

The Economic Organization of a P.O.W. Camp

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INTRODUCTION

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Although a P.O.W. camp provides a living example of a simple economy which might be used as an alternative to the Robinson Crusoe economy beloved by the text-books, and its simplicity renders the demonstration of certain economic hypotheses both amusing and instructive, it is suggested that the principal significance is sociological. True, there is interest in observing the growth of economic institutions and customs in a brand new society, small and simple enough to prevent detail from obscuring the basic pattern and disequilibrium from obscuring the working of the system. *But the essential interest lies in the universality and the spontaneity of this economic life; it came into existence not by conscious imitation but as a response to the immediate needs and circumstances.* Any similarity between prison organization and outside organization arises from similar stimuli evoking similar responses.

The following is as brief an account of the essential data as may render the narrative intelligible. The camps of which the writer had experience were Oflags and consequently the economy was not complicated by payments for work by the detaining power. They consisted normally of between 1,200 and 2,500 people, housed in a number of separate but intercommunicating bungalows, one company of 200 or so to a building. Each company formed a group within the main organization and inside the company the room and the messing syndicate, a voluntary and spontaneous group who fed together, formed the constituent units.

Between individuals there was active trading in all consumer goods and in some services. Most trading was for food against cigarettes or other foodstuffs, but cigarettes rose from the status of a normal commodity to that of currency. RMk.s existed but had no circulation save for gambling debts, as few articles could be purchased with them from the canteen.

Our supplies consisted of rations provided by the detaining power and (principally) the contents of Red Cross food parcels - tinned milk, jam, butter, biscuits, bully, chocolate, sugar, etc., and cigarettes. So far the supplies to each person were equal and regular. Private parcels of clothing, toilet requisites and cigarettes were also received, and here equality ceased owing to the different numbers dispatched and the vagaries of the post. All these articles were the subject of trade and exchange.

THE DEVELOPMENT AND ORGANIZATION OF THE MARKET

Very soon after capture people realized that it was both undesirable and unnecessary, in view of the limited size and the equality of supplies, to give away or to accept gifts of cigarettes or food. "Goodwill" developed into trading as a more equitable means of maximizing individual satisfaction.

We reached a transit camp in Italy about a fortnight after capture and received $\frac{1}{4}$ of a Red Cross food parcel each a week later. At once exchanges, already established, multiplied in volume. Starting with simple direct barter, such as a nonsmoker giving a smoker friend his cigarette issue in exchange for a chocolate ration, more complex exchanges soon became an accepted custom. Stories circulated of a padre who started off round the camp with a tin of cheese and five cigarettes and returned to his bed with a complete parcel in addition to his original cheese and cigarettes; the market was not yet perfect. Within a week or two, as the volume of trade grew, rough scales of exchange values came into existence. Sikhs, who had at first exchanged tinned beef for practically any other foodstuff, began to insist on jam and margarine. It was realized that a tin of jam was worth $\frac{1}{2}$ lb. of margarine plus something else; that a cigarette issue was worth several chocolate issues, and a tin of diced carrots was worth practically nothing.

In this camp we did not visit other bungalows very much and prices varied from place to place; hence the germ of truth in the story of the itinerant priest. By the end of a month, when we reached our permanent camp, there was a lively trade in all commodities and their relative values were well known, and expressed not in terms of one another - one didn't quote bully in terms of sugar - but in terms of cigarettes. The cigarette became the standard of value. In the permanent camp people started by wandering through the bungalows calling their offers - "cheese for seven" (cigarettes) and the hours after parcel issue were Bedlam. The inconveniences of this system soon led to its replacement by an Exchange and Mart notice board in every bungalow, where under the headings "name," "room number," "wanted" and "offered" sales and wants were advertised. When a deal went through, it was crossed off the board. The public and semi-permanent records of transactions led to cigarette prices being well known and thus tending to equality throughout the camp, although there were always opportunities for an astute trader to make a profit from arbitrage. With this development everyone, including non-smokers, was willing to sell for cigarettes, using them to buy at another time and place. Cigarettes became the normal currency, though, of course, barter was never extinguished.

The unity of the market and the prevalence of a single price varied directly with the general level of organization and comfort in the camp. A transit camp was always chaotic and uncomfortable: people were overcrowded, no one knew where anyone else was living, and few took the trouble to find out. Organization was too slender to include

an Exchange and Mart board, and private advertisements were the most that appeared. Consequently a transit camp was not one market but many. The price of a tin of salmon is known to have varied by two cigarettes in 20 between one end of a hut and the other. Despite a high level of organization in Italy, the market was maculated in this manner at the first transit camp we reached after our removal to Germany in the autumn of 1943. In this camp - Stalag VIIA at Moosburg in Bavaria - there were up to 50,000 prisoners of all nationalities. French, Russians, Italians and Jugo-Slavs were free to move about within the camp: British and Americans were confined to their compounds, although a few cigarettes given to a sentry would always procure permission for one or two men to visit other compounds. The people who first visited the highly organized French trading center, with its stalls and known prices, found coffee extract - relatively cheap among the tea-drinking English - commanding a fancy price in biscuits or cigarettes, and some enterprising people made small fortunes that way. (Incidentally we found out later that much of the coffee went "over the wire" and sold for phenomenal prices at black market cafes in Munich: some of the French prisoners were said to have made substantial sums in RMk.s. This was one of the few occasions on which our normally closed economy came into contact with other economic worlds.

Eventually public opinion grew hostile to these monopoly profits - not everyone could make contact with the French - and trading with them was put on a regulated basis. Each group of beds was given a quota of articles to offer and the with monopoly rights. The same method was used for trading with sentries elsewhere, as in this trade secrecy and reasonable prices had a peculiar importance, but as is ever the case with regulated companies, the interloper proved too strong.

The permanent camps in Germany saw the highest level of commercial organization. In addition to the Exchange and Mart notice boards, a shop was organized as a public utility, controlled by representatives of the Senior British Officer, on a no profit basis. People left their surplus clothing, toilet requisites and food there until they were sold at a fixed price in cigarettes. Only sales in cigarettes were accepted - there was no barter - and there was no higgling. For food at least there were standard prices: clothing is less homogeneous and the price was decided around a norm by the seller and the shop manager in agreement; shirts would average say 80, ranging from 60 to 120 according to quality and age. Of food, the shop carried small stocks for convenience; the capital was provided by a loan from the bulk store of Red Cross cigarettes and repaid by a small commission taken on the first transactions. Thus the cigarette attained its fullest currency status, and the market was almost completely unified.

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THE CIGARETTE CURRENCY

Although cigarettes as currency exhibited certain peculiarities, they performed all the functions of a metallic currency as a unit of account, as a measure of value and as a store of value, and shared most of its characteristics. They were homogeneous, reasonably durable, and of convenient size for the smallest or, in packets, for the largest transactions. Incidentally they could be clipped or sweated by rolling them between the fingers so that tobacco fell out.

Cigarettes were also subject to the working of Gresham's Law. Certain brands were more popular than others as smokes, but for currency purposes a cigarette was a cigarette. Consequently buyers used the poorer qualities and the Shop rarely saw the more popular brands: cigarettes such as Churchman's No. 1 were rarely used for trading. At one time cigarettes hand-rolled from pipe tobacco began to circulate. Pipe tobacco was issued in lieu of cigarettes by the Red Cross at a rate of 25 cigarettes to the ounce and this rate was standard in exchanges, but an ounce would produce 30 home-made cigarettes. Naturally people with machine-made cigarettes broke them down and re-rolled the tobacco, and the real cigarette virtually disappeared from the market. Hand-rolled cigarettes were not homogeneous and prices could no longer be quoted in them with safety: each cigarette was examined before it was accepted and thin ones were rejected, or extra demanded as a make-weight. For a time we suffered all the inconveniences of a debased currency.

Machine-made cigarettes were always universally acceptable, both for what they would buy and for themselves. It was this intrinsic value which gave rise to their principal disadvantage as currency, a disadvantage which exists, but to a far smaller extent, in the case of metallic currency; that is, a strong demand for non-monetary purposes. Consequently our economy was repeatedly subject to deflation and to periods of monetary stringency. While the Red Cross issue of 50 or 25 cigarettes per man per week came in regularly and while there were fair stocks held, the cigarette currency suited its purpose admirably. But when the issue was interrupted, stocks soon ran out, prices fell, trading declined in volume and became increasingly a matter of barter. This deflationary tendency was periodically offset by the sudden injection of new currency. Private cigarette parcels arrived in a trickle throughout the year, but the big numbers came in quarterly when the Red Cross received its allocation of transport. Several hundred thousand cigarettes might arrive in the space of a fortnight. Prices soared, and then began to fall, slowly at first but with increasing rapidity as stocks ran out, until the next big delivery. Most of our economic troubles could be attributed to this fundamental instability.

PRICE MOVEMENTS

Many factors affected prices, the strongest and most noticeable being the periodical currency inflation and deflation described in the last paragraphs. The periodicity of this price cycle depended on cigarette and, to a far lesser extent, on food deliveries. At one time in the early days, before any private parcels had arrived and when there were no individual stocks, the weekly issue of cigarettes and food parcels occurred on a Monday. The non-monetary demand for cigarettes was great, and less elastic than the demand for food: consequently prices fluctuated weekly, falling towards Sunday night and rising sharply on Monday morning. Later, when many people held reserves, the weekly issue had no such effect, being too small a proportion of the total available. Credit allowed people with no reserves to meet their non-monetary demand over the weekend.

The general price level was affected by other factors. An influx of new prisoners, proverbially hungry, raised it. Heavy air raids in the vicinity of the camp probably increased the non-monetary demand for cigarettes and accentuated deflation. Good and bad war news certainly had its effect, and the general waves of optimism and pessimism which swept the camp were reflected in prices. Before breakfast one morning in March of this year, a rumor of the arrival of parcels and cigarettes was circulated. Within ten minutes I sold a treacle ration, for four cigarettes (hitherto offered in vain for three), and many similar deals went through. By 10 o'clock the rumor was denied, and treacle that day found no more buyers even at two cigarettes.

More interesting than changes in the general price level were changes in the price structure. Changes in the supply of a commodity, in the German ration scale or in the make-up of Red Cross parcels, would raise the price of one commodity relative to others. Tins of oatmeal, once a rare and much sought after luxury in the parcels, became a commonplace in 1943, and the price fell. In hot weather the demand for cocoa fell, and that for soap rose. A new recipe would be reflected in the price level: the discovery that raisins and sugar could be turned into an alcoholic liquor of remarkable potency reacted permanently on the dried fruit market. The invention of electric immersion heaters run off the power points made tea, a drug on the market in Italy, a certain seller in Germany.

In August, 1944, the supplies of parcels and cigarettes were both halved. Since both sides of the equation were changed in the same degree, changes in prices were not anticipated. But this was not the case: the non-monetary demand for cigarettes was less elastic than the demand for food, and food prices fell a little. More important however were the changes in the price structure. German margarine and jam, hitherto valueless owing to adequate supplies of Canadian butter and marmalade, acquired a new value. Chocolate, popular and a certain seller, and sugar, fell. Bread rose; several standing contracts of bread for cigarettes were broken, especially when the bread ration was reduced a few weeks later.

In February, 1945, the German soldier who drove the ration wagon was found to be willing to exchange loaves of bread at the rate of one loaf for a bar of chocolate. Those in the know began selling bread and buying chocolate, by then almost unsaleable in a period of serious deflation. Bread, at about 40, fell slightly; chocolate rose from 15; the supply of bread was not enough for the two commodities to reach parity, but the tendency was unmistakable.

The substitution of German margarine for Canadian butter when parcels were halved naturally affected their relative values, margarine appreciating at the expense of butter. Similarly, two brands of dried milk, hitherto differing in quality and therefore in price by five cigarettes a tin, came together in price as the wider substitution of the cheaper raised its relative value.

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PUBLIC OPINION

Public opinion on the subject of trading was vocal if confused and changeable, and generalizations as to its direction are difficult and dangerous. A tiny minority held that all trading was undesirable as it engendered an unsavory atmosphere; occasional frauds and sharp practices were cited as proof. Certain forms of trading were more generally condemned; trade with the Germans was criticized by many. Red Cross toilet articles, which were in short supply and only issued in cases of actual need, were excluded from trade by law and opinion working in unshakable harmony. At one time, when there had been several cases of malnutrition reported among the more devoted smokers, no trade in German rations was permitted, as the victims became an additional burden on the depleted food reserves of the Hospital. But while certain activities were condemned as anti-social, trade itself was practiced, and its utility appreciated, by almost everyone in the camp.

More interesting was opinion on middlemen and prices. Taken as a whole, opinion was hostile to the middleman. His function, and his hard work in bringing buyer and seller together, were ignored; profits were not regarded as a reward for labor, but as the result of sharp practices. Despite the fact that his very existence was proof to the contrary, the middleman was held to be redundant in view of the existence of an official Shop and the Exchange and Mart. Appreciation only came his way when he was willing to advance the price of a sugar ration, or to buy goods spot and carry them against a future sale. In these cases the element of risk was obvious to all, and the convenience of the service was felt to merit some reward. Particularly unpopular was the middleman with an element of monopoly, the man who contacted the ration wagon driver, or the man who utilized his knowledge of Urdu. And middlemen as a group were blamed for

reducing prices. Opinion notwithstanding, most people dealt with a middleman, whether consciously or unconsciously, at some time or another.

There was a strong feeling that everything had its "just price" in cigarettes. While the assessment of the just price, which incidentally varied between camps, was impossible of explanation, this price was nevertheless pretty closely known. It can best be defined as the price usually fetched by an article in good times when cigarettes were plentiful. The "just price" changed slowly; it was unaffected by short-term variations in supply, and while opinion might be resigned to departures from the "just price," a strong feeling of resentment persisted. A more satisfactory definition of the "just price" is impossible. Everyone knew what it was, though no one could explain why it should be so.

As soon as prices began to fall with a cigarette shortage, a clamor arose, particularly against those who held reserves and who bought at reduced prices. Sellers at cut prices were criticized and their activities referred to as the black market. In every period of dearth the explosive question of "should non-smokers receive a cigarette ration?" was discussed to profitless length. Unfortunately, it was the nonsmoker, or the light smoker with his reserves, along with the hated middleman, who weathered the storm most easily.

The popularity of the price-fixing scheme, and such success as it enjoyed, were undoubtedly the result of this body of opinion. On several occasions the fall of prices was delayed by the general support given to the recommended scale. The onset of deflation was marked by a period of sluggish trade; prices stayed up but no one bought. Then prices fell on the black market, and the volume of trade revived in that quarter. Even when the recommended scale was revised, the volume of trade in the Shop would remain low. Opinion was always overruled by the hard facts of the market.

Curious arguments were advanced to justify price fixing. The recommended prices were in some way related to the calorific values of the foods offered: hence some were overvalued and never sold at these prices. One argument ran as follows: not everyone has private cigarette parcels: thus, when prices were high and trade good in the summer of 1944, only the lucky rich could buy. This was unfair to the man with few cigarettes. When prices fell in the following winter, prices should be pegged high so that the rich, who had enjoyed life in the summer, should put many cigarettes into circulation. The fact that those who sold to the rich in the summer had also enjoyed life then, and the fact that in the winter there was always someone willing to sell at low prices were ignored. Such arguments were hotly debated each night after the approach of Allied Aircraft extinguished all lights at 8 p.m. But prices moved with the supply of cigarettes, and refused to stay fixed in accordance with a theory of ethics.

CONCLUSION

The economic organization described was both elaborate and smooth-working in the summer of 1944. Then came the August cuts and deflation. Prices fell, rallied with deliveries of cigarette parcels in September and December, and fell again. In January 1945, supplies of Red Cross cigarettes ran out: and prices slumped still further: in February the supplies of food parcels were exhausted and the depression became a blizzard. Food, itself scarce, was almost given away in order to meet the non-monetary demand for cigarettes. Laundries ceased to operate, or worked for pounds or RMk.s: food and cigarettes sold for fancy prices in pounds, hitherto unheard of. The Restaurant was a memory and the BMk. a joke. The Shop was empty and the Exchange and Mart notices were full of unaccepted offers for cigarettes. Barter increased in volume, becoming a larger proportion of a smaller volume of trade. This, the first serious and prolonged food shortage in the writer's experience, caused the price structure to change again, partly because German rations were not easily divisible. A margarine ration gradually sank in value until it exchanged directly for a treacle ration. Sugar slumped sadly. Only bread retained its value. Several thousand cigarettes, the capital of the Shop, were distributed without any noticeable effect. A few fractional parcel and cigarette issues, such as one-sixth of a parcel and twelve cigarettes each, led to momentary price recoveries and feverish trade, especially when they coincided with good news from the Western front, but the general position remained unaltered.

By April, 1945, chaos had replaced order in the economic sphere: sales were difficult, prices lacked stability. Economics has been defined as the science of distributing limited means among unlimited and competing ends. On 12th April, with the arrival of elements of the 30th US. Infantry Division, the ushering in of an age of plenty demonstrated the hypothesis that with infinite means economic organization and activity would be redundant, as every want could be satisfied without effort.

<http://icm.clsbe.lisboa.ucp.pt/docentes/url/jcn/ie2/0POWCamp.pdf>