandskommission für Wirtschaft (Paris-Wiesbaden) für die Zeit vom Juli 1, 1942 zum Juni 30, 1943, Paris, AN, Délégation allemande près la commission d'armistice, AJ/40/1209.

to alleviate the worst type of abuse – bringing down price levels from anywhere between 600 and 1,200% to between 300 and 400%⁵² – the effort failed to achieve its other objectives. For one thing, instead of relaxing expenditure, black market expenditure peaked during the *Veltjens* period. Another significant downside effect was that a centralised effort on this scale fuelled black production, draining not hoarded stocks, but raw material allocations to the official production.⁵³ For a long time this phenomenon was underestimated by the German proponents of black market exploitation, who relied on the idea that black market goods were mostly pre-war quality stocks hidden in 1940–1941 and that their supply was practically inexhaustible.⁵⁴ Another seemingly lost point was the impossibility of ‘exhausting’ a black market without also (adversely) affecting the official economy. And by 1943 this was clearly not in the German interest. *Aktion Veltjens* favoured tendencies to constant extension of German purchasing, in many cases to markets that – due to their structure – would have been rather easy to control, or to import goods such as wood, paper and coal, where black market purchasing was plainly insane. Bought at controlled prices in Germany or Scandinavia, the latter were smuggled to France to be sold there at black market prices – often to Germans. This exposed the black market purchasing campaign as utter nonsense.⁵⁵ Because of its lack of substance, ‘exhaustion of the black market’ became a typical example of Nazi camouflage language that could be interpreted by everyone as one pleased. While Speer, Reich economy minister Funk and others were not against draining certain types of supplies and believed that this was a suitable short-term solution to German resource problems, others knew that it was nothing

52. Measured in terms of official prices. The figures cited here are indicative, based on price levels most commonly cited in German documents. Naturally, there were also cases when the prices were higher; such as the multiples of 6–10 times ordinary black market prices (!) paid for industrial diamonds by PIMETEX in early 1942, see Mitteilung von Oberstleutnant von Harbou an Veltjens, June 24, 1942, Paris, AN, Militärbefehlshaber in Belgien und Nordfrankreich, Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942–August 1943, AJ/40/71/4/f.

53. Lagebericht der Wirtschaftsabteilung beim Befehlshaber für Nordwestfrankreich für den Monat März 1941, März 24, 1941, Mbf in Frankreich, Militärverwaltungsbezirk A, AJ 40 899; Geheime Zusammenfassung der ÜWA zu diversen Aspekten der Weihnachtsaktion, September 24, 1942, Paris, AN, Mbf in Belgien und Nordfrankreich, ÜWA, AJ 40 322; Deutsche Botschaft Paris, Wirtschaftsabteilung an Auswärtiges Amt, betr. Behandlung des Schwarzmarktes in Frankreich, Dezember 12, 1942, Munich, IfZ, Nürnberger Dokumente, PS/2262; Protokoll über Sitzung der Leiter der Unterausschüsse des DBA, Dezember 14, 1942, Freiburg, BA-MA, DBA in Frankreich, RW/24/39; Abschlussbericht von Rudolf Klocke an die ÜWA, Mai 31, 1943, Paris, AN, Mbf in Belgien und Nordfrankreich, ÜWA, AJ 40 322; Abschlussbericht der Abteilung Wirtschaftslenkung und Wirtschaftskontrolle, n.d., Freiburg, BA-MA, Militärbefehlshaber in Belgien und Nordfrankreich, RW 36/257; Bureau d’achat Odicharia. Rapport preliminaire de la visite effectuée le 1 mai aux Ets Hulot, 40 rue de la Saussière, Boulogne-s-Seine, n.d., Paris, AN, Police générale, F/7/15153.

54. Already in 1942 the military administration in Belgium estimated that only 50% of goods procured through Organisation *Veltjens* were hoarded black stocks of pre-war quality. The remainder were either illegal imports from France or the results of black production, Brussels, CERHSGM, Tätigkeitsbericht N: 21 der Militärverwaltung in Belgien und Nordfrankreich für den Zeitraum Juni 1, 1942 bis September 1, 1942.

55. Abschlussbericht Wirtschaftslenkung und Kontrolle, Abteilung Wirtschaft, n.d., Freiburg, BA-MA, Militärbefehlshaber für Belgien und Nordfrankreich, RW 36/272; Abschlussbericht, Zahlen, Sachgebiet Lederwirtschaft, n.d., Freiburg, BA-MA, Militärbefehlshaber in Frankreich, RW 36/261.

France	929.1
Belgium (incl. Northern France)	103.8
The Netherlands	73.6
Serbia	1.1
Total	1,107.6

more than a plunder campaign; the only difference to the previous ones being that this time the circle of participants was restricted.⁵⁶ This could have hardly been otherwise, considering that Göring – who on one momentous occasion had shown his idea of an orderly occupation by declaring that he did not care whether the usage of French franc bills was reduced to that of a certain other type of paper⁵⁷ – had jumped the bandwagon. His hijacking of an effort initiated by the military administration in Belgium to curb abuse was motivated by the exact opposite – an ambition to appropriate sumptuous occupation levies across Europe and gain access to what he perceived as a land of Cockaigne, a mythical European realm of plenty. Therefore the reality of ‘black market exhaustion’ came closest to Göring’s idea of pillage, founded on the simplistic view that black market exploitation constituted the only way of getting hold of goods which otherwise would have gone to French civilian consumers.

The end of *Aktion Veltjens* (spring–summer 1943)

The tide of military reversals in 1942–1943 and the power shift in the Reich’s war economy after the failed 1941 *Blitzkrieg* are the principal triggers behind the formal and relatively sudden ban of the German black market in spring 1943. New German demands led to a redefinition of the occupation regime which had been under conflict for some time already. The most sensitive issues that forced the German hierarchy to see sense were the management of food and financial resources, the effects of corruption and the suffocation of legal production by the black market.

Its nefarious nature pre-programmed the end of *Aktion Veltjens*. With initiative in the German war economy inexorably gravitating away from Göring, and towards Albert Speer, the new Reich armaments minister appointed in February 1942, the question was rather how long (than whether) this campaign would be able to survive in its initial form. After a period when Speer concentrated on Germany proper, he extended his authority to resource policy in the occupied territories. One first crucial step along this road was a high-level meeting in Paris, on 15 June 1942, convening Speer himself, Elmar Michel, the head of the military administration, Field Marshal Milch and General Thomas of the *Wehrmacht* high command (OKW). The meeting was called to discuss the structure of the armaments services in occupied France and replace the disparate and chaotically

56. General Thomas brought Speer’s views to Veltjens’s attention in May 1942, see Aktenvermerk zur Besprechung bei Amtschef über Schwarzkäufe in den besetzten Gebieten, May 8, 1942, Freiburg, BA-MA, Wehrwirtschafts- u Rüstungsamt, Zentrale Erfassung und Sicherstellung kriegswichtiger Waren aus dem Schwarzmarkt, RW/19/2397.

57. Göring declared this during the amply documented air ministry conference of August 6, 1942, in Berlin.

overlapping procurement activities. Its ultimate aim was nothing less than the centralisation of all German procurement services – including those working the black market – under a new unified German procurement office in France (*Deutsches Beschaffungsamt* – DBA), placed under Speer’s authority. The following day Speer also met Prime Minister Pierre Laval at the German embassy. Laval is quoted as having welcomed the prospect of DBA collaboration with the French ministry of industrial production and the *comités d’organisation*, and this favourable reception was due to the fact that finally someone was attempting to centralise German contracts, including those in the non-occupied zone.⁵⁸ Significantly, DBA was modelled on *Zentrale Planung*, the Reich’s new central procurement agency, where in accordance with Speer’s new principles, procurement was carried out through committees divided by product ranges. Assuming its responsibility on 25 July 1942, DBA pursued a tactic of gradual encroachment – to begin with, the new agency only surveyed *Zentrale Auftragstelle* (ZAST), the official contract transfer programme, and public orders from the Reich. From September supervision was slowly extended to all other civilian and military procurement agencies operating in France.⁵⁹

The abandonment of covert economic practice was also due to the fact that the occupier–occupied relationship was undergoing a paradigm shift. 1942 was the watershed year marking the beginning of a growing disaffection of the French with the Vichy regime. This disaffection was attributable to many causes. In the economic area it was based on the fact that few French were seeing any tangible returns from their government’s policy of collaboration, and on the incompetence and corruption displayed in its economic control effort. What emerges is that Vichy could not afford to ignore the growing disenchantment of public opinion which, at times, could turn into resistance.⁶⁰ As a result, its attitude towards the black market could be nothing but ambiguous, conditioned by a commitment to collaboration, on the one hand, but also the need to contain public discontent, on the other. All in all, the French authorities acknowledged that a certain amount of blackmarketering was inevitable to keep civilian subsistence at reasonable levels. It was particularly out of the question to operate a stringent policy as long as the Germans maintained their own unlawful activities which stunned the initiative of French law and economic control enforcement officials. A Vichy bill passed on 15 March 1942 testifies to the regime’s partial defeat in outlawing illegal procurement. The bill granted a right of discrimination between the ‘professional black market’ – which would be more severely prosecuted – and a ‘family black market’ which was tolerated. Thus civilian procurement, on the black market, of small quantities of basic essential items such as food and clothes was exempted from prosecution.⁶¹

58. Abschrift der Besprechung in Paris am June 15, 1942 betr. Umgestaltung des Beschaffungswesen und der Rüstungstellen in den besetzten französischen Gebieten, June 18, 1942, Freiburg, BA-MA, KTB Deutsches Beschaffungsamt (DBA) in Frankreich, II. Vierteljahr 1942, RW/24/38.

59. ZAST-Berichte Frankreich 1942, Berlin, Bundesarchiv-Abteilung Reichsbestände (BA-R), Reichswirtschaftskammer, Geheime monatliche Berichte der ZAST Paris und Brüssel, 1941–1943, R 11/89.

60. See the core thesis in Laborie, ‘L’opinion publique dans le département du Lot pendant la deuxième guerre mondiale’. It is worth noting that coercion was stepped up at about the same time as German dependency on Western European resources was becoming more pronounced.

61. Sanders, *Histoire du marché noir*, 31.

The Germans also had to dispense with the black market for reasons of reliance on Vichy. One example for this increased dependence was food.⁶² By late 1942 German food reserves were nearing exhaustion. An embarrassing confession for the regime, German civilian rations had had to be lowered for the first time in April 1942.⁶³ To offset this shortfall, the Franco-German agreement of June 1942 had seen a sensitive – and heavily embattled – increase of French food delivery quotas. However, this was not to suffice – the unsatisfactory 1942 harvest in Germany, together with the unfulfilled hopes in ample food deliveries reaped off the plains of Ukraine, threw up the prospect of yet another massive supply shortfall in Germany by the end of the year. Therefore, in August 1942, Göring made it clear that he expected additional foodstuffs from France, on top of the quota agreed in June 1942. This time around, however, help would not be as forthcoming as it had been on other occasions. The German foreign ministry, for example, fearful of the political risk of Laval resigning if brought face to face with these new demands, declined its assistance. As a compromise, Veltjens was commissioned to include foodstuffs on the shopping list of items to be drained from the French black market. Unfortunately, this measure could not compare to direct French deliveries, due to its prohibitive cost and its incapacity to produce any scale. Therefore, throughout autumn 1942 Göring continued to proclaim that a rise in German rations was imminent and that the supply had to come from France.⁶⁴ The stalemate of this situation continued until spring 1943.

The German occupier was also running into financial trouble. A precedent for this was set through the paralysis of the Belgian Central Bank, beginning in summer 1942, as a form of protest over the use of the German–Belgian clearing account for black market purchases.⁶⁵ In France, financial resistance fed on the massive drop in the occupation account balance which had still seen a credit of Fr 80bn in December 1941, but which was now rapidly emptying, due to black market purchasing and strategic fortifications.⁶⁶

62. Food and labour may seem mundane matters, but they were instrumental in shaping the occupation of many areas of Western as well as of Eastern Europe, see Christian Gerlach, *Kalkulierte Morde. Die deutsche Wirtschafts- und Vernichtungspolitik in Weissrussland 1941 bis 1944* (Hamburg: Hamburger, 1999), passim; for its relevance to the Channel Islands occupation see Paul Sanders, *The Ultimate Sacrifice – Twenty Jersey People and Their 'Offences Against the Occupying Authorities'* (Jersey: Jersey Heritage Trust, 1998), passim.

63. Hans Kistenmacher, *Die Auswirkungen der deutschen Besetzung auf die Ernährungswirtschaft Frankreichs während des Zweiten Weltkriegs* (Tübingen: Inst. f. Besatzungsfragen, 1959).

64. Aktennotiz betr. die Schwarzmarktbeämpfung, die Versorgungslage und die französischen Lieferungen, March 19, 1943, Paris, AN, Militärbefehlshaber in Frankreich. Abteilung Wi III Ernährung und Landwirtschaft, AJ/40/796/6; Gies Corni, *Brot-Butter-Kanonen-Die Ernährungswirtschaft in Deutschland unter der Diktatur Hitlers*, 531. 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 *Sportpalast* speech of October 4, 1942, see the Goebbels diary entry under October 5, 1942, in *Die Tagebücher von Joseph Goebbels, Teil II, Diktate 1941–1945, Bd. 6, Oktober–Dezember 1942*, ed. Elke Fröhlich (München, New Providence, London, Paris: Saur, 1996), 72–3.

65. Tätigkeitsberichte Nummer 20 bis 22, Militärverwaltung in Belgien und Nordfrankreich, März bis Dezember 1942, Brussels, CERHSGM.

66. The lowest level (Fr 8.8bn) was reached in April 1943, see Besatzungskosten, n.d., Paris, AN, Militärbefehlshaber in Frankreich, Division V, Aussenhandel, Geld-, Kredit- und Versicherungswesen, AJ/40/834.

Understandably, the French had little interest in propping it up again and therefore stalled when the Germans approached them on the issue of an increase in the occupation payments, in summer 1942. The Germans, having no real reason to justify the demand, backtracked.⁶⁷ This only changed in the aftermath of 'Operation Torch', the Allied landing in North Africa, on 8 November 1942. Prompting the German occupation of Southern France and the extension of costly fortification, 'Torch' brought the unstable financial and food supply situation to a head – Severing metropolitan France's links with her African possessions, it deprived her of vegetable and fruit imports equalling two to three months of domestic consumption p.a. Even worse was the slump in the critical oil plants and cocoa supply, necessitating, starting from 1 December 1942, the lowering of French weekly fat rations, from 100 to 70 g.⁶⁸ Under the new conditions the French government was no longer willing to fulfil its obligations, even under the 1942 summer agreement, let alone accede to the German demand for more food. Fearful of a total breakdown of order, the military administration in France supported this position.⁶⁹ For Göring, however, the occupation of Southern France heralded a totally different message – perfect timing to expand black market exploitation, through an increase in the fund allocation to Veltjens by an additional RM 100m per month.⁷⁰ This disastrous prospect prompted German opposition to Göring. Such opposition had always existed, but it had not been vociferous enough up to this point. An early critic was the Reich finance minister, Graf Schwerin von Krosigk. Already in July 1942, after the launch of *Aktion Veltjens*, von Krosigk had denounced 'the collective financial irresponsibility' he perceived in the management of occupied Europe, criticising unrestricted foreign purchases, at unjustifiably high prices, as well as Germany's rising clearing debts that acted as a stimulant for German inflation. Due to the erosion of confidence in German financial credibility, he predicted a collapse of trade between Germany, her allies and the occupied countries.⁷¹ All this was a hardly veiled attack on Göring's black market campaign. By late 1942 many others joined in his views, bringing about a consensus between the Speer representatives, the German administrations in Western Europe, the foreign ministry, and Hans-Richard Hemmen of the German armistice delegation.

Various German economic experts passed their verdict on *Aktion Veltjens* in several studies carried out in November and December 1942. Their primary objective was to assess the Reich's new financial demands towards Vichy, in particular the raising of the occupation levy. One obvious question was whether simultaneous black market purchases would overstretch France's potential of absorption. Most agreed that

67. Deutsche Waffenstillstandskommission für Wirtschaft, Wochenbericht Nummer 30, November 4, 1942, Freiburg, BA-MA, Wehrwirtschafts- und Rüstungsamt, Berichte aus Frankreich, RW/19/3363.

68. Hans Umbreit, *Der Militärbefehlshaber in Frankreich 1940–1944* (Boppard: Harald Boldt, 1968), 301, 313.

69. Sitzungsprotokoll Handelspolitischer Ausschuss, November 26, 1942, Munich, IfZ, Sammlung Nürnberger Dokumente, microfilms, NG-4526.

70. Ibid.; Aufzeichnung Wiehl für von Ribbentrop betr. Besatzungskosten Frankreich, November 27, 1942, Munich, IfZ, Nürnberger Sammlung, microfilms, NG/4526.

71. Schwerin von Krosigk betr. zweckmässigere Gestaltung der finanzwirtschaftlichen Beziehungen zu den ausserdeutschen Gebieten zur Sicherung eines kriegswirtschaftlichen Optimums, July 15, 1942, Munich, IfZ, Nürnberger Sammlung, microfilms, NG/4284.

the combined effects of increased occupation levies and black market purchases would bring the French economy to its knees. According to these, the occupation system was only going to cope if it reduced overall expenditure and bolstered the stability of the French franc. The black market venture was conducive to neither of these targets. A *Reichsbank* report of 7 December 1942 expressed concern that inflation may cause a slump in productivity which would bring hoarding to new extremes. In this case, even the black market would be cut off from its sources of supply. A report of the *Wehrmacht* research bureau for military economy, the following day, criticised the blatant contradiction between German black market activities and the control measures demanded of the French to bring their economy in line with the German model of centrally administered economy (*zentrale Bewirtschaftung*). It also recommended the immediate withdrawal of all backing to *Aktion Veltjens*.⁷² The German embassy in Paris joined in this chorus a few days later, after reception of a document by Laval detailing cases of German intervention in favour of professional black marketers and criminal elements. Its critique was the most riveting – fears about the pre-emption of clandestine resources through third parties or enemy nations had lost their *raison d'être*, the occupation of Southern France had made black market draining redundant.⁷³ From the low level of official raw material allocations to French industry it deduced, correctly, that the black market was fuelled through materials siphoned off the German contract transfer programme (*Auftragsverlagerung*). Hoarded stocks were no longer available and all legal production was slowly being overgrown by black market production; of often very poor quality. Thus the black market in industrial products was largely sustained by the Reich herself. Veltjens's unsuccessful experience of trying to procure agricultural products had demonstrated that it was preferable to renegotiate official quotas with the French and demand better control on their part than to engage in unilateral black market exploitation.⁷⁴

Again no critical mass materialised in order to move the situation forward, and over the next two months the experts' warnings seemed to be falling on deaf ears. The intention to move things forward on this issue was certainly also part of Laval's agenda for his meeting with Hitler, on 19 December 1942. Having travelled over 24 hours, to Hitler's HQ in Rastenburg, Eastern Prussia, Laval had come to bargain for concessions on the Reich's new food and labour demands. What he got was a 'lecture' by the *Führer* – on his mistrust after the events in North Africa, towards France and certain people in Laval's entourage – topped up by a diatribe on the 'black market scandal' in France, by Göring. Having decided that attack was the best defence, the latter denounced the

72. Deutsche Reichsbank-Volkswirtschaftliche Abteilung, Zur Frage einer Erhöhung der französischen Besatzungskosten, December 7, 1942, Munich, IfZ, Nürnberger Sammlung, microfilms, NG/2149; Forschungsstelle für Wehrwirtschaft, Zur Frage der Belastbarkeit Frankreichs durch Schwarzkäufe, December 8, 1942, Munich, IfZ, Nürnberger Sammlung, microfilms, NG/2266.

73. This statement seems to confirm that the draining of unoccupied France provided an important part of the rationale underlying German black market purchasing.

74. Deutsche Botschaft, Wirtschaftsabteilung, an Auswärtiges Amt, betr. Behandlung des Schwarzmarktes in Frankreich, December 12, 1942, Munich, IfZ, Nürnberger Sammlung, microfilms, PS/2262.

French black market as ‘a semi-legal institution’ in which everyone was involved and denied all German responsibility.⁷⁵ Once again, Vichy’s attempt to try the ‘direct line’ had proven a stillborn undertaking. Veltjens, in the meantime, tried a tactic of stalling – agreeing to an end of his campaign by March 1943,⁷⁶ he found various pretexts to relegate the deadline. In February his activities were downscaled on the insistence of Seyss-Inquart in The Netherlands and occupation dignitaries in Belgium and France,⁷⁷ but what was really needed was a formal ban. Such a comprehensive order with binding character could only come from Göring, or from Hitler. The whole dossier was only activated again when Reich food minister Backe took Göring’s unfulfilled meat delivery demands back to Paris, at the end of February 1943. As before, one of Laval’s principal conditions for acquiescence to providing additional food was the closure of the black market purchasing agencies.⁷⁸ The French supported their argument by handing Backe an extensive documentation of cases of German intervention into French law enforcement and protection for offenders.⁷⁹ They also showed that they could identify the black market channels into which the occupation payments disappeared and that they were aware of 75% of all German purchases on the food black market.⁸⁰ In exchange for its abandonment, Laval offered Backe an official supplement equalling exactly the volume of German black food purchases.⁸¹ Backe accepted the proposal and his intervention very probably tipped the scales in favour of a black market interdiction order. This version is corroborated by an official report on the 27 February meeting

75. Bericht des Gewährsmannes des Deutschen Volkswirts an Amtschef, Inhalt der Zusammenkunft Laval-Hitler am Dezember 19, 1942, December 29, 1942, Freiburg, BA-MA, Militärbefehlshaber Belgien und Nordfrankreich, RW/36/3361. Hitler may or may not have been aware of Göring’s black market involvement. What we do know is that Laval gained the impression that Hitler was not briefed on the more ‘technical points’, see *Voyage de Laval en Allemagne*, du 17 au décembre 19, 1942, procès Laval, dossier de procedure, n.d., Paris, AN, HCJ, 3 W/210/III/3/24–28.

76. Tätigkeitsbericht Veltjens an Göring, January 15, 1943, Paris, AN, Militärbefehlshaber in Belgien und Nordfrankreich, Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942–August 1943, AJ/40/71/4/f.

77. Unterredungen vom Februar 23, 1942 bis März 10, 1943 zwischen Veltjens und den Militärbefehlshabern in Frankreich und Belgien und dem Reichskommissar für die besetzten Niederlande betr. Aufkäufe nach dem März 31, 1943 Paris, n.d., Paris, AN, Militärbefehlshaber in Belgien und Nordfrankreich, Wirtschaftsabteilung, Gruppe I (Gewerbliche Wirtschaft), ÜWA, Februar 1942–August 1943, AJ/40/71/4/f.

78. The increase demanded (70,000 tons) was rather substantial and brought total demands to 270,000 tons, see Aktennotiz betr. die Schwarzmarktbekehrung, die Versorgungslage und die französischen Lieferungen, March 19, 1943, Paris, AN, Militärbefehlshaber in Frankreich, Abteilung Wi III, Ernährung und Landwirtschaft, AJ/40/796.

79. Note de la direction générale du contrôle économique concernant les méthodes allemandes employées pendant l’occupation pour détruire l’économie française, n.d., Savigny-le-Temple, SAEF, fonds affaires économiques, rapports avec le comité de coordination des recherches sur les collaborations économiques, Le comité du livre noir, B/49/476.

80. Telegramm von Botschaftsrat Schleier an die Deutsche Botschaft in Paris, March 2, 1943, cited in Umbreit, *Der Militärbefehlshaber in Frankreich*, 293.

81. Fünfter Tätigkeitsbericht der Deutschen Waffenstillstandskommission für Wirtschaft (Paris-Wiesbaden) für die Zeit vom Juli 1, 1942 zum Juni 30, 1943, Paris, AN, Délégation allemande près la commission d’armistice, AJ/40/1209.

stating that Backe declared that he was due to report back to Hitler on his return and that he would 'describe the French situation in an appropriate manner'.⁸² Effectively, at this stage of the war the Reich food minister was one of a mere handful of officials with direct access to Hitler as well as the necessary leverage and power of persuasion to initiate just such a comprehensive deal. Similar to Speer's, his power base was determined by the priority Hitler had attributed to the authority of his ministry. Thus the 'November Syndrome', the phobia of a repetition of revolutionary upheaval in Germany (as in 1918), due to unsatisfactory living conditions and a deficient food supply, sped up the dismantling of the Veltjens purchasing system. Another indication that Backe broke the ice must be seen in the fact that Franco-German initiatives suddenly started to abound – on 13 March 1943 Elmar Michel, head of the military administration, and Jean Bichelonne, French minister of industrial production, signed an agreement on the closure of the purchasing bureaux.⁸³ Four days later the first black market interdiction order concerning agricultural products was issued, signed by Göring.⁸⁴ 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 6000 tons per year. A second Göring order concerning industrial raw materials and finished products followed on 2 April 1943. Von Rundstedt, superior military commander in Western Europe (OB West), issued a similar circular on 7 April 1943.⁸⁵ With it, the gaudy years of the German black market had come to an end.

The German black market after spring 1943

During 1943–1944 the occupier succeeded in eradicating the bulk of the illegal market in industrial raw materials and finished products. The improvement, owed to the effective implementation of the ban, increased support of the French ministry of industrial production and industry leaders for collaboration, business concentrations and closures, combined with black market monitoring, target audits, commissary administration of firms caught red-handed and other policing methods. The most crucial innovation, however, was the rationalisation of operations processes in resource allocation management, fed by German progress in standardisation, fixed raw material contingents and mass production. The entire control effort – by both German and French law enforcement and courts – received a definite boost. All interventions by higher authorities, to obtain exceptions or special favours, were now routinely thwarted, thus removing any pretext for inactivity. Thus, it took relatively little to make French industrial production comply with the new black market policy. This demonstrated how

82. Gesandter Schleier (Paris) an das Auswärtige Amt, Telegramm Nr 1333, February 28, 1943, in 'Akten zur Deutschen Auswärtigen Politik (ADAP) 1918–1945', Serie E: 1941–1945, V, Januar bis April 1943 (Göttingen, 1978).

83. Entretien Bonnafous, Casanoue, Reinhardt, Schoppmann, Schroeckh au sujet du marché noir, April 29, 1943, Paris, AN, Délégation générale en territoire occupée, cabinet du délégué général, Fernand de Brinon 1941–1944, AJ/41/1546.

84. Administration du contrôle économique, 'Le marché noir allemand en France', 64.

85. OB West, Rundschreiben Nr 11, April 7, 1943, Paris, AN, Commandants régionaux en zone occupée, AJ/40/900.

flawed the arguments advanced by the German supporters of unmitigated black market draining had been.⁸⁶

The story was different in agriculture. Although Vichy stood by its food delivery quotas, the rural black markets were impossible to control. Many of the resource management innovations introduced in Germany (including new output-boosting techniques) were shunned by French farmers who regarded these as the mere prelude to an extension of tribute. In many cases the refusal of the countryside to comply with official quotas constituted acts of defiance or petty resistance. Solid economic reasons also worked in favour of the rural black market – official markets with their fixed prices had long before become unprofitable, leaving little margin for covering costs. The shortage of labour and machinery provided further incentives to divert as much as possible to the black market.⁸⁷ The agricultural sector thereby catered to the population's desperate need to supplement their wholly inadequate food rations, ensuring that many products remained among French. This conditioned the French authorities' lack of will and authority (coupled with incompetence) to enforce tight and stringent control in the countryside. In this sense the downscaling of German black market purchases in the agricultural sector was a partial victory of French national interest over a logic based on pure pillage. It was partial, because it came at a price – the efficiency increased in the industrial economy which benefited Germany directly. Thus, whereas the harnessing of the illegal market in industrial products or raw materials during the third phase demonstrates what a determined occupier can achieve in terms of enforcing compliance, the illegal food markets demonstrate the limits of coercion.

Despite the abandonment of large-scale black market procurement, the haemorrhage of the occupation account continued, now through a recrudescence of purchases with Reich credit bills (*Reichskreditkassenscheine-RKK*), effected by combat units and individual soldiers. The introduction of *Reichsmarks* having been banned, from September 1940 this 'funny money' was the only accepted legal tender for Germans in the occupied territories. These bills were practically useless in Eastern and South Eastern Europe, where scarcity had reached such extremes that it had caused the repeal of a money economy and a return to barter. This was never the case in France where confidence in the currency was maintained. Troops that moved from other parts of Europe to France were aware that the country's supply basis was still much better than that in other parts of Europe. 1943 saw the illegal importation of the largest number of these bills – from Eastern Europe – and their disbursement in France. The trend was reinforced after the official end of the German black market, when the curtailment in the availability of occupation francs forced organised trafficking to fall back onto RKKs. Massive RKK imports were also a reaction of units and individual soldiers to the closure of the military black market purchasing agencies. RKK purchases only diminished when these were withdrawn altogether from circulation, in December 1943. Further progress

86. As an indicator of change, see the steady increase of ZAST contracts in Belgium and Northern France during 1943, see Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle, Freiburg, BA-MA, Militärbefehlshaber in Belgien und Nordfrankreich, RW/36/257.

87. Kroener Müller, Umbreit, *Organisation und Mobilisierung des deutschen Machtbereichs*, 226–32; Corni, *Brot-Butter-Kanonen*, 513.

in combating the black market was made in spring 1944, when Göring agreed to limit individual soldiers' baggage allowance.⁸⁸

The main consequence of the ban was the exclusion of all military agencies, including Organisation 'Otto', from procurement. Still, German prohibition was not quite as categorical as the official rhetoric, and some black market purchases continued to go ahead in 1943–1944. There were, however, some marked differences between these purchases and the Veltjens's purchases – centralised in the hands of PIMETEX, the Speer purchasing agency in Western Europe, they were based on rational principles, such as war necessity, and prices were reduced to a minimum. They concerned primarily tools and stocks of strategic raw materials such as radium, platinum, wolfram, quinine and industrial diamonds, which could not be obtained otherwise.⁸⁹ The Germans could also not dispense with the black market in precious metals, foreign currencies and securities.⁹⁰ In France these were being mopped up by Kurt Eichel, a German banker who took over as head of the currency protection unit (DSK), spending two billion francs from July 1943 to the end of the occupation.⁹¹ Another prevalent feature of the final phase were the so-called 'compensation purchases' between occupied Western Europe and non-belligerent countries. The principle was relatively simple – German purchasing organisations sold diverse types of goods abroad, via neutral countries, exploiting price differentials in order to earn foreign currency which was later ploughed back into the importation of vital materials, such as Swedish iron ore. One variation on this procedure was to engage in barter operations, such as French crude leather against Spanish wolfram.⁹² This way the German occupation account could be conserved, without entirely foregoing black market activity. Many of these 'compensation purchases' involved 'aryanized' assets and were coordinated by the SS.⁹³

1943 also saw a marked incursion of the SS into French occupation politics, in particular the Security Police (SIPO-SD), erroneously known under the acronym GESTAPO.⁹⁴ Indeed, the SS did not fail to capitalise on their prerogative to oversee and

88. Buchheim, 'Die besetzten Länder im Dienste der deutschen Kriegswirtschaft', 117–45. In Belgium, RKKs were withdrawn from circulation as early as late 1942.

89. From August 1943 to the end of the occupation PIMETEX Paris was to spend Fr 3.5bn for these purchases. OT and the Navy were the only other two organisations escaping the now stringent purchasing structure in France, see '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.

90. 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, novembre 30, 1942, Paris, AN, HCJ, Ambassade allemande de Paris (archives 'de Berlin'), 3/W/350.

91. Eichel was the representative of the Berliner Handelsgesellschaft and temporary wartime administrator of the Westminster Foreign Bank in Paris, see '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.

92. The wolfram smuggling operation was masterminded by 'Otto', from summer 1943 to summer 1944, see Alan S. Milward, *The 'New Order' and the French Economy* (Oxford: Clarendon, 1970), *passim*.

93. Déclaration par ancien agent du SD de Paris, January 4, 1946, Savigny-le-Temple, SAEF, Service national de recherches et d'enquêtes, B/57.046.

94. GESTAPO was one of the sections of the SIPO. The oft-employed *pars pro toto* usage of the term is inaccurate.

enforce the 1943 black market ban. In the past at constant loggerheads with the military administration over the appropriation of important areas of competence, this incursion was an excellent opportunity to see through Himmler's own political agenda. The prerogative over the fight against corruption heightened his leverage, as it provided many good opportunities to keep other German services in check. The stance was somewhat paradoxical, considering that, only a few months earlier, the SS themselves had deployed enormous energies into black market activities. Throughout 1942 SS purchases in France were on the rise, making them the second largest purchaser on the French black market in January 1943.⁹⁵ And, despite their police credentials, the SS were by no means more immune to the lure of corruption than other Germans. Similar to their *Abwehr* colleagues the Security Police also used the black market as a recruitment ground for auxiliaries, agents and informers. It was this activity that led Paul Petit, a French economic police investigator, to say in a post-war hearing that the occupation had seen the 'most extensive network of corruption, trafficking, treason, blackmail and denunciation the country had ever known'.⁹⁶ Control of the black market relied to a great extent on denunciations. Many of the regular or occasional informers had feelers in the black market, as this was a particularly lucrative area to be in. Routinely, the German services rewarded all information leading to the requisition of black market stocks or public stocks with a 5–10% commission on the total value of the stock. Introducing themselves as black market intermediaries to their victims, the informer's principal task was the identification of secret stocks. Once pinned down, the Security Police conducted a sting operation.⁹⁷ In the long run, a sustained network of black market informers also served as a plug to penetrate resistance networks. This is another reason why the Security Police could not afford to let this area slip out of control. Infiltration of the subterranean universe with informers was an elementary stepping-stone to sowing terror. 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. Thus, a Free French report of summer 1943 stated that black market repression was an area of intense Franco-German collaboration. It suspected that an increase in the number of police searches served other purposes than merely to combat the black market.⁹⁸ 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.⁹⁹ In the rural marshes – where many clandestines came to rely almost totally on peasant defiance – keeping track of dissidence proved impossible. But the urban context proved to be more conducive. Here, the alternatives were few: purchases on the

95. For figures on black market purchases see Hans-Richard Hemmen's telegram to Erich Wiehl, February 16, 1943, in Nestler, *Die faschistische Okkupationspolitik*, 259.

96. Cited in Marcel Hasquenoph, *La Gestapo en France* (Paris: De Vecchi, 1975), 53–72.

97. In one case documented for May 1941 a SIPO informer revealed a black market sale of several tons of wheat at Owillers-la-Boiselle, near Arras. The lot was seized and the farmer was jailed at Lille, see SIPO-SD, Abt. III D, Dr Boe/KI, Paris an Militärbefehlshaber, Wirtschaftsabteilung betr. Bekämpfung des Schleichhandels, July 7, 1941, Paris, AN, Militärbefehlshaber in Frankreich, AJ/40/795.

98. Rapport ALO.7/315000, date de l'information-juin 1943, n.d., Paris, AN, BCRA, Les autorités d'occupation et l'organisation du marché noir, 3/AG/2/352.

99. René Sédillot, *Histoire des marchés noirs* (Paris: Tallandier, 1985), 111.

black market, of goods or false, stolen or surplus ration cards. For the police, black market monitoring was a necessary condition for repression.

Corruption, abuse and waste

The black market provided powerful incentives to a wide range of individuals and institutions. This is a crucial element in understanding resistance towards the dismantling of the black market system. It is an equally good indicator of the enormous spread of corruption. In an excellent recent study German historian Frank Bajohr counters the 'clean hands' image of the Nazis, a myth manufactured even before their rise to power and which in many quarters outlived them by several decades.¹⁰⁰ Bajohr's conclusions point in the opposite direction, namely that corruption was an intrinsic element to the system. He interprets 'corruption' (under which he includes the black market) as a structural feature: clientilism, patronage, nepotism, protection and comrade networks were all deeply entrenched in the 'political economy' of the Nazi movement. Personal expectations of old fighters and party members, combined with a lack of inner-party democracy, gave Nazi corruption its particular flavour. Unsurprisingly, the system of rewards and incentives made party formations and thoroughly nazified sections of the old Weimar regime particularly prone to erosion through corruption. This was achieved through the suppression of 'checks and balances' and the absence of a critical public and press, hallmarks of a dictatorial regime. Bajohr's findings counter the line of argumentation that polycracy and informal networks are redundant as an explanatory category, as such phenomena can also be found in democratic regimes. His research maintains that ideological motivation went hand-in-hand with the flaunting of moral and legal norms, including enrichment of the most uninhibited and unscrupulous kind.

Merely on the issue of efficiency is Bajohr ambiguous: he rightly blasts corruption for the same undesirable, negative or downright counterproductive effects that make it the target of practically all international economic development organisations today. Corruption not only destroys livelihoods but also impacts democratisation efforts, distorts market principles, damages competitiveness – favouring the inept or the downright immoral – as well as tax revenue and government income the world over. A system based on corruption generally rewards the idle, mediocre and devious, while stifling the innovative, entrepreneurial and industrious. Hermann Göring is the best example of the type of bundling amateur produced by an inherently corrupt regime where kleptocracy took precedence over meritocracy.

On the other hand, Bajohr also concedes that the Nazi regime cannot be measured by the usual criteria of efficiency; the rational use of resources was never an aim and the regime was extremely successful in enlarging its resource basis through expropriation, pillage, robbery or other means. Corruption was the lubricant of the system, keeping people motivated, providing a source of dynamism, and ultimately acting as a stabiliser.¹⁰¹

The argumentation appears somewhat specious, invalidating Bajohr's earlier argument that Nazi corruption was a recipe for disaster – and ultimately auto-destruction. My own contention is that one does not necessarily have to follow Bajohr

100. Frank Bajohr, *Parvenüs und Profiteure – Korruption in der NS-Zeit* (Frankfurt: Fischer, 2001).

101. *Ibid.*, 75, 189–95.

along this open-ended route of interpretation. Certainly, a state of corruption could be maintained – without doing serious damage to system viability – within the Nazi party and its organisations, and to a certain extent even within Germany and the occupied Eastern territories. It was, however, untenable in the occupied industrial economies of Western Europe; in particular when the Germans finally made their mind up in 1943 that they wanted to make the most of the war-winning potential of these territories. It has been a far too idle assumption to say that the Vichy French – and the French in general – were duped on every occasion by their willingness to conform to the New Order. The black market episode demonstrates that the route was not as straight as previously thought and that the Germans had to modify and rationalise their approach. This is not intended as a rehabilitation of the economic record of the Vichy government, which was dismal. But it relativises the notion that the exploitation of France – and of other countries – was a frictionless conforming to German terms. The theory that the wildcat exploitation of occupied Europe had mainly benefits to Germany's economic position sounds rather similar to the now rather dated modernisation debate. This theory has for far too long relied on questionable and incomplete wartime statistics that provide a skewered view of the picture. The same body of theory also makes little provision of the huge chunks of the wartime economies that go 'underground' in any economy faced with a crisis situation.

As most historians who have studied the topic in the context of the occupied territories, Bajohr focuses exclusively on Nazi corruption in Eastern Europe: 'Gangstergau (GG)' or 'Scandalicia' – puns on the *Generalgouvernement (GG)* and on Galicia – were easily understood idioms of the day. Nevertheless, in terms of German delinquency there is little reason to see why Western Europe should have lagged behind Eastern Europe by very much. The combined benefits of pre-war material substance and a relative stability enabling corruption to fester with impunity made the place an even more attractive wartime location. The meaning of the old aphorism *Leben wie Gott in Frankreich* (to live like God in France) was not lost on the many German freebooters who ventured there in search of easy profit. Scores of postings to occupied Western Europe were themselves a result of corruption, nepotism and jockeying for the best places. Reich interests were often the least of these men's worries. This emerges as clearly from the dumping of illegally imported Reich credit bills as it does from massive German buying on the black stock exchanges of Paris and Marseille.¹⁰² 'Opening up shop' could not have been simpler: the speculator's tool kit included foreign capital, travel authorisations and connections – with German officials and with businesspeople of all nations, preferably neutrals. A currency protection unit report of December 1943 testifies to the importance of capital transfers between Germany, occupied France and third countries, making special mention of the strong entanglement between black stock exchange and black market.¹⁰³ Typically,

102. German buying on the black stock exchanges figures prominently in two documents, see Deutsches Institut für Wirtschaftsforschung Paris, 'Politische Bestimmungsgründe des Goldpreises am schwarzen Markt in Paris im Jahre 1943', April 1944, Paris, AN, Militärbefehlshaber in Frankreich, AJ/40/990; Etat-major particulier du général de Gaulle, renseignements fournis par la Source 48475, mars 11, 1943, Paris, AN, BCRA, Les autorités d'occupation et l'organisation du marché noir, 3/AG/2/352.

103. DSK Frankreich an Militärbefehlshaber, betr. Einziehung der Jahrgänge 06 und jünger, lt. Anordnung OKW vom November 16, 1943, December 16, 1943, Paris, AN, Militärbefehlshaber in Frankreich, AJ/40/456.

German profiteers started their 'business' in a sector where price differentials with a second country (Germany, later neutral countries) offered particularly promising cuts. After exporting the goods, they invested their liquidities on the black stock exchange. Profits were placed in Swiss or Spanish accounts by their business contacts. The less savvy invested in French jewellery, furs, champagne, perfumes or other luxury items that they sent back home on sealed *Wehrmacht* transports.¹⁰⁴

One company that boarded the Western-bound 'grave train' was *Bollmann*, a small German contractor producing sanitary material for the army in France. When their illegal activities were uncovered, they were indicted with tax and customs evasion, trespassing against import, export and currency regulations. In its final verdict the special court having investigated the case in 1944–1945 made a special point in stressing that the defendants '*had acted as though economic regulation was non-existent*', missing not a single opportunity for enrichment.¹⁰⁵ The company's initiation to business in occupied Europe 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. Production started with five workers in January 1941, but soon expanded, with employment numbers peaking at 300, most of them homeworkers, in 1943. However, the main purpose of the Bollmann presence in occupied territory was trafficking. In this, the official German contract transfer programme – of which they were a part – provided a marvellous screen. The main mode of clandestine transactions was barter, but they also realised purchases of a diversity of products. One typical item on the court's list was the purchase of perfume worth Fr 393,000 (RM 19,650) in Paris, in 1942. This was smuggled to the company's base in Tuttlingen, and from there on to Berlin, on board a *Wehrmacht* truck declared as sanitary material, but in fact loaded with black market wine and spirits. The vital link to bureaucracy in this case was a high-ranking army official in France who provided blank transport authorisations enabling them to transfer their loot to Germany. Net revenue realised through this one operation was 38,700 RM, representing a 96% return on investment. In addition, Bollmann speculated on French francs and *Reichsmarks* acquired in France and reintroduced into Germany. Net black market profits were over Fr 800,000 in 1941 and over two million francs in 1942.¹⁰⁶ The Bollmann case was by no means the only case of its kind – far from it; and inside the black market purchasing system – where one would have imagined that control was more developed – abuse was even more rampant. In one typical example, in spring 1941, the ROGES purchasing agency in the French capital commissioned metal purchases at grey market prices. These were conducted by industry experts on temporary secondment from the German ministry of economic affairs. The specialists' influence on price-fixing and payment methods was such that, at the end of the campaign, the military administration concluded that '*almost all contracts left the impression that the interest of the Reich had not been taken into*

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

105. Devisenstrafverfahren gegen Karl und Albertine Bollmann, Karl Trautwein und Gerhard Geilert, Tuttlingen, März 1944–März 1945, n.d., Berlin, BA-R, Reichswirtschaftsministerium, R/3101/15332.

106. Ibid.

consideration the way it should have been.¹⁰⁷ Some of these German buyers had used former business contacts in order to realise ‘under the counter’ trades to their personal benefit.

While it must be admitted that corruption provided for better cohesion among the Germans in occupied Western Europe than ideology, in the end, it compromised rather than enhanced system integrity. Unchecked greed goes a long way in explaining the incoherence of German black market policy. The Achilles heel of the black market control effort was its insufficient accountability and deficient control of funds. Their allocation took the character of self-service and definitely favoured those claimants with the agility to enforce their demands, through power or brute force. As a general rule services entitled to use the occupation account acted more like a pride of lions than parts of a sophisticated bureaucracy. Consequently, rational criteria for fund attribution, such as ‘priority’ or ‘necessity’, were often disregarded. 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, and that this bestowed upon her demands a higher priority as well as urgency. This reasoning continued to be used against rival claimants long after her main zone of operations and, accordingly, most of the effective units had shifted to the Eastern front.¹⁰⁸ All services interested in getting a foot in the door adopted a similar rhetoric to underpin their claims. Another tactic, practised by Nazi bigwigs, was to get close enough to Hitler – the ultimate source of legitimacy – in order to kill off all potential criticism. In early 1941 General Field Marshal Sperrle asked for permission to transfer currency to France which exceeded his military pay. Although this request was in violation of explicit contrary regulations of the military governor in France, the principle of *quod licet Iovi, non licet bovi* was to be applied indiscriminately: Göring, having submitted the matter to Hitler’s approval who – business as usual – referred the final decision back to the applicant, pontificated that Sperrle could transfer as much savings as he wished, either in French francs or RKKs.¹⁰⁹ This charter hardly represented a step forward in clearing the Augian stables of corruption.

Black market draining was also eroding German military alertness. According to a SIPO report dated April 1942, economic and moral corruption was rife in the German military building sector in Brittany. Air force and navy building sites had developed a preference for commissioning French firms, on the grounds that they could be more easily persuaded to ‘cook the books’. Through their French business partners the Germans were also able to acquire quality food and other consumer goods. What caused concerns was the

107. Notiz Dre/Ho betr. Metalsachverständige, April 5, 1941, Paris, AN, Militärbefehlshaber in Frankreich, Roges Sonderberichte, 1941, AJ/40/780. The above conclusion was still mild in comparison with the statements made by the hapless auditors charged with the liquidation of the accounts of the Veltjens campaign, see Mitteilung von Dr Selbach an Rüger, June 5, 1944; Mitteilung von Halbreiter betr. Liquidation der Organisation H. FUCHS (ÜWA Lille), November 26, 1943, Paris, AN, Militärbefehlshaber in Belgien und Nordfrankreich (ÜWA), AJ/40/322.

108. Gillingham, *Belgian Business in the Nazi New Order*, 101–24.

109. Aktennotiz, Luftflottenkommando 3 (Chef des Generalstabs), March 21, 1941, Munich, IfZ, Nürnberger Sammlung, microfilms, NOKW/2667. Göring, as other Reich dignitaries, served himself frugally of the occupation account: thus, on March 8, 1941, Karl Haberstock, an art dealer and his official purchaser, received 207,000 RM out of this account, see 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, 2 vols (Paris, 1947), II, 157, Paris, AN, F/37/196.

fact that, through this type of Franco-German symbiosis, French firms were gaining insight into military installations. Besides, so the report continued, French firms had less interest in conducting first-class work and charged higher prices than German firms.¹¹⁰ Ambiguity and double standards were also discernible in the attitude of military administrators and figureheads of rational exploitation whose real actions were not always as clear-cut and unequivocal as their rhetoric. Many in the military administration considered the black market a 'tightrope walk', determined by the need for obtaining equilibrium between tax revenue earnings, on the one hand, and the pressing demands of the German war effort, on the other.¹¹¹ In Lille, military administrators were rather lethargic in their handling of the black market which they tended to portray as an entirely 'French affair'.¹¹² A high-level example of double standards was the military commander in Belgium, General von Falkenhausen, head of an administration whose anti-corruption record was rather exemplary in comparison with the more hapless military administration in France. Nevertheless he was on singularly intimate terms with a countess Ruspoli, more widely known under the name 'queen of the black market'.¹¹³

There is strikingly little evidence on what the Germans proposed to do about corruption in their own quarters. Canaris, head of the *Abwehr*, attributed the spread of corruption to the augmentation of the armed forces 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. The antidote suggested by Canaris to counter this threat – exhaustive briefing sessions of military personnel – points to either an astounding lack of imagination or recklessness.¹¹⁴ Throughout 1941 and 1942 the military administrations followed up with continuous admonitions and 'bans' on individual German blackmarketering which went entirely unheeded. Corruption had attained dimensions where the pervasive reflex was to turn a blind eye.

Corruption also had its role in the manipulation of Jewish black market operators. Jews engaged in economic collaboration are nothing new – the Polish ghettos saw their fair share of this – but few of these managed to escape death or deportation after mid-1943. In France the story was somewhat different and there were instances where racial policy could be overruled. The best-documented examples are Joseph Joinovici and Mendel Skolnikov, two self-made men from Eastern Europe who gathered several billion francs in

110. Bericht aus Bretagne von zuverlässigem Gewährsmann, BdS, Abt VI N, April 21, 1942, Paris, AN, Police générale, archives du service de sécurité allemand en France, F/7/15144.

111. Bericht der Abteilung Finanzen beim Militärbefehlshaber in Frankreich 1940–1944, n.d., Freiburg, BA-MA, Militärbefehlshaber Frankreich und nachgeordnete Dienststellen, RW/35/265.

112. OFK 670, Lille, Beiträge des Regierungsrates Haase vom Finanzamt Hamburg-Altstadt zum Abschlussbericht der Militärverwaltung und des Reichkommissars Belgien/Nordfrankreich, Freiburg, BA-MA, Kommandanturen der Militärverwaltungen. Preisüberwachung und Bekämpfung des Schwarzmarktes, RH/36/518.

113. Equally, von Falkenhausen's right hand, Lt.-Col. von Harbou, was arrested on corruption charges and hanged himself in his prison cell in late 1943, see Alfred Naujocks: capture, Fragebogen, affidavits, interrogation, testimony, staff evidence analysis, 1944–1946, Brussels, CERHSGM, 382/JF/6.

114. OKW (Canaris), Rundschreiben (Geheim) betr. Korruption zum Nachteile der Wehrmacht, June 18, 1941, Paris, AN, Police générale, archives du service de sécurité allemand en France, F/7/15143.

black market profits.¹¹⁵ Joinovici, who had made himself a big name in the pre-war scrap metal trade, worked for ‘Otto’, whereas Szkolnikov served the navy and, eventually, the SS.¹¹⁶ Naturally, their detailed expertise of their respective sectors made them ‘indispensable’ to the purchasing organisations.¹¹⁷ In addition, one cannot exclude that the German controllers were influenced by the stereotype of the ‘cunning Jew’ and tried to turn this alleged character trait to the advantage of their organisations. Both men developed very different business practices during the occupation. Whereas Joinovici was a master in the art of working through a web of intermediaries and shell companies, Szkolnikov always dealt directly with his partners. This made him potentially more vulnerable than Joinovici, but, as the latter, he survived the war, thanks to his close relationship with Fritz Engelke, the envoy of Oswald Pohl and chief SS purchaser in the French capital since late 1942. Their perceived usefulness to the German war effort was one reason for their survival. Serving as proxies for German purchasing officials, they owed their continued existence in equal measure to the corruption of the occupation machinery.¹¹⁸ Direction misappropriation of funds being impossible, corrupt officials entrusted kick-backs from illegal deals with their Jewish black market ‘business partners’. The latter had the business acumen and the contacts necessary for converting the gains into foreign currency and gold, transferring them to foreign bank accounts, or reinvesting them on the black money market. Within these operations Jews often enjoyed favoured status because their ‘reliability’ could be guaranteed through the threat of deportation. What the corrupt officials offered in return was ‘exemption’. Considering the large number of Jews working in purchasing organisations, it should not be dismissed out of hand that the

115. The main primary sources for Joinovici and Szkolnikov are: Dossier Joinovici, Paris, Archives de Paris, cour d’appel de Paris, W/122 et 127; affaire Joinovici, Paris, AN, ministère de la justice, correspondance générale de la division criminelle, BB/18/7123 et 7124; affaire Szkolnikov, Savigny-le-Temple, SAEF, Conseil supérieur de confiscation de profits illicites, 30/D/119 et 120; instruction de l’affaire Szkolnikov, Tribunal militaire de Paris, Le Blanc, Archives de la justice militaire. Joinovici is reputed to have gained four billion francs during the occupation, see Rochebrunne and Hazéra, *Les patrons sous l’occupation*, 265. Szkolnikov’s assets were also worth four billion francs 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, see ‘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 Fr 800m. After its release the couple resided in Madrid, where Szkolnikov died under mysterious circumstances, in June 1945, see Rochebrunne and Hazéra, *Les patrons sous l’occupation*, 306.

116. With an expenditure of Fr 1240m, SS purchases constituted the third-largest item on the German occupation account in January 1943. Only ROGES expenditure was higher (Fr 3400m). The second largest item was reserved for war costs in Northern Africa (Fr 1700m), see Telegramm von Hans-Richard Hemmen an Erich Wiehl, February 16, 1943, in Nestler, *Die faschistische Okkupationspolitik*, 259.

117. Two important Abwehr operatives, colonel Reile and captain Radecke, stated as much, see Hazéra and Rochebrunne, *Les Patrons sous l’occupation*, 279; Affaire Joinovici, exposé des faits, n.d., Paris, AN, ministère de la justice, correspondance générale de la division criminelle, BB/18/7123.

118. See also Randolph L. Braham, ‘The Nazi Collaborator with a Jewish Heart-The Strange Saga of Jaac van Harten’, *East European Quarterly* 35 (2001): 411–34. This article details another hair-raising case of a Jewish economic collaborator who later settled in Israel.

German controllers deliberately picked Jews in order to cover up their own illegal business interests under maximum secrecy.¹¹⁹

Black market and resource mobilisation

The haphazard attempt to 'drain' the black market echoes some of the structural deficiencies of German economic mobilisation in occupied Western Europe until 1943. It is common knowledge that the level of German war mobilisation dropped after the fall of France.¹²⁰ This slack did not fail to impact economic policy in France: especially in the beginning of the occupation there were no overall blue-prints for resource utilisation; no institutional framework whose authority was accepted by all existed. Frequent reversals and the absence of clear strategic direction led to a dual policy that was half-baked and paradoxical, vacillating between ideological postulates – reducing French power – and practical necessity – the utilisation of economic capacity (which had the exactly opposite effect, namely to prop up the French bargaining position again). Typically, first attempts at using French industrial capacities through the contract transfer programme of August 1940, named after the *Zentrale Auftragsstelle* (ZAST), were followed by sluggish growth. Many German industrialists were reluctant to pass orders in France, not least because of the excessively bureaucratised procedures.¹²¹ Besides, raw material stocks could be acquired without actually relocating production to France. Therefore the vanguard of German production in France was limited to strategic sectors such as aircraft, heavy vehicles, optical and communications instruments, and bauxite from Southern France. Of the other contract transfers that did take place in 1940–1941, many were not ZAST registered. As late as December 1941, ZAST officials in France complained that 50% of all German contract transfers to the French economy simply by-passed them.¹²² When interest in the programme finally picked up, in summer 1942, a large number of production transfer demands had to be turned down, due to raw material shortages in the official economy caused by black market production. As a result of this chaos, the contract transfer programme only really started to take off in 1943, a development that was rather typical of the entire situation. German officials themselves conceded that the first two years of the occupation were wasted on unilateral resource extraction (instead of focusing on value-adding activities) of which requisitions and black market procurement were the most widespread manifestations.¹²³ As their purpose and scope were never unequivocally defined, German black market operations overshot the mark. This is not to say that intervention on the black market was totally devoid of sense. In principle, black market

119. *Affaire Joinovici, exposé des faits*, Paris, AN, ministère de la justice, correspondance générale de la division criminelle, BB/18/7123 et 7124.

120. Rolf-Dieter Müller, 'Die Mobilisierung der deutschen Wirtschaft für Hitlers Kriegsführung', 349–689, *passim*.

121. Abschlussbericht Abteilung Wirtschaftslenkung und Wirtschaftskontrolle, n.d., Freiburg, BA-MA, Militärbefehlshaber in Belgien und Nordfrankreich, RW/36/257.

122. ZAST Frankreich, Bericht für Zeitraum Oktober 1940 bis Dezember 1941, Berlin, BA-R, Reichswirtschaftskammer, Geheime monatliche Berichte der ZAST Paris und Brüssel, 1941–1943, R/11/89.

123. This was critically commented in a 1943 memo of the Speer think tank 'Planungsstab Europa', see 'Denkschrift betr. Europa-Planung', September 13, 1943, cited in Gillingham, *Belgian business in the Nazi New Order*, 91.

draining could have compared to Allied measures of economic warfare, such as the Anglo-American pre-emptive wolfram purchases in Spain.¹²⁴ As long as hidden stocks existed, which could not be obtained via other channels, the policy had its benefits. However, in this case, a potentially useful method of exploitation spiralled out of control. That this state of affairs was not only allowed to linger, but actively encouraged, illustrates the incoherence of Nazi economic policy during the first period of the occupation. At no point did the German system fully exploit its strategic options and act in its own good time, before the irruption of a full-scale crisis.

Pointers towards an analysis of this state of affairs are provided by the works of Hans Mommsen, Ludolf Herbst and, recently, Walter Naasner.¹²⁵ Their research on the structure and practice of power in Nazi Germany attributes systemic failure to bureaucratisation, conflict of authority and the routine invocation of the *Führerprinzip* as a conflict resolution mechanism (while in reality serving the interests of narrow 'clannish' interests). Ultimately, these factors were to have exacerbated the regime's outward and inward aggression, an ultimately self-destructive process termed 'cumulative radicalisation'. Especially, Mommsen stressed that the system was geared to exploitation, remaining surprisingly stable as long as it succeeded in enlarging its resource basis. When this was no longer possible, it developed a proclivity for conjuring up and escalating crises, on a cyclical basis. Owing to its reactive nature, as well as lack of anticipatory and early warning mechanisms, the regime responded to challenges on an ad hoc basis. The preferred problem-solving and crisis management mechanism was substitution, the reliance on special envoys or plenipotentiaries deriving their authority directly from the *Führer*. Eclipsing cumbersome bureaucracies, these secondary by-pass structures typically provided some temporary relief. However, the positive effects were often outdone by the fact that substitution created yet further conflict over respective areas of competence and that selective trouble-shooting could not redress the complexity of systemic challenges. The solutions arrived at through substitution were often radical, but never comprehensive enough to *not* make additional correctives necessary. As a result sudden thrusts of change became typical attributes of Nazi rule.¹²⁶

Even without embracing the tenets of an institutional Darwinist interpretation, it is perfectly obvious that these pointers tally extremely well with phenomena observed in German black market policy. For one thing there can be no denying that resource rivalry attained prodigious heights, cancelling out the benefits competition may have procured otherwise. Divisions appeared on as critical an issue as the stability of the French and Belgian currencies. Here, as on other dossiers, a reckless and inept Göring clashed with the

124. The Allies were sufficiently stocked with wolfram, but pre-empted German purchases through higher bids, in order to disturb German supply of this strategic material essential to armaments production, see Christian Leitz, *Economic Relations Between Nazi Germany and Franco's Spain 1936–1945* (Oxford: Oxford University Press, 1996), 170–99.

125. Hans Mommsen, 'Der Nationalsozialismus – Kumulative Radikalisierung und Selbstzerstörung des Regimes', in *Meyers Enzyklopädisches Wörterbuch* (Stuttgart, 1976), 785–90; Mommsen, 'Ausnahmestand als Herrschaftstechnik des NS-Regimes', in *Hitler, Deutschland und die Mächte – Materialien zur Aussenpolitik im Dritten Reich*, ed. M. Funke (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: Harald Boldt, 1994), 455–75.

126. *Ibid.*, 785–90.

partisans of a stance who – in a more rational system – should have had no difficulty in driving home the point that an orderly exploitation was subject to monetary stability. Parallels are also discernible when dealing with the reactive nature, the sudden changes and the chronic crisis of the German black market effort. Considering the level of competition and lack of genuine regulatory device, black market intervention offered a particularly fertile ground for a Hobbesian state of nature. The first change in the German attitude only came at the end of 1941, as a manifestation of Germany's resource crisis 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 immediate effect of this uncoordinated action was the surge in black prices and the draining effect on official production in favour of black production. A compromise between Reich services and the military administrations, in spring 1942, led to concerted action and the establishment of the ÜWA system which contained, if not all, at least some of the worst abuse. Still, this could not defuse the crisis, for the haemorrhage of the occupation account continued while the purchasing effort now stimulated black production. The ongoing crisis was compounded by the effects of the Allied landing in North Africa which increased outside pressure and forced the regime to abandon the controversial practice. This change of course was the outcome of coincidence rather than design, reflecting, more generally, the opportunistic character of the entire system. References to the *Führerprinzip* mostly appear where claims to priority or exclusive access to the black market are being staked. Organisation Todt as well as Navy services in France justified their being non-committal to centralised black market purchasing with their special status condoned by Hitler. Its usefulness as a pretext or cover for particularistic interest is also proven through the Veltjens campaign. While, on the surface, this was supposedly based on a higher rational principle (the exhaustion of black markets to Germany's benefit), its genuine rationale points to the political demise of Göring inside Nazi Germany, and the latter's attempt to regain initiative, through intervention in occupation policy. Finally, the 1942 Veltjens commission is a typical example of a substitution device, providing similarly limited and temporary relief as can be noted in other instances.

It may be tempting to dismiss this analysis and focus, instead, on the impressive German mobilisation of resources and production during the last two years of the war. Of course, the final abandonment of the black market reflects the considerable changes and the increased rationalisation of German war production under the impact of 'total war'. It also demonstrates the growing interdependence of the French and German economies, and the very tangible progress of the policy of collaboration. Still, although the ground covered by Franco-German collaboration in 1943–1944 was impressive, one should not forget that these initiatives were delayed during two crucial years, in particular by indiscriminate black market purchasing. By the time Speer's policies could make themselves felt in France, it was already too late to fully replicate the achievements made in Germany. Therefore Peter Liberman's thesis qualifying the Nazi occupation of Western Europe as an economic success still holds, although not to the degree suggested by him.¹²⁷ Considering the multiple challenges, resource management in France was indeed relatively successful from 1943 onwards. What happened in the first two and a half years of occupation was a different matter. Secondly, the findings presented in this article suggest that political and

127. Peter Liberman, *Does Conquest Pay? The exploitation of Industrial Societies* (Princeton, NJ: Princeton University Press, 1996), passim.

military domination did not translate into automatic economic submission. The fact that at a given point coercion as a tool of domination decreases in value and has to give way to co-operation – or at least a semblance of co-operation – relativises Liberman's argument of the infallible power of coercion on occupied industrialised societies. Thus the eventual redirection of the industrial potential of Western Europe to Nazi Germany's benefit was not a one-way route, but one that was subject to the occupier fulfilling a number of conditions (such as abandoning black market purchasing). And even then, the evasion of control, especially in the countryside, continued as an effective form of access denial to hidden economic resources.

By claiming that the Reich leadership was going through a learning process and that it knew to revise its mistakes, one could be tempted to qualify it as capable of reform. However, such an assessment seems to rely on an erroneous interpretation of the word 'reform'. Nobody in his right mind would term Mikhail Gorbachev's perestroika, aimed at halting the collapse of the Soviet Union, a successful reform programme. A systemic reform successful by its own formal, bounded criteria, but failing to deliver on stability and long-term viability, can be quite useless. Such is the case with the reform of the German – and European – war economy 1942–1943. In his study on the 1942 crisis substitution of Four Year Plan, ministry of economic affairs and ministry of labour through powerful new agencies headed by Speer, Sauckel and Pohl, Walter Naasner argues that this 'reform' was a response based on wishful thinking as well as on the continued repudiation of crisis, rather than effectual crisis management. By 1942, the Reich's political, military and economic crisis had become endemic and unmanageable, and there was little that could be done to avert defeat. All that the bolstering of the German war economy did was to help prolong the war.¹²⁸

Notes on contributor

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128. Naasner, *Neue Machtzentren in der Deutschen Kriegswirtschaft 1942–1945*, 455–75.