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A Market for Men, or: There is no such Thing as a Free Lynch

by

BRUNO S. FREY and HEINZ BUHOFFER*

There is a deep rooted aversion towards evaluating human beings in terms of money or exchanging them for a price. This is reflected in the constitutions and laws of many countries specifically prohibiting the buying or selling of human life even if the people concerned were to agree.

Yet it is hardly realized that an extended period in history existed in which there was a well established market for men with beneficial consequences for society: In the (European) Middle Ages the market for the redemption of prisoners of war saved many human lives, diminished their suffering, and generally decreased the brutality of war. The purpose of this note is to present a short overview of this market for men.

1. Rational Soldiers

On the field of battle, the medieval soldier had to decide whether to kill a defeated enemy, or to take him prisoner in order to release him against a ransom. Literature is full of evidence that this decision was taken rationally in the sense that the benefits and costs of these alternatives were taken into account and did affect behavior in a systematic way. If the net value of sparing a beaten adversary was positive he or she was taken prisoner and offered on the ransoming market. As one author bluntly states this condition seems to have obtained often: "This practice (of taking prisoners) was far more profitable than killing" (Rosas [1976], p. 44).

That soldiers remain rational on the battlefield stands in stark contrast to prevailing views even among economists. It is commonly assumed that in the heat of the struggle soldiers lose control of themselves, and that they certainly would not undertake an (implicit) benefit-cost evaluation of their actions. In actual fact, soldiers were well aware of their economic advantages when fighting, and behaved accordingly. To mention just one piece of

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evidence: Time and again the war leaders in Switzerland formally forbade their soldiers to take prisoners, ordering as many as possible to be killed. Though this behavior was less risky for the individual soldiers (there is always a risk of the captive striking back) this order was nevertheless more or less ignored because it was against the economic interests of the individual warriors (see SCHAUFELBERGER [1952], p. 168–189, with many references). So, paradoxically, the soldiers in the midst of the battle behaved more humanely than the war leaders behind the front.

The rational (or economic) behavior (BECKER [1976]) of the soldiers also contrasts strongly with the view that the treatment of the enemy is a matter of morality and religious values. Unfortunately, there is little evidence to that effect in history. On the contrary, there are many examples of cultured and religious soldiers slaughtering their adversaries without mercy. When, for example, the Christian knights conquered Jerusalem in the First Crusade (1099) they killed everybody, men, women and children (RUNCIMAN [1955], p. 10, 274). On the other hand, even such an inhuman and utterly criminal organization as the Nazi SS (Schutzstaffel) which treated the inmates of concentration camps (KZ) in a barbaric way as long as manpower was not yet really scarce, began to improve their living conditions and treatment when the prisoners became more "valuable" due to increasing labor scarcity. It has indeed been shown that mortality dropped markedly between 1943 and the fall of 1944, as compared to the years 1940–1942 (PINGEL [1981], p. 160; for the role of property rights in the Gulag see ANDERSON and TOLLISON [1986]). Towards the end of the war, living conditions deteriorated again, along with those of the rest of the population. It is clear that these *changes* in behavior cannot in any way be attributed to (changes in) morality, as was frankly admitted by Hitler's minister of armament, SPEER [1969], p. 380–382.

2. The Value of a Prisoner

In the Middle Ages captured soldiers were routinely sold for a price (ransom) on a market for prisoners¹. The following factors determining demand, supply and transactions costs may be distinguished (for a more extensive analysis see FREY and BUHOFER [1987]).

The release of a person captured in a war was demanded by the prisoner himself (on the basis of his material property), his family, and organizations he belonged to (guilds, orders etc.). The following determinants of demand are well documented in the historical literature: The higher the income and wealth of a prisoner, the higher the price offered for his release, and the more readily he (or in the case of Joan of Arc, she) is spared in battle, treated

¹ Excellent sources and more extensive accounts from the historians' point of view are provided in ROSAS [1976], GLOVER [1982] and ERLER [1978]. For reasons of space, only illustrations are given here.

well and ransomed. Poor soldiers are treated worse and have a smaller chance of survival. It is thus no accident that the aristocrats killed up to 30 000 peasants in the German so called Peasants' War (1524–1525), while the peasants shed less blood.

Prisoners with higher human capital and better health, and who were younger, had a better chance to be treated well and to survive than the uneducated, ill and old. The latter fetched prices so low, that the soldiers often did not find it worthwhile to run the cost of sparing them.

The following determinants are of prime importance with respect to supply. The higher the cost of sparing an enemy to the prospective captor, the more will be killed or badly treated. The relevant cost comprises the risk of being attacked by the prisoners, the cost of guarding, feeding and medically treating them, and the risk of not getting a ransom after all. Straightforward cost factors have also been relevant in later times: In the American War of Independence "[m]uch of the ill-treatment was due to the unpreparedness of the Americans to receive so large a number of prisoners. An explanation which recurs with depressing frequency in all wars" (GLOVER [1982], p. 173).

The better the *property rights* of the capturer over his prisoners are, the more lenient he tends to be. In the Middle Ages, the *individual* soldier taking a prisoner acquired a well-defined property in his booty and "it was usual to go to court for the settlement of economic disputes between the prisoner and his family and the captor ..." (ROSAS [1976], p. 48). Their property and the corresponding ransom could be inherited (for further details see KEEN [1965]). The importance of strictly defining the property right over a prisoner was well understood by the medieval soldiers. Thus "[a]ny mercenary would insist on a clear statement of the division of the bounty (including ransoms) being written in his contract" (GLOVER [1982], p. 159). When a prisoner was particularly profitable, the soldiers even went so far as to found a limited company to exploit their rights (KEEN [1965], p. 152).

By old custom, prominent prisoners had to be put at the disposal of the commander-in-chief, but the capturer maintained his property rights in so far as he had to be adequately compensated (GLOVER [1982], p. 160, ROSAS [1976], p. 51).

The *incentive problems* connected with ransoming were well understood and taken into account. It was not required by law to ransom anybody, not even a family member, because it was clear that this would drive up prices for releasing prisoners². Higher prices may provoke bellicose actions for the sake of ransoms.

² In 1448 the citizens of Berne captured a soldier from Fribourg (then not yet part of Switzerland), and asked 200 guilders for his release. Notified of this price, his wife flatly refused to pay, stating that her husband was not worth the price and that she would not dream of spending so much money for the purpose. (SCHAUFELBERGER [1952], p. 181). While this *may* – but need not – have been a strategic answer to bring down the price, she was legally entitled to refuse.

Organizations such as guilds and knightly orders which had statutes saying that they would ransom prisoners, in a very rational way made that ransom conditional on a certain type of behavior of the people before they were captured: They had to be on an official mission, they had to minimize the risk of being captured, and they had to prove that they behaved valiantly (ERLER [1978], p. 22–25).

One of the main problems in a market for prisoners is the establishing of contact between the two market sides in order to arrive at a mutually agreeable price. The more efficient this mediation, the more defeated soldiers are spared and released from captivity. Two conditions determine the *transactions cost* involved.

Firstly, mutually accepted rules and procedures are to determine the price and the way the ransom is to be paid. In the late Middle Ages it was customary to ask the prisoner to evaluate his own worth (KEEN [1965], p. 169), a most intelligent procedure. Noblemen and officers who gave their word of honor were usually free to move (and sometimes even to go home), a rule which reduced the cost of “captivity” to both sides of the market.

Secondly, specialized neutral intermediaries with good information may often decisively help to strike a deal. They may be individuals (a role often taken up by Jews), or “private” organizations such as religious orders specifically founded for this purpose. Two catholic orders were praised for their efficiency: The Ordo Beatae Mariae Virginis de Mercede Redemptionis Captivorum (founded in 1218 as a knightly order, and transformed 1318 in a purely religious one to stress its neutrality) is reputed to have saved 70 000 prisoners over 500 years, mainly from the Saracens. The Ordo Trinitatis Redemptionis Captivorum (founded 1198) is said to have saved even 900 000 prisoners from captivity over a similar period (ERLER [1978], p. 32f.). In Spain, the state established a monopoly for buying prisoners from the North African Arabs, but nothing is known about its efficiency.

3. Prices Payed

Up to the 17th century it was customary to pay a ransom in cash. Later soldiers of similar value were exchanged for each other and the residue was paid in cash. Pieces of information about the prices exist: On the Algerian slave market, an equilibrium price established itself according to which an ordinary prisoner was worth as much as and released for 50 guilders, i.e. the price of eight working horses costing about six guilders apiece (ERLER [1978], p. 45).

It was customary to ask for a captured knight the equivalent of his yearly income from property (GLOVER [1982], p. 161, KEEN [1965], p. 158). In the “ransoming cartels”, agreed on by two countries considering to go into war against each other (second half of the 17th and first half of the 18th century),

the following prices were, for example, fixed in a treaty between Austria and Sweden in 1642:

Field marshal	20 000	} taler
Colonel	1 000	
Captain (cavalry)	200	
(infantry)	150	
Non-commissioned officer	16	
Private	8	

Prominent, especially royal, prisoners fetched extremely high prices. Richard I (Lionheart) of England was sold by the Austrian Duke Leopold to the German Emperor Henry VI for 50 000 Marks, a sum which enabled Leopold to build the wall around Vienna. Henry VI then sold Richard for thrice the sum (150 000 Marks) to England, thereby financing his costly campaigns in Sicily (all based on ERLER [1978], pp. 37–44).

4. Breakdown of the Market

The emergence of a well-defined market for prisoners was considered progress towards civilization and humanity by such eminent scholars as Hugo Grotius in his *De jure belli ac pacis* (1625). It reduced the brutality of war significantly, and the arrangement was Pareto-optimal for both sides in the conflict. The market started to lose its efficiency when governments gradually started to claim the property rights over captives for themselves. This destroyed the incentives of the soldiers in the battlefield to spare the defeated enemy. The French revolutionary state with its nationalist orientation forbade any trade with the enemy in 1792 and 1793. At the same time conscription reduced the “value” of a soldier to his own country. As a consequence the revolutionary and Napoleonic wars were characterized by extremely large numbers of fatalities, and there was little interest in caring for the wounded (in particular those of the enemy). The terrible experience of the battle of Solferino led Henry Dunant to found the Red Cross (1863). This and other humanitarian organizations and the respective international treaties were of limited effectiveness: [The circumstances] “made deviations the rule rather than the exception... The international agreements function as ideal models that could only remotely be achieved in practice” (Encyclopedia of the Social Sciences (1968), p. 141).

5. Revival of the Market

Though the use of the words “market” and “price” are carefully evaded, in certain areas a market for prisoners has emerged again. People kidnapped

by terrorists or criminals (such as the Mafia) are often ransomed. The market is, however, characterized by high transaction cost because there are strong forces trying to suppress it. Mutually accepted rules and procedures are largely missing, and it is difficult to find trusted intermediaries.

There is also a (more or less clandestine) market for prisoners in which the state acts as a demander. In the period 1964–1977, the West German Government "bought" about 13 500 people imprisoned in the German Democratic Republic (MEYER [1977]). The prices payed were approximately 30 000 DM for a worker, 40–50 000 DM for a teacher, 120–150 000 DM for a graduate, and 150–180 000 DM for a medical doctor.

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