



THE FORMATION AND  
IMPLEMENTATION OF THE  
SOCIAL MARKET ECONOMY  
BY ALFRED MÜLLER-ARMACK  
AND LUDWIG ERHARD

INCIPIENCY AND ACTUALITY

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# THE FORMATION AND IMPLEMENTATION OF THE SOCIAL MARKET ECONOMY BY ALFRED MÜLLER-ARMACK AND LUDWIG ERHARD

INCIPIENCY AND ACTUALITY<sup>1</sup>

*Christian L. Glossner | David Gregosz*

In view of Germany's coping with the current international financial and economic crises, once again the Social Market Economy as the Federal Republic's distinctive model of coordinated social and economic policy has received both considerable attention and general praise. In order to explain the relative robustness and associated continuing attractiveness of this variant of a neo-liberal socio-political and economic concept,<sup>2</sup> it is important to recall the formation and definition of the Social Market Economy, which was developed and implemented in times of economic, political and societal crises.

## **STRUGGLE FOR EXISTENCE AND SOCIALIST ZEITGEIST IN THE AFTERMATH OF THE SECOND WORLD WAR AND THE THIRD REICH**

The end of the Second World War left Germany in an unprecedented state of defeat, destruction, and disorganisation. Administration virtually disintegrated and German political and economic life had reached 'point zero'.<sup>3</sup> Although there was no *Stunde Null* (zero hour) and anarchy,

this notion closely describes the perception of ordinary as well as informed contemporaries. Never did the future of Germany seem less viable, never the chaos more ubiquitous. People were simply disarmed by the facts. Life in post-war Germany in 1945 was dominated by a sense of stupor and an instinctive search for direction. The war changed everything and a return to the way things had been before 1933 was out of the question – this included the former capitalist economic system. As capitalism was distinctly associated with the great depression that followed the stock-market crash in 1929, the waste of unemployment, the inequalities, injustices, inefficiencies and the discredited policy of the inter-war years, governmental planning and the enhanced role of the state in social and economic affairs became the political religion in post-war Germany in 1945. The belief in centralist governmental economic planning favoured by a majority of the residents in occupied Germany in January 1946 was matched by the faith in improving economic conditions.<sup>4</sup> A very broad constituency took up the idea that a well-planned economy would not only improve economic conditions but also meant a fairer and better-regulated society. Thus most political parties at that time reacted to that socialist *Zeitgeist*, and socialism and socialisation played a distinctive role in their programmatic development and their campaign for the forthcoming communal and state legislature elections in 1946.

The numerous newly founded parties, such as the *Christlich-Demokratische Union Deutschlands* (CDU), the *Christlich-Demokratische Partei* (CDP), the *Christlich-Soziale Union* (CSU), the *Christliche Union* (CU), the *Christlich-Soziale Volkspartei* (CSVP), the *Christliche Volkspartei des Saarlandes* (CVP), the *Christlich-Soziale Unionspartei* (CSUP), the *Christlich-Nationale Union* (CNU), the *Christlich-Demokratische Volksbund* (CDV) or the *Christlich-Demokratische Block* (CDB), were unified by a commitment to Christian social responsibility in order to cope with the prevailing social and economic situation in the aftermath of the Third Reich and the Second World War.<sup>5</sup> Thus the early programmatic discussions of the Christian Democrats were concerned with the reestablishment of a liberal, democratic and humane social and economic order. Based on Thomas Aquinas' teaching and the *Katholische Soziallehre* (Catholic social doctrine), the conviction that neither an evidently inadequate pre-war liberal capitalism nor an equally antisocial doctrinaire communism but only an economic and social model oriented entirely toward common welfare would serve society, became manifest in so-called 'Christian Socialism'.<sup>6</sup> While in the first post-war years socialism

became *the* socio-political slogan and socialist planning was at the centre of both the political and the public debate,<sup>7</sup> the economic conception and the programmatic definition of Christian Socialism remained subject to interpretation and even criticism.

In order to overcome the party's internal fragmentation mainly regarding the degree of socialisation and to consolidate the CDU organisationally and programmatically, the influential former Lord Mayor of Cologne and then Chairman of the CDU in the British occupation zone, Konrad Adenauer pushed for consultations in order to produce an attractive manifesto. Eventually, his formulation of a so-called '*Gemischtwirtschaft*' (Mixed Economy) that allocated economic power to both the private and public sectors as a compromise and alternative to general socialisation became central to the CDU's principles for economic and social policy proclaimed by Adenauer in Essen on 24 August 1946. According to the party chairman of the Rhenish CDU, these economic and social guidelines were meant to form the basis for a comprehensive party platform for the Christian Union on a national level.<sup>8</sup> Adenauer's pragmatic efforts to integrate the political wings of the CDU and to consolidate the party aimed at providing an alternative economic concept to the socialisation plans of the *Sozialdemokratische Partei Deutschlands* (SPD) for both the upcoming parliamentary debates and the local and state legislature elections taking place in September and October 1946.

In these polls, the Union was the most successful party (often by a clear margin) in seven out of thirteen *Länder* in the three western zones of occupation. The victory of the CDU/CSU parties became even more manifest when they gained the majority of popular support in 16 of the 25 local elections although the SPD won four out of six regional elections in the year 1946.<sup>9</sup> These outstanding results of the first free elections in post-war Germany can be attributed to the fact that after 1945, the Union had a near-monopoly of the Catholic vote. At that time, this still mattered a lot: the Catholic vote was still heavily conservative, especially on social questions and in regions of high Catholic practice, such as Bavaria. Traditional Catholic voters in western Germany would rarely vote Socialist and almost never Communist. But, and this was the peculiarity of the post-war era, even conservative Catholics often had no choice but to vote Christian Democrat and Christian Socialist respectively, despite the reformist bent of Christian Democratic politicians and policies, because conventional right-wing parties were either under a shadow or else banned outright. Even non-Catholic conservatives and the middle-

class turned increasingly to the Union (or to the Liberal Democrats), as a bar to the 'Marxist' Left. Thus, the emergence of the parties to the right of Social Democracy as the leading political force was variously regarded as a rejection of extremism, leftism and radicalism in any form.<sup>10</sup> Yet the adoption of the proportional electoral system or rather a combination of the majority vote and proportional representation also helped to stabilise support for the emerging parties in the three western zones.

Thus, in spite of the then predominant socialist *Zeitgeist* and the perceived general preference for centralist governmental macroeconomic planning, for an enhanced role for the state in social and economic affairs, and, ultimately, for universal nationalisation advocated predominantly by the SPD and the *Kommunistische Partei Deutschlands* (KPD), the CDU's economically rather liberal Christian Socialism arguing for limited socialisation restricted to core industries became increasingly accepted in the political and public debate in 1945/1946. Indeed, neither the Social Democrats nor the CDU put forward a particular economic model in their campaigns and thus it is arguable whether the electorate voted according to economic considerations and motives. Nonetheless, the majority of the eligible voters in post-war West Germany apparently relied on the conservative parties in order to tackle the present and imminent difficulties, such as the food scarcity and housing shortage, and to provide a new direction for a better future.

Optimism about the incipient economic recovery and improving living conditions came to a grinding halt in the severe winter of 1946/1947. Canals froze, roads and railways were impassable for weeks at a time. Coal, still in short supply, could not keep up with domestic demand, and many, not only the 7.5 million homeless – in post-war Germany, at least 3.8 million homes out of a stock of 19 million had been completely destroyed and in the cities hit hardest by the bombing, losses in housing stock ran to 50 per cent<sup>11</sup> – suffered from the extreme cold. Despite economic growth in the western zones, general industrial production slumped to the level of the previous year during which it was merely 32 per cent of the output in 1938.<sup>12</sup> Steel Production fell back sharply by 40 per cent compared to the previous year, and agricultural food output fell from 70 per cent in 1946 to 58 per cent of its pre-war level in 1947;<sup>13</sup> a development attributable above all to the lack of transportation caused, in part, by an exceptionally cold winter. The economy hit rock bottom, when lack of energy caused widespread industrial stoppages. But also

calorific provision in the western zones of occupation dropped sharply from an average of 1,500 per day per adult in mid 1946 to just 740-800 calories in early 1947.<sup>14</sup> While 30 per cent of the population mentioned food as their chief source of concern in March 1946, this figure now rose to 40 per cent; in Berlin, where the situation was consistently worse, even up to 74 per cent reported insufficient supply of food in February 1947.<sup>15</sup> Those family treasures that had not been destroyed by bombs, stolen or broken were now eaten up; and so-called '*Hamstern*', i.e. the illegal trading with farmers and smallholders, did little to supplement rationing since farmers did not trust the money. In the winter of 1946/47, as many as 60,000 chiefly elderly Germans died of the cold and hunger. In this situation, various hunger demonstrations and even disturbances took place all over the western zones. Germans lost faith in the probability of economic recovery. Whereas in December 1945 nearly eight in ten thought that economic conditions would improve, by April 1947 only 45 per cent believed so.<sup>16</sup> In the course of the first 22 months following the Allied victory the mood among the German populace swung from relief at the mere prospect of peace and a fresh start to stony resignation and growing disillusion mainly due to perceived bad governance and the magnitude of the tasks still ahead.

#### **GOVERNMENTAL CONTROL OF THE ECONOMY AND GEMEINWIRTSCHAFT**

Due to the then severe economic situation, complicated even further by the challenge to integrate some 10 million refugees and expellees from the eastern parts of the former Reich and the German-occupied territories, economic and social concerns dominated not only the political but also the public debate in spring 1947. Hence, the political parties' concepts of social and economic policy increasingly came to the fore in the run-up to the *Landtag* elections in North Rhine-Westphalia, Schleswig-Holstein and Lower Saxony on 20 April, and in Baden, Rhineland-Palatinate and Württemberg-Hohenzollern on 18 May 1947. Whereas mainly socio-political issues had dominated election campaigns in the previous year, henceforth socio-economic issues generally displaced these. In contrast to the Social Democrats advocating centralist macroeconomic planning and the nationalisation of core industries in order to overcome the economic and social misery of that time, the Christian Democrats competed with their vaguely defined concept of a *Gemeinwirtschaft*.



Source: ACDP

While both parties endorsed socialisation, the CDU's economic and socio-political programme adopted as party platform and manifesto at the third party convention of the CDU in the Westphalian town of Ahlen on 3 February set clear limits to collectivisation and governmental control of the economy by maintaining private entrepreneurship. For the time being, however, the Christian Democrats did not venture further economic reforms and, thus, the public believed that it observed political parties competing towards the left.<sup>17</sup> The dire consequences of the war were still too noticeable and

most people considered a state-controlled and planned economy necessary to cope with the misery that presented itself in spring 1947.<sup>18</sup> Moreover, many Germans still saw capitalism as largely responsible for the soulless materialism of the modern age and for the alienation of man from his spiritual beliefs and from true religious values.

Due to these realities, and considerations, the SPD was confident about the outcome of both the upcoming state legislature elections and the petition for a referendum on the socialisation debate to be held in the British occupation zone on 20 April 1947. Nevertheless, the public opinion poll was dismissed and it was only in the elections in Lower Saxony and Schleswig-Holstein that the Social Democrats had success. There, however, the SPD's victory was not attributed to its programme for socialisation and a planned economy but mainly to the large number of newly-arrived refugees, who made up nearly 40 per cent of the population and who saw in it their best hope for a redistribution of wealth as a means of compensation for their losses in the East.<sup>19</sup> In all other four states, the Christian Democrats proved to be the most successful party; often by a clear margin, such as in Baden and Wuerttemberg-Hohenzollern.<sup>20</sup> Thus once more after the local and state legislature elections in 1946, the newly established conservative party, whose ideological basis proved broad enough to integrate successfully the variety of political positions to the right of Social Democracy, did surprisingly well in elec-

tions which were indeed about economic concerns but not (yet) about economic concepts.

Despite their mediocre performance in the local and *Landtag* elections, the Social Democrats managed to attain the post of Prime Minister in five out of eleven *Länder* parliaments and additionally occupied eight ministries of economics. Thus, the CDU and the CSU, which had both arrived at a common economic programme, i.e. the *Ahlener Programm*, and committed themselves to a joint group in the first post-war legislative parliament and progenitor of the German *Bundestag*, the *Wirtschaftsrat* (Economic Council), demanded the decisive post of the Director of the *Verwaltung für Wirtschaft* (Administration for Economics). In the Economic Council constituted in Frankfurt on 25 June 1947, the 20 representatives of the Union faced 20 delegates of the SPD and the two different economic agendas of a socialist state-run economy and the more market-oriented *Gemeinwirtschaft* competed in an official and decision-making political body for the first time in post-war West Germany. Concerning the implementation and communication of any future economic model, both parliamentary party groups attached great importance to the Administration for Economics; after all, the administration and its director were given both a media apparatus, with its own publications, such as *Wirtschaftsverwaltung*, and an exposed position due to the influence on economic policy. Thus, when the Executive Directors – among them the key position of the Director of the Administration for Economics – nominated for election by the Executive Committee were due for approval by the Economic Council, it came to a decisive confrontation between the two parliamentary groups on 22/24 July 1947. In view of the fact that the SPD had already obtained the post of Prime Minister in five out of eleven *Länder* parliaments and further occupied eight ministries of economics, the CDU/CSU parliamentary group claimed the position of the Director of the Administration for Economics in the Economic Council. Having agreed on a candidate who was supposed to be one hundred per cent in line with the *Ahlener Programm*, Adenauer called for closeness within the parliamentary group when it came to the final ballot. There, supported by the votes of the delegates of the *Deutsche Partei* (DP) and the *Freie Demokratische Partei* (FDP), the Union obtained the majority and Johannes Semler (CSU), nominated by CSU party chairman Josef Müller,<sup>21</sup> became Director of the Administration for Economics on 24 July 1947. When Semler had been dismissed due to his critical utterances concerning the American food supply by the military

authorities merely six months later, the then relatively unknown and politically unaligned Ludwig Erhard<sup>22</sup> was elected as his successor in the plenary meeting of the Economic Council on 2 March 1948. The Union's decision to approve the nomination of the then politically relatively inexperienced Ludwig Erhard for this decisive post was arguably more influenced by party political considerations rather than by the preference for a particular regulatory policy. The parliamentary group had unanimously and repeatedly committed itself to the *Ahlfener Programm* and did initially not intend to move from its part-liberal part-interventionist economic policy and *Gemeinwirtschaft* to Erhard's consequent liberalisation of the economy<sup>23</sup> and *Sozialer Marktwirtschaft* (Social Market Economy), which he introduced at the fourteenth plenary meeting of the Economic Council on 21 April 1948.<sup>24</sup>

#### FORMATION OF THE SOCIAL MARKET ECONOMY BY ALFRED MÜLLER-ARMACK

In order to return to economic liberalism after more than a decade of a controlled economy, and in view of the absence of functioning market principles in the immediate post-war years, Walter Eucken's and the Freiburg School's ordo-liberal competitive order<sup>25</sup> was further developed by the Cologne School around the economist and anthropologist Alfred Müller-Armack who therefore coined the term '*Soziale Marktwirtschaft*' in a publication in December 1946.<sup>26</sup> Although it evolved from ordo-liberalism, this concept was not identical with the conception of the Freiburg School as it emphasised the state's responsibility actively to improve the market condition and simultaneously to pursue a social balance.<sup>27</sup> In contrast to Eucken, who sought an answer to the social question by establishing a functioning competitive order within a constitutional framework, Müller-Armack conceived the Social Market Economy as a regulatory policy idea aiming to combine free enterprise with a social programme that is underpinned by market economic performance.<sup>28</sup> In putting social policy on a par with economic policy, Müller-Armack's concept was more emphatic regarding socio-political aims than the ordo-liberal economic concept. This dual principle was also to be found in the name of the model. Although the adjective 'social' was often criticised as a decorative fig leaf or conversely, a gateway for antiliberal interventionism,<sup>29</sup> it meant more than simply distinguishing the concept from that of *laissez-faire*<sup>30</sup> capitalism on the one side and of ordo-liberal conceptions on the other.<sup>31</sup> In drawing on Wilhelm Röpke's anthropo-

sociological approach of an economic humanism leading to a 'Civitas Humana',<sup>32</sup> Müller-Armack pursued a 'Social Humanism' or 'Social Irenics'<sup>33</sup> – the notion 'irenicus' is derived from the Greek word *Ειρήνη* (*eirene*) which means being conducive to or working toward peace, moderation or conciliation – to overcome existing differences in society. Therefore, the Social Market Economy as an extension of neo-liberal thought was not a defined economic order but a holistic conception pursuing a complete humanistic societal order as a synthesis of seemingly conflicting objectives, namely economic freedom and social security.<sup>34</sup> This socio-economic imperative actively managed by a strong state – in contrast to the ordo-liberal minimal state solely safeguarding the economic order<sup>35</sup> – is often labelled by the ambiguous but historical term 'Der Dritte Weg' (Third Way).<sup>36</sup>

The concept of the Social Market Economy received fundamental impulses from reflection and critique of historical economic and social orders, namely Smithian *laissez-faire* liberalism on the one hand and Marxian socialism on the other. Furthermore, various 'Third Way' conceptions prepared the ground for the socio-economic concept. Already in the late nineteenth century, the *Kathedersozialisten* (Catheder Socialists), engaged in social reforms in the *Verein für Socialpolitik*, turned away from pure liberalism to demand a purposive state policy designed to regulate economic life and advocated a middle course between anarchic individualism, traditionalistic corporatism and bureaucratic etatism.<sup>37</sup> In the early twentieth century, the Frankfurt sociologist and economist Franz Oppenheimer postulated a so-called 'Liberal Socialism', i.e. socialism achieved via liberalism, as the pursuit of a societal order, in which economic self-interest preserves its power and persists in free competition.<sup>38</sup> This desirable order of freedom and equality was labelled by a later programmatic publication entitled *Weder so – noch so. Der dritte Weg*.<sup>39</sup>

This position was widely shared by Oppenheimer's doctoral student and friend, Ludwig Erhard;<sup>40</sup> although the latter displaced adjective and subject by promoting a 'Social Liberalism'<sup>41</sup> and never liked the expression 'Third Way'.<sup>42</sup> In his opinion the term was tainted, reminding him too much about ideas of a mixed economy, somewhere between a market economy and central planning. He vehemently and consistently argued against the view that models were converging.<sup>43</sup> Further, in contrast to Müller-Armack who emphasised the social aspect, for Erhard the Social

Market Economy was always first and foremost a market economic system.<sup>44</sup> By proclaiming 'the freer an economy is, the more social it is,'<sup>45</sup> Ludwig Erhard was rather inclined to Walter Eucken's ordo-liberal competitive market order.<sup>46</sup> Although he even considered himself an ordo-liberal,<sup>47</sup> Erhard based his economic conception neither on Eucken nor on Müller-Armack. In fact, his doctoral supervisor Franz Oppenheimer and especially Wilhelm Röpke, like Erhard a student of Oppenheimer, was his source of inspiration.<sup>48</sup> Erhard perceived Röpke's books as works of revelation<sup>49</sup> and considered the economist a brother in spirit.<sup>50</sup> Increasingly, however, Erhard referred to Müller-Armack, whom he met after some contact for the first time at the latter's residence in Vreden (*Münsterland*) in 1940 and by whom he was strongly impressed most of all not as a theorist, but instead as one who wanted to transfer theory into practice,<sup>51</sup> and his concept of the Social Market Economy.

#### **IMPLEMENTATION OF THE SOCIAL MARKET ECONOMY BY LUDWIG ERHARD**

In order to implement this viable economic path between the Scylla of an untamed pure *laissez-faire* capitalism and the Charybdis of a collectivist planned economy but equally holistic and democratic social order, Erhard aimed to win over both the political elite and the broad public. After delivering his convincing economic policy statement at the fourteenth plenary meeting of the Economic Council on 21 April 1948, he not only won the parliamentary group of the CDU/CSU but also the majority of party members of the CDU in the British zone of occupation over to his socio-economic conception. Although there was no unanimous applause, the conservatives and also the Liberal Democrats widely welcomed the transition to a more market-oriented economy.<sup>52</sup> After Ludwig Erhard also succeeded in convincing the Christian Socialists and worker representatives of his both market and social economic model, the CDU's change of policy from the ideological, Christian anti-materialism reflected in the *Ahlener Programm* with its *Gemeinwirtschaft* to a more pragmatic materialism based on the Social Market Economy became noticeable in the party's principles of economic policy.<sup>53</sup>

The Director for Economics also proved the ability to assert himself in parliament and in politics in general. After Erhard's *Gesetz über Leitsätze für die Bewirtschaftung und Preispolitik nach der Geldreform*, the so-called '*Leitsätze-Gesetz*' (Guiding Principle Law) was passed by the

Economic Council on 17/18 June, he summarily enforced the law that abolished virtually all rationing and lifted price controls enabling a necessary financial reorganisation – without a reform of the German currency, the successful integration of the Bizone into the European Recovery Programme (ERP) was challenged; furthermore, it was essential to remove a domestic inflationary glut of money of estimated 300 billion *Reichsmark* (RM) whilst there was a scarcity of food and goods. It was an astonishingly bold manoeuvre, the more so given that a great deal of it had been done without the prior consultation and agreement of the military governors. The French and the British officials were aghast and furious. The Americans were nervous. The following day, the United States' Military Governor, General Lucius D. Clay, who was rather an administrator than a soldier which certainly influenced his approaches that generally proved to be beneficial for Germany, confronted Erhard on his decision to alter the rationing regulations in view of the fact that all his advisors were opposed to this move which they considered a terrible mistake. To Clay's surprise, the Director of the Administration for Economics responded without hesitation: '*Herr General*, I did not alter the rationing regulations, I abolished them! [...] Pay no attention to your advisors, mine tell me the same thing.'<sup>54</sup> Clay seemed impressed by this attitude and realised that stopping the dynamic won by Erhard's decision would have been the wrong move.<sup>55</sup> Hence, a dismissal of the head of the Administration for Economics was out of question and eventually the Allied military authorities approved the *Leitsätze-Gesetz*.<sup>56</sup>

However, Erhard's economic liberalisation met with incomprehension among politicians and the public alike. Even the sections of the press, that had supported Erhard's neo-liberal approach, were largely sceptical about his intention to abandon rationing and about market economic measures in general.<sup>57</sup> The economist and journalist of *Die Zeit*, Marion Dönhoff remarked: 'If Germany was not ruined yet, this man with his absurd plan to abandon all rationing will manage to do so. [...] After Hitler, and the fragmentation of Germany, this would be a third catastrophe!'<sup>58</sup> This statement was quite representative of the prevailing German sentiment in spring 1948. The public was not optimistic about a return to a market economy – it simply seemed unrealistic and inconceivable in times of prevalent destitution and the absence of market mechanisms. The grey market, the trading of commodity through unofficial and unauthorised distribution channels, the black market and the so-called '*Ruinenkriminalität*' (ruin crime rate) prospered. In post-war Germany,



money had long since ceased to function in any ordinary sense of the word; cigarettes were one accepted medium of exchange. Firms and individuals resorted to illegal barter and to complicated compensation deals, often involving arduously worked out chains of bilateral trade to finally get hold of scarce commodities. Both the need to have a sufficient supply of commodities at hand for bartering and the general *Flucht in Sachwerte* (flight into physical assets) as the only reliable store of value resulted in a large-scale hoarding of raw materials and semi-finished products. The official money had not only lost its value via inflation but also via a spreading reluctance to accept it as a medium of exchange. In this situation, various German individuals and organisations put forth petitions but also proposals for reform of both finances and currency.<sup>59</sup> For many Germans the cry for monetary reform and the demand for a 'new currency' had even become a sort of obsession. In a climate of indubitable and growing malaise, they saw in the new currency the arcanum with which to cure all their ills and evils.

With rumours that the old money was shortly to go, there was frenzied buying to get rid of potentially worthless currency. By May prices had fallen but were on rising again shortly afterwards as the new money did not come. At the beginning of June, for instance, a pound of coffee cost 2,400 RM. These developments increasingly reminded many of the traumatic hyperinflation of 1923 in which countless Germans lost both their savings and the faith in government. Awaited and feared in equal measure, the upcoming currency reform at first led to a state of disconcertment. In some regions the churches offered special services and prayers to help people cope with the volatile climate which permeated Germany; there were even fears of suicide attempts.<sup>60</sup> The days preceding the currency reform, people gathered in the streets and in front of shops, which were often closed for the most spurious of reasons; business claimed to be out of stock or on company holidays or to be inventory-checking. The discussions centred primarily around one question: what to do with the old currency? Some suggested depositing the old *Reichsmark* in the bank, others made investments. Panic and confusion were considerable. Many carried out last-minute transactions and bought panic-proof tangible goods.

Finally, on Friday 18 June, the first two laws for the implementation of the long expected currency reform on Sunday 20 June were promulgated by the three western Military Governments, the Chairman of the Execu-

tive Committee, Hermann Pünder, and the president of the Economic Council, Erich Köhler. The 'First Law for Monetary Reform (Currency Law)' established the *Deutsche Mark* (DM) as the only legal currency valid from Monday 21 June and allocated every inhabitant in exchange for old currency of the same nominal amount a maximum of 60 DM of which not more than 40 DM were paid in cash immediately and the remainder within two months.<sup>61</sup> The old *Reichsmark* was to be surrendered at specific institutions, primarily banks and *Sparkassen*. The 'Second Law for Monetary Reform (Issue Law)' outlined the terms of reference of the *Bank Deutscher Länder*, the newly formed central bank for the three western zones of occupation, and established reserve requirements for the *Landeszentralbanken* (Federal State Central Banks).



Source: ACDP

Thus, after these laws came into effect and people received their *Kopfgeld* (bounty) of 40 DM, which corresponded to almost a week's pay of a skilled worker, to many in West Germany, the situation on Monday 21 June when public trading resumed and the black market disappeared seemed surreal and fairytale-like. The shops presented full displays of goods held back for days and weeks in anticipation (similarly, manufacturers had built up stocks

of semi-finished goods and raw materials) and the Germans were often literally 'drunk' with the opportunities the new *Deutsche Mark* gave them.<sup>62</sup> One contemporary described: 'The shop windows were bursting with long-missed products; relatively low prices and a flexible handling of rationing instructions [...] lured the consumer and opened the money-bags.'<sup>63</sup> While one day apathy was mirrored on German faces, on the next a whole nation looked hopefully into the future.<sup>64</sup>

The initial euphoria in West Germany was subdued when the Soviet Union countered with the introduction of its own currency in the eastern zone on 23 June and blockaded entry into West Berlin the following day leading to the feared definite division of Germany. It eventually came to a sudden end with the proclamation of the 'Third Law for Monetary Reform (Conversion Law)' that was announced later the week

on 26 June. It stated that the old currency credit balances [...] shall be converted so that the owner is credited with one *Deutsche Mark* for every ten *Reichsmark*. Of this, one half shall be credited to a free *Deutsche Mark* account (*Freikonto*) and the other half to a blocked [...] account (*Festkonto*).<sup>65</sup>

These regulations, which eventually formed the so-called '*Festkontengesetz*' (Fixed Account Law) issued later on 7 October, determined that saving deposits were reduced to just 10 per cent of the original nominal value and half the deposit was frozen for a fixed period, after which 70 per cent of that nominal sum was again taken away on the release date. Thus all savings were actually not converted at a ratio of 10:1, a rate originally envisaged in the Colm-Dodge-Goldsmith Plan of April 1946,<sup>66</sup> but proportionately 10:0.65. Consequently, for 100 RM one merely received 6.50 DM.<sup>67</sup> This currency devaluation annihilated massive private wealth, yet left wealth in estate and production unaffected. Whereas debtors benefited, the accounts of savers were diminished and many lost their savings – though it is estimated that 28 per cent of the adult population at that time had no bank accounts and that another quarter of the population had less than 2,000 RM in bank and savings accounts.<sup>68</sup>

In addition to the currency reform which involved both the substitution of the *Reichsmark* by the *Deutsche Mark* and the sterilisation of the excessive money supply, people had to cope with rising prices as a consequence of the enormous demand and relatively low production. After the Economic Council had adopted Ludwig Erhard's draft for the Guiding Principle Law cancelling existing economic controls at the same time to currency reform on 18 June, price ceilings were maintained only for a limited number of essential foods, rents and some basic materials, such as coal and steel; clothing and footwear were freed of controls but subject to rationing.

On the basis of – justifiable – uncertainty in regard to public reception of the consequences of the currency reform which made clear the dichotomy between market economy and planned economy, Erhard commissioned the *Institut für Demoskopie* (IfD) to assess public opinion in two surveys in June and July 1948. These showed that 71 per cent and 74 per cent respectively welcomed the currency reform. Furthermore, 44 per cent of the interviewees considered the future of Germany after

the reform more optimistic, while 22 per cent were undecided and 24 per cent remained sceptical and pessimistic.<sup>69</sup> However, these opinion polls also revealed that the majority (79 per cent) considered the currency reform unfair and inconsiderate because it was seen to privilege certain sectors of society; for example, 62 per cent felt that mainly businesses benefited.<sup>70</sup> These results were widely confirmed by a survey commissioned by the United States' Office of Military Government for Germany (OMGUS) in July 1948 in which the currency reform received hearty approval in the American zone of occupation. Nine in ten termed the reform drastic but necessary to jolt the economy back to life, and over half (53 per cent) thought it should have taken place earlier. It tended to create an optimistic mood: 54 per cent expected the new currency to retain its value, 58 per cent believed that they would get along better during the coming year because of the reform. Even so, dissatisfaction increasingly pervaded society, particularly small savers who felt disadvantaged compared to proprietors.<sup>71</sup> Although worries over the availability of basic necessities tended to decrease after the currency reform to nearly manageable proportions, anxiety over the means of obtaining them skyrocketed. By midsummer, for instance, half of the population in the American zone (48 per cent) said that they had no means of livelihood, and by August this figure had risen to 59 per cent.<sup>72</sup> Furthermore, while in June 78 per cent of the people in West Germany did not fear unemployment against 14 per cent who did,<sup>73</sup> by August of that year, 77 per cent expected – correctly, as it turned out – that the currency reform would lead to greater unemployment.<sup>74</sup> In fact, the unemployment rate increased from 3.2 per cent in June to 12.2 per cent in December 1948.<sup>75</sup> Whereas many enjoyed the benefits of the currency reform, more and more Germans did not and became mere onlookers of economic life. Many felt betrayed by the Economic Council and their representatives. After living expenses further increased by up to 200 per cent and simultaneously a general pay freeze had been imposed, confrontations between employees and employers grew and lawsuits in labour courts proliferated. Public discord also became occasionally visible in the harassment of shopkeepers and merchants; protests on occasion turned into riots in various cities.

The people blamed mainly Ludwig Erhard for this misery and economic inequality. Eventually, to him as former Chairman of the Special Bureau for Money and Credit and Director of the Administration for Economics in the Bizonal Economic Council, were assigned both the task to prepare the

currency reform (though the scheme was actually devised by the Western Allies, and German involvement was restricted to the subordinate task of drafting the laws and regulations) and that of cancelling existing economic controls. The *Wirtschaftsdiktator* (economic dictator) as Erhard was then often named became one of the most unpopular politicians,<sup>76</sup> and his economic programme of a Social Market Economy seemed to have failed. Multiple protest rallies of thousands of unionised workers and civil servants took place and various unions led by the Chairman of the Federation of German Trade Unions, Hans Böckler, criticised in particular the pricing policy and the pay freeze.<sup>77</sup> The majority of the public (between 81 and 94 per cent depending on the merchandise in question) considered prices far too high, and consequently 70 per cent favoured a return to price control.<sup>78</sup> Thus, Erhard was vehemently criticised for his timing of economic liberalisation within the CDU/CSU<sup>79</sup> and even within his circle of (political) friends as he remarked at a later stage: 'It was worse that even good friends should have gone so wrong as to think that my economic policy would land Germany in disaster.'<sup>80</sup>

After increasing explicit criticism on the part of the political left and right,<sup>81</sup> various organisations, such as the *Deutscher Rentnerbund* (Union of Retired Persons), the *Wirtschaftsgemeinschaft selbständiger Ingenieure* (Economic Community of Self-Employed Engineers), the *Verband der Versicherungsunternehmen* (Association of Insurance Companies) or the *Reichsbund der Körperbeschädigten, Sozialrentner und Hinterbliebenen* (Federation of the Maimed, Retired and Bereaved), numerous municipal councils and mayors,<sup>82</sup> but also individuals who considered the introduction of a market economy at that stage most antisocial,<sup>83</sup> the CDU/CSU ran indeed the risk of losing votes at large in the upcoming local elections taking place in seven out of thirteen *Länder* in late autumn 1948. Increasingly, the SPD, which had already unsuccessfully submitted a motion of no confidence against the Director of the Administration for Economics on 17 August 1948, seemed to be right after all and its party chairman, Kurt Schumacher, was perceived as the most competent politician at that time.<sup>84</sup> Despite the public's criticism of Erhard's economic policy and the prevalent unpopularity of the Economic Council,<sup>85</sup> considered to be unable to correct the disparity between wages and price level,<sup>86</sup> against expectations, the majority of the Germans (65 per cent) did not intend to alter their voting behaviour after the currency reform; only 4 per cent stated that they would vote differently in the next elections.<sup>87</sup> And indeed, the respective election results –

and also the voter participation – differed only marginally from the previous ones or even remained exactly the same as in North Rhine-Westphalia. Solely in Rhineland-Palatinate was there a shift in the relative strength in favour of the SPD whereas the CDU won even more votes in other states, such as Lower Saxony, Schleswig-Holstein or Württemberg-Hohenzollern. Whereas votes in local elections generally offer limited evidence of the popularity of regional or federal policies, it is safe to infer that the Union benefited from the SPD's inability to take advantage of the situation and to provide both a viable alternative to the CDU's socially acceptable market economy and a leading personality able to confront the charismatic Ludwig Erhard.

Nonetheless, in late autumn 1948, Erhard's popularity was under considerable strain at both elite and mass level among the public.<sup>88</sup> In this situation, Konrad Adenauer, who was initially sceptical about Erhard and his concept,<sup>89</sup> backed the new Director of the Administration for Economics and his procedure, both of which were also controversial within the CDU,<sup>90</sup> and praised the Social Market Economy as a turn away from collectivism to the valuation of the individual and the person.<sup>91</sup> At the same time, he urged Erhard and leading party members in the Economic Council to take action against unpopular price rises and unemployment.<sup>92</sup> Thereupon, the Administration for Economics responded to former pleas on the part of officials and the public for frequent information about the administration's activities<sup>93</sup> though mainly by urging the media to be more supportive and the people to show more respect for the Frankfurt achievements.<sup>94</sup> Nevertheless, periodical price comparison lists were issued in order to inform consumers. In addition, the *Gesetz gegen Preistreiberei* which enabled the prosecution of the forcing up of prices was passed by the Economic Council on 7 October and the so-called '*Jedermann-Programm*' which provided reasonably priced and specifically marked goods to the people was started in November 1948. While the majority of the Germans welcomed these actions (the *Jedermann-Programm* in particular was embraced by 71 per cent of the respondents),<sup>95</sup> all these measures had mixed success because they were limited in range and merely aimed at appeasing the public.

In fact, an increasing number of people threatened by destitution and unemployment showed their resentment. Spontaneous strikes and frantic demonstrations took place. Alarmed and worried by this anarchy, the Federation of German Trade Unions led by the labour union official Hans

Böckler requested a 'sensible government control of the economy'<sup>96</sup> and eventually called for a general strike to be held on Friday 12 November 1948.<sup>97</sup> While 9.2 million out of 11.7 million workers and employees in the Bizone followed the appeal in protest against the rising prices, and for economic democracy and socialisation,<sup>98</sup> many of the strikers perceived the work stoppage, deliberately called by Böckler for a Friday in order to avoid further non-productive time, as a half-hearted holiday or warning strike that would be ineffective at daunting Ludwig Erhard. Nonetheless, the general strike and the SPD's second – unsuccessful though – motion of no confidence against the Director of the Administration for Economics in November 1948 marked the climax of public and political criticism.

In view of the worsened public sentiment and the imminent communal and local elections in North Rhine-Westphalia, Schleswig-Holstein, Baden, Rhineland-Palatinate, Württemberg-Hohenzollern, Lower Saxony and Berlin in autumn 1948, Konrad Adenauer in particular was concerned with the implications of the actions taken by the Administration for Economics for election results, and so criticised the insensitivity of the parliamentary group and its economic policy which triggered the drastic rise in prices immediately prior to the elections.<sup>99</sup> Anticipating the election campaign of the SPD to attack Erhard's economic policy, Adenauer prompted the party and parliamentary group to point out the achievements of the latter which consequently became subject to political communication.<sup>100</sup> However, the CDU did not yet apply the notion '*Soziale Marktwirtschaft*' to its election campaign. Instead and contrary to Erhard's view who tried to avoid the dualism of control versus market economy by arguing that such an antithesis was obsolete and a synthesis provided the better option, the party campaigned with the polarising slogan of 'Free Market Economy versus Controlled Economy'<sup>101</sup> which had the effect of contrasting freedom with control, alluding to the inglorious years of NS dictatorship. However, it also meant that the CDU continuously had to clarify it did not opt for free capitalism but a socially oriented, regulated market economy. Thus the election campaign required a coordinated cooperation between parliamentary group and party as well as a coherent communication to the press and the public. Although Adenauer was committed in this regard<sup>102</sup> and affirmed Erhard's earlier appeal to the parliamentary group to cooperate with the press in order to ensure an adequate reporting about the Union's economic programme and policy, for instance by hosting frequent press conferences,<sup>103</sup> both

the collaboration within the party and with the media remained unsatisfactory.<sup>104</sup> Numerous petitions and complaints on the part of various politicians, newspapers – including papers associated to the Union – and interest groups document this state of affairs for which also Konrad Adenauer could be blamed for.<sup>105</sup> Despite his constant concern with public relations<sup>106</sup> and the great importance he attached to the campaign for the local elections in 1948, which he considered to be an indicator of public opinion regarding economic policy and a prelude to the *Bundestag* elections in the subsequent year,<sup>107</sup> the party chairman kept a reserved attitude towards journalists after the harmful negative press that he received when he was mayor of Cologne in 1933.<sup>108</sup> Although this attitude slightly changed in 1946 when the party chairman cultivated close contacts with various journalists, editors and correspondents, the relations to some papers and their publishers, such as the *Rheinische Post* edited by Anton Betz and the *Kölnische Rundschau* edited by Reinhold Heinen, remained poor due to Adenauer's criticism on their reporting. Nevertheless, the percentage of votes for the CDU in the communal and local elections in autumn 1948 increased in comparison to the *Landtag* elections in 1947.<sup>109</sup>

In order to attain more cohesion within the party and thus a more coherent communication in the federal elections in August 1949, which in turn required a national consistent manifesto of CDU and CSU, both party chairmen, Konrad Adenauer and Josef Müller, supported the establishment of a coordinating committee in October 1948.<sup>110</sup> This panel headed by the Christian Democrat Franz Etzel, was assigned the task to formulate a common socio-political and economic concept for all three zones of occupation. Moreover, this programmatic statement by the Union parties was also meant to serve as guiding principle for the party representation in the Economic Council and the delegates in the Administration for Economics as well as manifesto for the election campaign; ultimately, it was the party which had to direct and represent the economic policy in



Source: ACDP

politics and to the public while the administration in Frankfurt was solely responsible for its implementation – however, both were accountable for the communication of economic policy.

In this context and in order to convince the party of the concept of the Social Market Economy, Adenauer invited Erhard to present his views to the executive committee of the CDU in the British zone of occupation in Königswinter on 24/25 February 1949.<sup>111</sup> Erhard's speech supposedly resonated a great deal among the zonal committee, which reaffirmed Adenauer's belief that the CDU should build its economic policies upon Erhard's principles. Only a month later, the zonal economic committee, which at Erhard's suggestion was complemented by a supra-zonal committee to formulate principles for the upcoming federal elections,<sup>112</sup> submitted a concept which was not only based on the Director for Economics' neo-liberal and social agenda, but explicitly advocated the Social Market Economy.<sup>113</sup> In view of the stagnating prices and the necessity to use a convincing economic manifesto, which emphasised the distinctions between the Union and its political opponent, the concept of the Social Market Economy prevailed within the CDU albeit with objections from the Christian Socialists and worker representatives who adhered to the *Ahlfener Programm*.<sup>114</sup> After the CSU also expressed its commitment to a market economy with social balance, and the Bavarian Minister for Economic Affairs, Hanns Seidel, advocated Erhard's liberal and social economic model at the CSU's party convention in Straubing in May 1949,<sup>115</sup> the economic principles elaborated by the CDU/CSU's Working Committee centred the Social Market Economy.<sup>116</sup> Finally, these principles were adopted as party platform and manifesto for the upcoming federal elections at the CDU's party conference in Düsseldorf on 15 July 1949. In contrast to the *Ahlfener Programm*, these so-called '*Düsseldorfer Leitsätze*' not only provided an attractive slogan to reach consensus within the party and to win public consent, but the principles also precisely defined the underlying economic concept:

The "Social Market Economy" was taken as a basis for the German economic policy. [...] It is the socially limited constitution of the commercial economy in which the effort of free and proficient people is accommodated by an order generating a maximum of economic benefit and social justice for all. This order is achieved by freedom and commitment expressed [...] by real competition in performance [...]. The Social Market Economy is in sharp contrast to the system of the command

economy [...] but also in opposition to the so-called "free market economy" of liberal coinage.<sup>117</sup>



Source: Krause, H.; Reif, K. (eds.), *Geschichte in Quellen – Die Welt seit 1945*, Bayerischer Schulbuch-Verlag, Munich 1980, S. 141.

Accordingly, the Social Market Economy was not an alternative to the *Gemeinwirtschaft* of the *Ahlfener Programm* but rather an advancement on it: on the basis of the Christian-humanistic values of solidarity and equality in a mutually supportive society, henceforth a liberal meritocracy and an economic democracy were pursued.<sup>118</sup> The realisation and success of these, however, were considered to be contingent on the confidence and active participation of all tiers of the society. Only if the Social Market Economy were borne by the political will of the entire citizenry, would it be possible to construct an economy that was both free and simultaneously social. Thus the election campaign for the federal elections on 14 August 1949 was not only about canvassing in order to ensure the continuance of the CDU/CSU as constitutive government, but also about promoting the Social Market Economy in order to realise a new economic and social system.

To this end, and to coordinate propaganda throughout West Germany, a special central propaganda committee was established and alongside it also a number of subcommittees, such as the *Wahlrechtsausschuss*

(electoral law committee), or the so-called *Arithmetiker Ausschuss* (Arithmetic Committee), entrusted with providing demographic statistics and compiling data on previous state and local elections were created. This election campaign committee was assigned the task to 'initiate the measures which prove necessary in light of the election for the coordination of the party interests, including the inter-connected organisation, propaganda, and press duties.'<sup>119</sup> On 5 March 1949, this central committee which planned the party's overall campaign strategy and scheduled nationwide speakers was complemented by a press and propaganda committee which supplied posters, leaflets, brochures, and other campaign material to regional and district party organisations, including the Bavarian CSU, for which it often simply replaced 'CDU' with 'CSU' on the display.

Perhaps the most important source of information provided by the central party leadership was its internal party handout *Union im Wahlkampf* (Union Party in Election Campaign) with a circulation of up to 25,000. These papers detailed election information and speaker notes for the party organisers at the regional and district level. Central to this national campaign, driven mainly by Konrad Adenauer and the CDU of the British zone, were Ludwig Erhard and his economic policy.<sup>120</sup> In transforming that policy into effective propaganda, Adenauer urged the press and propaganda committee to avoid any technical jargon regarding the intricacies of economics, stressing, 'one must speak simply to the public, not too much, with a few thoughts and large ideas simply represented.'<sup>121</sup> Thus the polarising slogan 'Social Market Economy or Socialisation and Controlled Economy?' was to become the all-dominant question in the election campaign of summer 1949.<sup>122</sup> While the CDU/CSU had chosen a number of different and contrasting central themes in the immediately preceding years – Christian Socialism had been central to the campaigns in 1946, the concept of a *Gemeinwirtschaft* for the *Landtag* elections in 1947, and free enterprise and a market economy in 1948 – henceforth, they centred the Social Market Economy and referred to Ludwig Erhard's success record.

Along with the *Union im Wahlkampf* that introduced Erhard as an economic expert and stressed his instrumental role in the rebirth of Germany to rank-and-file party activists,<sup>123</sup> political posters and leaflets were the chosen means to disseminate the ideas of the Social Market Economy to the electorate. Although these publications indeed addressed a variety

of issues such as culture, refugees or the restoration of German unity,<sup>124</sup> most of the propaganda committee's posters and pamphlets concentrated on economic issues. These mass communication media – for the 1949 election campaign the central committee produced around 1.7 million posters, and several hundred thousand broadsheets were reproduced by the regional organisations – were also seen as the most uniform sort of propaganda that the party employed, with the press and propaganda committee producing the same posters and leaflets for use throughout West Germany, thereby creating a unified and coherent party image that transcended local interests. In presenting themselves as a political union with a determination to construct a social and equally free German economy and community, the CDU/CSU encouraged the notion that it was the more competent and responsible party to safeguard West Germans from the threats from within, such as economic hardship, as well as from outside, namely the ever present Asiatic, Bolshevik threat. This image of a politically strong and economically successful Union was cultivated by a variety of political posters and leaflets; most emphatically perhaps in the poster series *1947-1949* which sharply contrasted the dire conditions from the immediate post-war years to the improved situation of 1949.<sup>125</sup>

While the CDU/CSU propaganda did not appeal to potential voters in terms of their class or profession but instead played on widely held perceptions that all in society had suffered equally in the post-1945 rubble economy and secondly that the monetary reform had alleviated class differences, it was nonetheless deliberately directed towards refugees and women. By evoking an antimaterialist, social and humanist West German society achieved through economic reconstruction, the CDU/CSU attempted to attract these specific groups which the party leadership sensed to be crucial for electoral success simply because of their proportions in society at that time – whereas newly-arrived refugees made up nearly 40 per cent of the population in some *Länder* such as Bavaria, Lower Saxony and Schleswig-Holstein, 55 per cent of all eligible voters in post-war West Germany were women.<sup>126</sup>

As Ludwig Erhard's programme of a Social Market Economy together with his personal powers of mass advocacy brought the CDU/CSU great political credit, over time there was not only a fundamental change within the party's economic thinking but also – often overlooked – a shift in principal actor, namely from Adenauer to Erhard. After defending his

concept of the Social Market Economy during the second party convention of the CDU in the British zone of occupation in Recklinghausen on 28/29 August 1948, Ludwig Erhard gradually became the dominant figure in the debate on economic policy. In fact, the party chairman, Konrad Adenauer, seldom participated in the meetings of the CDU/CSU caucuses in the Economic Council and left the economic field mainly wide open to his Director of the Administration for Economics in the Economic Council. In the light of their increased public prominence, on federal polling day in the entire Trizone on 14 August 1949 the electorate was called to cast a vote not only between a controlled economy and a Social Market Economy but also between Kurt Schumacher and Ludwig Erhard.<sup>127</sup> Irrespective of the outcome of the elections, it was Erhard who succeeded in transferring the abstract, theoretical ideas of the Social Market Economy as an economic and social order into both the political and public realm.

Eventually, on Sunday 14 August 1949, around 31 million Germans were called to cast a vote for the first German *Bundestag* and to decide between a controlled economy and a Social Market Economy. Of those eligible to vote 25 million actually went to the ballot boxes often set up in restaurants and public houses; only the citizens of West-Berlin were not allowed to vote, though they were indirectly represented in the federal parliament by 20 non-voting delegates. Thus, contrary to the Allies' apprehensions for a democratic Germany, 78.5 per cent of the eligible voters exercised their right to vote, which was interpreted as clear commitment to democracy. Asked why they voted, the largest number (27 per cent) responded that it was their duty, 18 per cent hoped to defeat communism, an equally large percentage expressed partisan reasons (voting for or against a particular party), and 14 per cent hoped to achieve better conditions.<sup>128</sup> Out of the 19 political parties available for elections, 11 were finally elected to parliament (the hurdle that a party had to poll at least 5 per cent of the votes to be seated in parliament applied then only to *Länder* parliaments). Although the SPD, gaining 29.12 per cent of the votes, turned out to be the most successful single party, the CDU/CSU combined attracted 424,109 more votes, totalling 31 per cent, and 139 mandates compared to 131 for the Social Democrats. Konrad Adenauer interpreted this victory by a slim majority as clear support for the CDU/CSU and their concept of the Social Market Economy.<sup>129</sup>

The election results and nationwide surveys at that time affirmed the then general pro-market trend in public opinion. Whereas in 1947 a majority among the German people had wanted for macroeconomic planning and nationalisation, by mid 1949 this opinion was largely changed.<sup>130</sup> In this development, the poor social and economic performance of the communist Soviet regime – a lesson which millions of Germans learned from first-hand experience during their uninvited visits to Soviet territory – and the negative headlines about the failed nationalisation attempts of the then British Labour Government as well as the hostility of the American authorities to socialist experiments and the founding of the Federal Republic under the leadership of a bourgeois coalition government all militated against socialisation and a socialist economic democracy. The widespread anti-capitalist and pro-socialist rhetoric of the immediate post-war period indeed created a mood for the radical socialisation of both the economy and society, but, at the same time, the National Socialists' even more massive and destructive concentration and misuse of state power had instilled in Germans a comparably great fear of such power; post-war Germans of all major political persuasions feared any kind of concentration of power, whether in the hands of large, monopolistic industries or the government. Even the fact that, in contrast to the Union parties, the SPD lacked an economic concept and instead merely advocated socialisation and centralist economic planning both complicated the parliamentary work of the party in the Economic Council and gave their political opponents the opportunity to present them as pursuing a command economy similar to the one of the former hated totalitarian regime, did not decidedly swing the decision in favour of the CDU/CSU. Eventually, the electorate made its decision contingent on the satisfaction of its practical needs rather than on any particular theoretical economic system; in fact, most were relatively ignorant with only 12 per cent of respondents able to correctly identify the Social Market Economy.<sup>131</sup> The advantage of the CDU and the CSU lay precisely in the fact that they were quasi-governing across the Bizone.

Whereas the SPD had acquired the post of Prime Minister in five out of eleven *Länder* parliaments and had additionally occupied eight ministries of economics, it left the key position within the Bizonal Economic Council with regard to economic policy, i.e. the post of the Director of the Administration for Economics, to the Union parties. This fateful decision was

unambiguously attributed to the leader of the SPD, Kurt Schumacher, who considered both the Economic Council and its Administration for Economics in Frankfurt as mere provisional institutions and not as decisive political instruments. But the latter is exactly what they were: both the quasi-parliament and the ministry-like *Verwaltung für Wirtschaft* in particular were in fact not only administering but also determining and ultimately implementing economic policy. This in turn enabled the CDU/CSU adequately to communicate their socio-political and economic ideas to both the party base and the general public. In aligning their campaigns themed 'the economy is our fate' and in relentlessly promoting their economic concept, Alfred Müller-Armack, Konrad Adenauer, and Ludwig Erhard, in particular, created increasing confidence in economic liberalisation as the means to a Social Market Economy. After the economic and monetary reforms eventually turned out to be widely successful, the population was not only more open to liberal economic arguments<sup>132</sup> but the CDU/CSU even acquired a governmental or incumbency bonus and its socio-economic programme was increasingly seen as progressive and appealing economic and social policy. Erhard's manner spread optimism, and more and more people relied upon the Christian Union to improve both their material and psychological situation in the post-war years. Eventually, a prevailing mood of confidence in economic recovery characterised the months before the federal elections of August 1949.<sup>133</sup>

Nonetheless, to some socialism and economic planning still presented a magnetic attraction. In a public opinion survey conducted by the *Forschungsstelle für Volkpsychologie*, a research centre to assess the condition of the German people, many respondents still considered the SPD to have the better political and economic programme for a prosperous post-war Germany.<sup>134</sup> Assured in his pursuit of a socialist controlled economy, Kurt Schumacher continued to proclaim socialisation and macroeconomic planning despite widespread misgivings among the public and the apparently improved economic conditions. The confrontation of two opposed economic concepts and ideologies led to a hard-fought election campaign. In both the political as well as in the public arena, the two people's parties competed for support for their programmes. Once the Union parties occupied the field of socially oriented economic competence, it became difficult for the SPD to respond adequately. Instead of providing a viable economic alternative, Schumacher lapsed into anchorless destructive criticism of Erhard's economic

policy. Whereas the latter could legitimately claim credit for a constructive approach leading to economic recovery, the aggressive class struggle polemic of the leader of the German Social Democratic Party was increasingly perceived as obstructive to the growing prosperity.<sup>135</sup> Thus Kurt Schumacher forfeited public favour – whereas in October 1948 he had been regarded as the most competent politician, by March of the following year, the public preferred Konrad Adenauer<sup>136</sup> – and the SPD lost votes among its former natural supporters. At the same time, the CDU/CSU increased their share of votes among their target groups, namely refugees who had mainly voted for the SPD in previous elections, and women who would have realised the economic improvement soonest. Indeed, the CDU/CSU was increasingly identified with the economic and social recovery which assured many Germans to vote for the union parties, but the Union also fought more deeply for the public acceptance of its economic model in the battle to choose such a model for post-war West Germany. In abstaining from issuing merely dogmatic, ideological programme statements that appealed to the party's most faithful members and a narrow segment of society, the CDU/CSU rather formed and projected a party image that effectively attracted votes from varied sociological groups.



Source: ACDP

After a relatively successful campaign in the run-up to the federal elections dominated by economic policy, the political parties which had campaigned for a common socio-political and economic programme, namely the CDU, the CSU, and the FDP, formed a bourgeois coalition to serve as West Germany's first democratically elected federal government. Given a favourable party ratio with the help of the DP, which had received 4 per cent of the votes cor-

responding to 17 mandates, and also due to fundamental ideological differences, an alliance with the SPD was not seriously considered.<sup>137</sup> By a majority of a single vote (202 out of 402 seats), namely his own, Konrad Adenauer (CDU) was eventually invested as Chancellor on 15 September, Franz Blücher (FDP) becoming Vice-Chancellor. Kurt Schumacher, who furthermore had just lost against Theodor Heuss (FDP)



in the poll to be the first President of the Federal Republic, then chaired the SPD parliamentary group in the *Bundestag*, which convened for the first time on 7 September 1949. The Social Market Economy's strongest proponent, Ludwig Erhard, was appointed Minister for Economic Affairs and Alfred Müller-Armack later became the ministry's head of the Policy Principles Directorate.

## RETROSPECT AND PROSPECT OF THE SOCIAL MARKET ECONOMY

The Social Market Economy was born and formed in times of severe economic but equally socio-political crises. Its conceptual architecture was set by particular historical experiences and political prerequisites: Germany's preoccupation with the social question since the late nineteenth century, the criticism of liberal capitalism triggered by the world economic crisis of the early 1930s, and a pronounced anti-totalitarianism as well as anti-collectivism formed by the experiences of the Third Reich. These led to the eventual development of the Social Market Economy as a viable socio-political and economic alternative between the extremes of *laissez-faire* capitalism and the collectivist planned economy not as a compromise but as a combination of seemingly conflicting objectives namely greater state provision for social security and the preservation of individual freedom.

Accordingly, the both social and market-oriented model is based on some core principles and values. The respect for the freedom of the individual merely subordinate to common welfare in a pluralistic society is, for instance, reflected in the freedom of competition, which, in turn, counters the accumulation of market power, such as cartels and monopolies, and ensures economic freedom as well as social justice. In order to promote one's own initiative and individual responsibility but equally to provide for social security of disadvantaged market participants, it not only allows but requires conscious and measured state intervention. This in principle market-conform governmental interference is not only passive or indirect in nature merely providing and safeguarding regulative and reliable general conditions, such as private property, liability regulations, freedom of contracts, the free formation of prices in open markets and convertible and stable money, but it is also contingent on economic and social circumstances. Thus, the Social Market Economy is not a dogmatic but a pragmatic concept; for instance, transitionally

allowing for more state intervention and regulation similar to the immediate post-war years or the current financial and economic crises. Although it is therefore often viewed as a *mélange* of economic and socio-political ideas rather than a precisely outlined theoretical order, the compatibility of its established core principles and its adjustable framework are timeless as well as topical providing both stability and flexibility in times of great uncertainty. Similarly to the tough times during its conceptual formation by Alfred Müller-Armack and its political implementation by Ludwig Erhard in times of severe crises, the Social Market Economy constitutes an approved and advisable socio-political and economic model with a set of basic principles to be reinvigorated in times of so-called globalisation.

## NOTES

- 1| For a more detailed account, see Glossner, C. L., *The Making of the German Post-War Economy – Political Communication and Public Reception of the Social Market Economy after World War II*, London, 2010.
- 2| The notion 'neo-liberalism' was termed by Friedrich August von Hayek (1899-1992), Wilhelm Röpke (1899-1966) and Walter Eucken (1891-1950) at a conference on the apparent crisis of liberalism in Europe at the Institut International de Coopération Intellectuelle in Paris in August 1938. However, there is no single school of thought known under this name but the notion covers a wide spectrum of various schools and interpretations, such as monetarism, libertarianism, or *ordo-liberalism*. For a brief overview of various neo-liberal conceptions, see Glossner, C. L.; Gregosz, D. (eds.), *60 Years of Social Market Economy: Formation, Development and Perspectives of a Peacemaking Formula*, Bonn / Sankt Augustin, 2010, pp. 9-20.
- 3| Sueskind, W. E., *Der politische Rohstoff*, in: Moras, J.; Paeschke, H. (eds.), *Deutscher Geist zwischen Gestern und Morgen*, Stuttgart, 1954, p. 54.
- 4| Glossner, C. L., *l.c.*, p. 117.
- 5| Wieck, H. G., *Die Entstehung der CDU und die Wiedergründung des Zentrums im Jahre 1945*, in: *Beiträge zur Geschichte des Parlamentarismus und der politischen Parteien*, vol. 2, Düsseldorf, 1953.
- 6| Regarding the interpretation of Thomas Aquinas' (1225-1274) social doctrine and the definition of Christian Socialism see Uhl, B., *Die Idee des Christlichen Sozialismus in Deutschland 1945-1947*, Mainz, 1975.
- 7| Ortlieb, H. D., *Der sozialistische Gedanke unter liberalistischer Kritik*, in: *Idem, Wandlungen des Sozialismus. Fünf Aufsätze zur Gegenwartsfrage des Sozialismus*, Hamburg 1947, p. 9.
- 8| Circular to the CDU party members in the British sovereign territory, 26 Aug 1946; cf. Glossner, C. L., *l.c.*, p. 85.
- 9| *Ibid.*, pp. 173-176.
- 10| Cerratti, R., *The Development of the Free Democratic Party in West Germany, 1945-1956*, doctoral thesis, Oxford, 1982, p. 111 and Judt, T., *Postwar: A History of Europe since 1945*, London, 2007, p. 80.
- 11| Tooze, A., *The Wages of Destruction – The Making and Breaking of the Nazi Economy*, London, 2006, p. 672.

- 12| Abelshauer, W., *Wirtschaft in Westdeutschland, 1945-1948: Rekonstruktion und Wachstumsbedingungen in der amerikanischen und britischen Zone*, Stuttgart, 1975, pp. 15-18.
- 13| Statistisches Bundesamt Deutschland (StBA), *Statistisches Jahrbuch 1953*, p. 15.
- 14| *Ibid.*, p. 1.
- 15| Glossner, C. L., *I.c.*, p. 122.
- 16| *Ibid.*.
- 17| Im Westen "sozialisiert" die CDU, in: *Telegraf*, 30 March 1947.
- 18| Erhard, L., *Wohlstand für alle*, Düsseldorf, 1963, p. 12.
- 19| Jürgensen, K., *Die Gründung des Landes Schleswig-Holstein nach dem Zweiten Weltkrieg. Der Aufbau der Demokratischen Ordnung in Schleswig-Holstein unter dem ersten Ministerpräsidenten Theodor Steltzer 1945-1947*, Neumünster, 1969, pp. 43 ff.
- 20| Glossner, C. L., *I.c.*, pp. 173-176.
- 21| Höpfinger, R., *Bayerische Lebensbilder 2 – Biografien, Erinnerungen, Zeugnisse: Franz Josef Strauß, Ludwig Bölkow, Sepp Hort*, Munich, 2004, p. 131.
- 22| To this day, Ludwig Erhard's party membership is controversial. The Ludwig-Erhard-Archiv in Bonn holds Erhard's membership card which records a CDU membership as early as 1 March 1949. However, this card is without any, then common, adhesive stamps certifying payed membership fees. Erhard probably joined the party not until 1962/63. The exact date is not documented and there is no evidence neither in the Bundes-CDU, nor the Landesverband Württemberg-Baden, nor the Kreisverband Ulm nor in the Archiv der Christlich-Demokratischen Politik (ACDP). However, in an interview in Jan 1962, Ludwig Erhard stated that he was not a member (cf. *Das Parlament*, no. 21-22, 27 May 1988, p. 21). Other sources suggest that he became a member of the CDU in conjunction with the taking over of the party chairmanship in March 1966. On 5 March 1966, the public questioned Erhard's status and the Saarbrücker Zeitung published an article titled "Muss Erhard Parteibeiträge nachzahlen?" In view of Ludwig Erhard's engagement in campaigns for the CDU, Adenauer in written form asked him to join the party on 14 Feb 1966. However, Erhard did not attribute much importance to the party membership. In connection with this, see also "Ludwig Erhard soll nie CDU-Mitglied gewesen sein", in: *Der Spiegel* online, 25 April 2007.
- 23| Ambrosius, G., *Die Durchsetzung der sozialen Marktwirtschaft in Westdeutschland 1945-1949*, Stuttgart, 1977, p. 156.
- 24| Wörtliche Berichte über die 1.-40. Vollversammlung des Wirtschaftsrates des Vereinigten Wirtschaftsgebietes (Zweizonen-Wirtschaftsrat) in Frankfurt am Main (WB VV), vol. 2, Wiesbaden / Frankfurt, 1947-1949, p. 436 ff.; see also Erhard, L., *Deutsche Wirtschaftspolitik – Der Weg der Sozialen Marktwirtschaft*, Düsseldorf / Vienna / New York / Moscow, 1992 (originally published in 1962), p. 60.
- 25| Glossner, C. L., *I.c.*, pp. 39-46.
- 26| Müller-Armack, A., *Wirtschaftslenkung und Marktwirtschaft*, Hamburg, 1946, p. 88. However, the question of the origins of the term *Soziale Marktwirtschaft* is still controversial. In his autobiography *Wahrheit und Wirklichkeit. Der Weg aus den Weltkriegen in die Soziale Marktwirtschaft und eine künftige Weltordnung*, Homburg-Saarplatz, 1996, pp. 571 ff., Karl Günther Weiss, academic assistant to the former permanent representative of the State Secretary in the Reich Ministry of Economics, Otto Ohlendorf, argues, the term 'Social Market Economy' was the outcome of a discussion with Ludwig Erhard on 12 Jan 1945. There is also some evidence that Harold Rasch, who in 1946/47 was deputy

- head of the inter-zonal economic administration in Minden, used the term in late 1947 and early 1948 independently of Müller-Armack (1901-1978); cf. Rasch, H., *Grundlagen der Wirtschaftsverfassung*, Bad Godesberg, 1948.
- 27| The literature on the Social Market Economy is vast, however, for a detailed account of the genesis and concept, see Blum, R., *Soziale Marktwirtschaft. Wirtschaftspolitik zwischen Neoliberalismus und Ordoliberalismus*, Tübingen, 1969; Watrin, C., *Principles of the Social Market Economy – its Origins and Early History*, in: *Zeitschrift für die gesamte Staatswissenschaft* 135, Tübingen, 1979; Müller-Armack, A., *Genealogie der Sozialen Marktwirtschaft. Frühschriften und weiterführende Konzepte*, Bern / Stuttgart, 1981.
- 28| Müller-Armack, A., *Soziale Marktwirtschaft – Handwörterbuch der Sozialwissenschaften*, vol. 9, Göttingen, 1956, p. 390; *Idem*, *Wirtschaftsordnung und Wirtschaftspolitik, Studien und Konzepte zur Sozialen Marktwirtschaft und zur Europäischen Integration*, Freiburg im Breisgau, 1966, p. 245.
- 29| Hayek, F. A. v., Was ist und was heisst "sozial"?, in: Hunold, A. (ed.), *Masse und Demokratie*, Erlenbach-Zurich / Stuttgart, 1957, pp. 71 ff. See also the contributions of Horst Friedrich Wünsche *Welcher Marktwirtschaft gebührt das Beiwort "sozial"?* and Christian Watrin *Zur sozialen Dimension marktwirtschaftlicher Ordnungen*, in: Hohmann, K.; Schönwitz, D.; Weber, H. J.; Wünsche, H. F. (eds.), *Grundtexte zur Sozialen Marktwirtschaft*, vol. 2, *Das Soziale in der Sozialen Marktwirtschaft*, Stuttgart / New York, 1988, pp. 21-31, and pp. 411-415.
- 30| Referring to the famous words 'laissez faire, laissez passer, le monde va de lui-même' presumably first enunciated by the French liberal economist and supporter of physiocracy, Jean Claude Marie Vincent Marquis de Gournay (1712-1759).
- 31| Nicholls, A. J., *The Bonn Republic – West German Democracy 1945-1990*, London / New York, 1997, pp. 59 ff.
- 32| Röpke, W., *Civitas Humana – Grundfragen der Gesellschafts- und Wirtschaftsordnung*, Erlenbach-Zurich, 1944.
- 33| Müller-Armack, A., *Soziale Irenik*, in: *Weltwirtschaftliches Archiv* 64, Berlin / Heidelberg, 1950, pp. 181-203.
- 34| Müller-Armack, A., *Auf dem Weg nach Europa. Erinnerungen und Ausblicke*, Tübingen / Stuttgart, 1971, pp. 50 ff.
- 35| In regard to the different conceptions of the state see the study Lange-von Kulesa, J.; Renner, A., *Die Soziale Marktwirtschaft Alfred Müller-Armacks und der Ordoliberalismus der Freiburger Schule – Zur Unvereinbarkeit zweier Staatsauffassungen*, in: *ORDO* 49, Stuttgart, 1998, pp. 79-104.
- 36| Schlecht, O., *Die Soziale Marktwirtschaft ist der Dritte Weg, Ein Modell macht Karriere*, in: Fack, F. U.; Fromme, F. K.; Nonnenmacher, G. (ed.), *Das deutsche Modell, Freiheitlicher Rechtsstaat und Soziale Marktwirtschaft*, Munich, 1991, p. 215. The expression 'Third Way' in regard to Germany evolved from historical experiences. Whereas the western European nations practised 'freedom without regulation' or 'freedom through equality' (in reference to the formula of the French Revolution *liberté, fraternité, égalité* in 1789), German freedom had been defined by Johann Gottlieb Fichte as 'freedom through the state'.
- 37| Nipperdey, Th., *Deutsche Geschichte 1866-1918. Erster Band: Arbeitswelt und Bürgergeist*, Munich 1993, p. 336.
- 38| Oppenheimer, F., *System der Soziologie (III/1). Band 3: Theorie der reinen und politischen Ökonomie, Teil 1: Grundlagen*, Jena, 1910, p. 9. The economist Franz Oppenheimer (1864-1943) also published his economic conception in *Sprung über ein Jahrhundert*, Bern / Leipzig, 1935 under the pseudonym F. D. Pelton.

- 39| Oppenheimer, F., *Weder so – noch so. Der dritte Weg*, Potsdam, 1933.
- 40| Oppenheimer supervised Erhard's doctoral thesis titled 'Wesen und Inhalt der Werteinheit', namely a study on various historical schools' perception of character and content of value, in the years 1922 to 1925.
- 41| Erhard, L., *Franz Oppenheimer, dem Lehrer und Freund* (1964), in: Hohmann, K. (ed.), *Ludwig Erhard. Gedanken aus fünf Jahrzehnten, Reden und Schriften*, Düsseldorf / Vienna / New York, 1988b, p. 861.
- 42| Regarding the influence of Oppenheimer on Erhard, see Wünsche, H. F., *Der Einfluss Oppenheimers auf Erhard und dessen Konzeption von der Sozialen Marktwirtschaft*, in: Caspari, V.; Schefold, B. (eds.), *Franz Oppenheimer und Adolph Lowe, Zwei Wirtschaftswissenschaftler der Frankfurter Universität*, Marburg, 1996, pp. 141-161; Hentschel, V., *Ludwig Erhard – Ein Politikerleben*, Berlin, 1998, pp. 15-18; Haselbach, D., *Franz Oppenheimer's Theory of Capitalism and of a Third Path*, in: Koslowski, P. (ed.), *The Theory of Capitalism in the German Economic Tradition. Historism, Ordo-Liberalism, Critical Theory, Solidarity*, Berlin et al., 2000, pp. 54-86.
- 43| Erhard, L., *Wirtschaft und Bildung* (17 Aug 1957), reprinted in: Hohmann, K. (ed.), *I.c.*, 1988b, p. 515.
- 44| Comparative study Goldschmidt, N., Alfred Müller-Armack and Ludwig Erhard: *Social Market Liberalism*, in: CREPHE-CREA *Histoire du Liberalisme en Europe*, Brochure no. 21, Paris, 2004.
- 45| Erhard, L., *Wirken und Reden*, Ludwigsburg, 1966, p. 320.
- 46| Commun, P., *Erhards Bekehrung zum Ordoliberalismus: Die grundlegende Bedeutung des wirtschaftspolitischen Diskurses in Umbruchszeiten*, in: *Freiburg Discussion Papers on Constitutional Economics 04/4*, Freiburg im Breisgau, 2004.
- 47| Erhard, L., *I.c.*, 1992, p. 592.
- 48| Wünsche, H. F., *Ludwig Erhards Gesellschafts- und Wirtschaftskonzeption, Soziale Marktwirtschaft als politische Ökonomie*, Bonn / Stuttgart, 1986.
- 49| Letter Erhard to Röpke, 7 Oct 1959, in: *Ludwig-Erhard-Archiv (LEA)*, NL Ludwig Erhard, I. 4) 59.
- 50| Letter Erhard to Röpke, 22 May 1950, in: *Ibid.*, I. 4) 59.
- 51| Hentschel, V., *I.c.*, p. 25.
- 52| Görtemaker, M., *Geschichte der Bundesrepublik Deutschland: Von der Gründung bis zur Gegenwart*, Munich, 1999, p. 148.
- 53| Party platform *Stellungnahme der CDU zur Wirtschaftsordnung*, 3 May 1948, in: *Stiftung Bundeskanzler-Adenauer-Haus (StBKAH), Nachlass (NL) Konrad Adenauer*, 07.18.
- 54| Lukomski, J. M., *Ludwig Erhard. Der Mensch und der Politiker*, Düsseldorf, 1965, pp. 59 f.
- 55| Clay, L. D., *Decision in Germany*, Garden City / New York, 1950, pp. 225 ff.
- 56| Görtemaker, M., *I.c.*, p. 151.
- 57| *Sprung in die Marktwirtschaft*, in: *Wirtschafts-Zeitung*, 7 May 1948; *Lockerung der Zwangswirtschaft*, in: *Wirtschafts- und Finanzzeitung*, 13 May 1948; *Wissenschaft und Marktwirtschaft*, in: *Der Tagesspiegel*, 16 May 1948.
- 58| Dönhoff, M., *Von Gestern nach Übermorgen – Zur Geschichte der Bundesrepublik Deutschland*, Hamburg, 1981, pp. 149 f.
- 59| E.g. proposals *Neuordnung des Geldwesens* by Siegfried Rentrop, 17 Oct 1946; *Vorschlag zur Ordnung der Geld- und Kapitalverhältnisse* by Friedrich Schamann, 28 Jan 1947; *Währungsreform* by Herbert Gudehus, 25 July 1947 sent to then Minister of Finance in North Rhine-Westphalia, Franz Blücher. See also the detailed petition *Bitte der Evangelischen Kirche zur Währungsreform* on behalf of the Chairman of the Protestant Church in Germany sent to the Allied Control Council, 13 Dec 1947; cf. Glossner, C. L., *I.c.*, p. 164.

- 60| Woller, H., *Gesellschaft und Politik in der amerikanischen Besatzungszone – Die Region Ansbach und Fürth*, in: *Quellen und Darstellungen zur Zeitgeschichte*, edited by the Institut für Zeitgeschichte (IfZ), vol. 25, Munich, 1986, p. 294.
- 61| *Military Government Gazette* 25, Law no. 61, pp. 848 ff. Regarding the terms and conditions of the German Currency Reform of 1948, see Tribe, K., *The 1948 Currency Reform – Structure and Purpose*, Keele University, Department of Economics, Working Paper Series no. 98/10, Staffordshire, 1998.
- 62| Davidson, E., *The Death and Life of Germany. An Account of the American Occupation*, Columbia, 1999, p. 224.
- 63| Böttcher, K. W., *Die Übergangskrise der D-Mark*, in: *Frankfurter Hefte*, Jan 1949, p. 73.
- 64| Erhard, L., *Prosperity through Competition*, London, 1958, p. 13 (original title *Wohlstand für alle*, translated by Jacques Rueff and André Piettre).
- 65| *Military Government Gazette* 25, Law no. 63, p. 863.
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- 67| Roeper, H., *Die D-Mark. Vom Besatzungschild zum Weltstar*, Frankfurt am Main, 1978, pp. 24 f.
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- 69| Neumann, E. P.; Noelle, E., *Antworten. Politik im Kraftfeld der öffentlichen Meinung*, Allensbach, 1954, pp. 147, 152.
- 70| *Ibid.*, p. 151.
- 71| Report no. 133 (10 Aug 1948), in: Merritt, A. J.; Merritt, R. L. (eds.), *Public Opinion in Occupied Germany. The OMGUS Surveys, 1945-1949*, Urbana / Chicago / London, 1970 (sample size 331-3,000 persons; mainly in American zone of occupation), pp. 251 f. See also *Kommentare*, in: *Nordsee Zeitung*, 21 June 1948.
- 72| Report no. 139 (22 Sep 1948), in: *Ibid.*, p. 258 f.
- 73| Neumann, E. P.; Noelle, E., *I.c.*, 1954, p. 148.
- 74| Report no. 133 (10 Aug 1948), in: Merritt, A. J.; Merritt, R. L. (eds.), *I.c.*, pp. 251 f.
- 75| *Hungrige Augen*, in: *Die 50er Jahre – Vom Trümmerland zum Wirtschaftswunder*, *Spiegel Spezial* 1, 2006, p. 107.
- 76| *Fresswelle nach der Fettlücke*, in: *Die 50er Jahre*, *I.c.*, p. 101.
- 77| *Resolutions by the Landesgewerkschaft Freie Berufe Hessen* on 25 June and by the DGB districts *Ennepe-Ruhr*, 7 July, *Nordmark* on 23 July, *Lippstadt* on 21 Aug and *Moers/Rheinhausen* on 22 Sep 1948, in: *Deutscher Bundestag, Parlamentsarchiv (DBt PA)*, 2/509, 727.
- 78| Noelle, E.; Neumann, E. P. (eds.), *Jahrbuch der Öffentlichen Meinung 1947-1955*, Allensbach, 1956, pp. 154 f.
- 79| *Nürnberger Nachrichten*, 3 Nov 1948. See also Ambrosius, G., *I.c.*, pp. 187 f.
- 80| Erhard, L., *Die deutsche Wirtschaftspolitik im Blickfeld europäischer Politik*, in: Hunold, A. (ed.), *Wirtschaft ohne Wunder*, Erlenbach-Zurich, 1953, p. 142.
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- 85| *Unpopulärer Wirtschaftsrat*, in: *Westdeutsches Tageblatt*, 3 July 1948; *Pressestimmen*, in: *Welt am Sonntag*, 22 Aug 1948.
- 86| E.g. *Ein offenes Wort*, in: *Rheinischer Merkur*, 5 June 1948.
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- 88| E.g. *Wirtschaft und Verfassung*, in: *Neuer Vorwärts*, 2 Oct 1948.
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- 90| E.g. article *Preissteigerungen ohne Ende* by the deputy chairman of the CDU in North-Wuerttemberg, Paul Bausch, in: *Hannoversche Presse*, volume 3, no. 98, 31 Aug 1948. See also the critique of the CDU's social committees, in: *Informationsdienst* 19, 11 Dec 1948 and the letter of the CDU in Cologne to the parliamentary group, 13 Dec 1948, in: *Bundesarchiv (BA)*, Z13, no. 332.
- 91| *Statement by Adenauer at a presentation of the CDU on 21 July 1948*, in: *StBKAH*, NL Konrad Adenauer, 02.04, printed in: Adenauer, K.; Poppinga, A. (ed.), *"Seid wach für die kommenden Jahre". Grundsätze, Erfahrungen, Einsichten*, Bergisch Gladbach, 1997, pp. 236 f.
- 92| *Letters by Adenauer to Erhard*, 9 Aug 1948, and then *Minister for Economic Affairs in North Rhine-Westphalia*, Erik Nölting (SPD), 5 Oct 1948, in: *StBKAH*, NL Konrad Adenauer, 07.18 and 08.63.
- 93| *Die Kritik am Frankfurter Wirtschaftsrat*, in: *Mitteilungen der Christlich-Sozialen Union*, 29 May 1948.
- 94| *Demokratie im Wirtschaftsrat*, in: *Weser-Kurier*, 26 Aug 1948; Rasch, E., *Zurück zur Zwangswirtschaft? – Mehr Respekt vor der Frankfurter Leistung*, in: *Neues Tageblatt*, 16 Oct 1948; *Von Altwein bis Zwicknagel – Die soziale Struktur des Wirtschaftsrates*, in: *Frankfurter Neue Presse*, 2 Nov 1948.
- 95| Noelle, E.; Neumann, E. P. (eds.), I.c., p. 156.
- 96| *Für und Wider Bewirtschaftung*, in: *Die Neue Zeitung*, 28 Oct 1948.
- 97| Beier, G., *Der Demonstrations- und Generalstreik vom 12. November 1948*, Frankfurt am Main / Cologne, 1975, p. 89.
- 98| *Der große Auftakt*, in: *Der Bund II*, 20 Nov 1948, p. 2.
- 99| *Remarks by Adenauer in minutes of the caucus no. 96 A of 18 Oct 1948*, in: Salzmann, R. (ed.), *Die CDU/CSU im Frankfurter Wirtschaftsrat. Protokolle der Unionsfraktion 1947-1949*, Düsseldorf, 1988, p. 284.
- 100| *Posters Es geht uns besser*, sign. X-017-201, 1948; *Endlich wieder kaufen können*, sign. X-017-202, 1948; *An den Früchten werdet ihr sie erkennen... und der Erfolg unserer Frankfurter Politik*, sign. X-017-230, 1948, in: *ACDP, PS*, printed in: Langguth, G. (ed.), *Politik und Plakat – 50 Jahre Plakatgeschichte am Beispiel der CDU*, Bonn, 1995, pp. 42-44.
- 101| *Posters Frei von Zwangswirtschaft*, sign. X-017-248, 1948; *Was Zwang und Plan hat nicht geschafft, bewirkt die freie Marktwirtschaft*, sign. X-017-231, 1948; *Der neue Weg – Freie Wirtschaft*, sign. X-017-285, 1948, in: *ACDP, PS*, printed in: Langguth, G. (ed.), I.c., p. 42.
- 102| *Letter by Adenauer to the chairman of the CDU/CSU parliamentary group*, Holzapfel, 30 Oct 1948, in: *BA*, NL Friedrich Holzapfel, no. 256; printed in: Adenauer, K., *Briefe 1947-1949*, edited by Hans Peter Mensing, Berlin, 1983, p. 331.
- 103| *Statement by Erhard in minutes of the caucus no. 64*, 24 May 1948, in: Salzmann, R. (ed.), I.c., p. 200.
- 104| *Minutes of the meeting no. 35 and 64*, 23 Feb and 24 May 1948, in: *Ibid.*, pp. 143, 200; article *Der Prüfstein*, in: *Die Neue Zeitung*, 3 Oct 1947; Erhard, L., I.c., 1963, pp. 15 f.

- 105| E.g. *letter of complaint by the local politician and publisher of the Kölnische Rundschau*, Reinhold Heinen (CDU), to Adenauer, 29 Oct 1948; *petitions by the Zentralverband der Haus- und Grundbesitzer and the Zentralverband der Fliegergeschädigten*, in: *BA*, NL Friedrich Holzapfel, no. 22.
- 106| *Letter by Adenauer to then Minister of the Interior in Lower Saxony*, Günther Gereke (CDU), on 9 June 1948, in: Adenauer, K., I.c., 1983, p. 257.
- 107| *Letters by Adenauer to Holzapfel and Pünder*, 30 Oct 1948, in: *StBKAH*, NL Konrad Adenauer, 08.61.
- 108| Häußermann, E., *Konrad Adenauer und die Presse vor 1933*, in: Stehkämper, H. (ed.), *Konrad Adenauer. Oberbürgermeister von Köln*, Cologne, 1976, pp. 243 ff. Regarding Adenauer's stance over the press see also Fischer, H.-D., *Reeducations- und Pressepolitik unter britischem Besatzungsstatus. Die Zonenzeitung "Die Welt" 1946-1950. Konzeption, Artikulation und Rezeption*, Düsseldorf, 1978, p. 368.
- 109| Glossner, C. L., I.c., pp. 173 ff.
- 110| Pütz, H. (ed.), (ed.), *Konrad Adenauer und die CDU der britischen Besatzungszone 1946-1949. Dokumente zur Gründungsgeschichte der CDU Deutschlands*, Bonn, 1975, pp. 739 f.
- 111| *Zonenausschuss (ZA) 24/25 Feb 1949*, in: *Ibid.*, p. 853.
- 112| *Ibid.*, pp. 885 f.
- 113| Etzel, F.; Scharnberg, H.; Böhm, F.; Erhard, L., *Entwurf eines Wirtschaftsprogramms (Frankfurter Fassung)*, 19 March 1949, in: *BA*, NL Friedrich Holzapfel, no. 264.
- 114| *Letter by Johannes Albers to Konrad Adenauer*, 15 May 1948, in: *StBKAH*, NL Konrad Adenauer, 08.11.
- 115| *Economic principles / Wirtschaftspolitische Richtlinien der CSU in Bayern*, n.l., n.d. (supposedly end of 1948), in: *Archiv für Christlich-Soziale Politik (ACSP)*, NL Franz Elsen, 3.1.1.; *speech by Seidel given at the party convention in Straubing*, 27-29 May 1949, in: *Bayerisches Hauptstaatsarchiv (BayHStA)*, NL Hans Ehard, no. 685.
- 116| *Wirtschaftspolitische Leitsätze der Arbeitsgemeinschaft der CDU/CSU*, n.d. (presumably April 1949), in: *BA*, NL Friedrich Holzapfel, no. 264.
- 117| *Düsseldorfer Leitsätze über Wirtschaftspolitik, Landwirtschaftspolitik, Sozialpolitik, Wohnungsbau vom 15. Juli 1949*, in: Heck, B. (ed.), *Die CDU und ihr Programm – Programme, Erklärungen, Entschliessungen*, Melle / Sankt Augustin, 1979, p. 26.
- 118| *Ibid.*, p. 31.
- 119| *Internal party circular by Bruno Dörpinghaus to the chairmen of the regional organisations of the CDU and CSU in the British and American zones of occupation*, 12 Jan 1949, in: *ACDP*, NL Bruno Dörpinghaus, I-009-012/7; see also ZA 2/3 June 1949, in: Pütz, H. (ed.), I.c., p. 100.
- 120| *Adenauer at the meeting of the executive committee of the CDU in the British zone of occupation*; cf. ZA 24/25 Feb 1949, in: Pütz, H. (ed.), I.c., p. 858.
- 121| Kaff, B. (ed.), *Die Unionsparteien 1946-1950. Protokolle der Arbeitsgemeinschaft der CDU/CSU Deutschlands und der Konferenzen der Landesvorsitzenden*, Düsseldorf, 1991, pp. 456-457.
- 122| *Election posters Soziale Marktwirtschaft oder Zwangswirtschaft?*, sign. X-001-57, 1949 and *Am Scheideweg der Wirtschaft*, sign. X-001-6, 1949, in: *ACDP, PS*, printed in: Langguth, G. (ed.), I.c., pp. 74 f.
- 123| *Portrait 'Erhard'*, in: *Union im Wahlkampf: Informations- und Rednerdienst der Arbeitsgemeinschaft der CDU/CSU Deutschlands*, 13 July 1949, p. 1.

- 124| E.g. posters *Für den Frieden, Freiheit und die Einheit Deutschlands*, sign. X-001-104, 1949; *Einigkeit, Recht, Freiheit*, sign. X-001-122, 1949; *Das ganze Deutschland soll es sein*, sign. X-001-14, 1949; *Die Rettung – CDU*, sign. X-001-11, 1949, in: ACDP, PS, printed in: Langguth, G. (ed.), *I.c.*, pp. 77-80
- 125| CDU placard 1948 – 1949, *Das brachte Dir unsere Wirtschaftspolitik*, sign. X-001-5, 1949; poster series 1947 *Hunger-Not-Elend, 1949 Vorwärts! Aufwärts!*, sign. X-001-22-29, 1949; *Wir wollen keine Marken und Bezugs-scheine, wir brauchen freie Marktwirtschaft*, sign. X-001-43, 1949, in: *Ibid.*, pp. 73, 75 f., 82-85. Regarding the CSU's position, see the posters *Wir können nicht zaubern aber wir bauen auf. Gegen Sozialisierung wählt CSU*, sign. X-001-243, 1949, in: *Ibid.*, p. 81; *Nie wieder Zwangswirtschaft (showing Erhard); Kampf dem Sozialismus*, in: ACSP, Pslg. PL 319, 1323. See also the broadsheet *Die SPD hat abgewirtschaftet... Die von der CDU/CSU vertretene Wirtschaftspolitik der Marktwirtschaft brachte uns hingegen...*, in: ACSP, Fslg. FL 1949, no. 4; also the handouts *Die Deutschen Wahlen vom 14. August 1949*, in: ACSP, DS 3187 and *Bundeswahlen und Wirtschaftspolitik, 17 July 1949*, in: BayHStA, NL Hans Ehard, no. 685.
- 126| Glossner, C. L., *I.c.*, p. 99.
- 127| According to Rudolf Morse, still in fall 1949 Konrad Adenauer was less well-known to the general public than his counterpart Kurt Schumacher; cf. comment by Rudolf Morse, in: Pohl, H. (ed.), *Adenauers Verhältnis zu Wirtschaft und Gesellschaft*, in: *Rhöndorfer Gespräche*, vol. 12, Bonn, 1992, p. 68. Further, a survey by Elisabeth Noelle-Neumann a year earlier revealed that the German people considered the SPD chairman to be the more competent politician; cf. Noelle, E.; Neumann, E. P. (eds.), *I.c.*, p. 193.
- 128| Report no. 191 (9 Dec 1949), in: Merritt, A. J.; Merritt, R. L. (eds.), *I.c.*, p. 316.
- 129| Government policy statement on 20 Sep 1949 printed in: Adenauer, K., *Reden 1917-1967. Eine Auswahl*, edited by Hans-Peter Schwarz, Stuttgart, 1975, pp. 153-169.
- 130| Report no. 90 (23 Jan 1948), in: Merritt, A. J.; Merritt, R. L. (eds.), *I.c.*, p. 197.
- 131| *Das Soziale Klima (1950)*, in: BA, Zsg 132/154.
- 132| *Ibid.*, p. 2.
- 133| *Institut für Demoskopie (IfD Bericht über die erste Umfrage der wirtschafts-politischen Gesellschaft von 1947 über die deutsche Situation, Allensbach, 1949 (unpublished)*, p. 33.
- 134| Opinion survey published in: *Neue Ruhrzeitung*, 25 May 1949 and *Hamburger Echo*, 25 June 1949. In connection with this, see also IfD, *I.c.*, pp. 35-45.
- 135| E.g. articles on Schumacher's stump speeches, in: *Ruhrnachrichten*, 3 Aug 1949; *Bemerkungen der Woche*, in: *Der Volkswirt*, no. 32, 12 Aug 1949, p. 4.
- 136| Neumann, E. P.; Noelle, E., *I.c.*, 1954, p. 192; survey, in: *Der Spiegel*, 5 March 1949. The development in popularity among politicians at that time was also documented by an EMNID survey commissioned by the SPD party executive in June 1949. Accordingly, 13.07 per cent of the interviewees responded in favour of Schumacher, 13.0 per cent were for Erhard, and 11.15 per cent voted for Adenauer; cf. Gallup, in: *Archiv der sozialen Demokratie (AdsD), Pressedokumentation (PD)*.
- 137| Alt, F., *Der Prozess der ersten Regierungsbildung unter Konrad Adenauer. Eine monographische Untersuchung der Bildung der ersten Bundesregierung 1949*, Bonn, 1970

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