

1957: LUDWIG ERHARD'S ANNUS TERRIBILIS

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ABSTRACT

Since its inception in 1948, there has been considerable confusion about the nature of the social market economy built by Ludwig Erhard in West Germany. This article shows that Ludwig Erhard viewed the market itself as social and supported only a minimum of welfare legislation. It shows that Erhard suffered a series of decisive defeats in his effort to create a free, competitive economy in 1957. Thereafter, the West German economy evolved into a conventional welfare state.

Introduction

Germany has a social market economy.¹ It was created by Ludwig Erhard in 1948. It has evolved since then, but the fundamental characteristics of that economic system have not changed. This is the generally accepted view of the post-war German economy.² It is the purpose of this paper to challenge this image. I contend that Ludwig Erhard did create a social market economy beginning in 1948, an economic and social order that he defined according to his own understanding of economic theory and German economic and political history. However, as a result of a series of defeats that he suffered in 1957, the social market economy began to disintegrate. By the mid-1960s, it was no more. The economic order that we saw in West Germany after the mid-1960s and which we see today in the united Germany is a conventional welfare state.³ The social market economy died almost forty years ago.

People still speak of the social market economy today, in part, because it was never clearly defined, either by Erhard or by his closest collaborators. The term itself, "social market economy," was coined by the economist Alfred Müller-Armack in 1946.⁴ Erhard adopted it because it genuinely reflected his economic conception, and because it was politically advantageous to do so. As Andreas Metz put it, "As bait, and this was due to Erhard, this little word before the big words market economy served not least to allow everyone to define the term in his own way, causing confusion up to our own day."⁵ "Social" is trumps in Germany. This was particularly the case immediately after World War II when a majority of Germans attributed the rise of the Nazis to the machinations of capitalists.⁶ Most Germans sought a third way between discredited capitalism and dictatorial Marxism. Consequently, the word "social" proved enormously useful to Erhard as he attempted to create a really competitive market system on the ruins of the Nazi command economy.

The concept of the social market economy was developed by a group of German scholars beginning in the 1930s. None of them was able to propose a universally accept-

able definition as each had some influence on Erhard. Of the prominent participants in the pre-1948 discourse, Alfred Müller-Armack had the least influence on Erhard. This is noteworthy since he worked closely with Erhard in the Ministry of Economics from 1952 to 1963 and because he heavily influenced the standard scholarly definitions. Müller-Armack was a professor at the University of Münster and later at the University of Cologne. He produced a body of scholarship that used sociological theory and religious studies to determine the underlying reasons why a particular society developed a specific economic style. He sought to develop an economic model that would lead to the reconciliation of competing social groups. By 1945, Müller-Armack was convinced that competitive markets were the only means of generating sufficient wealth to ensure an adequate standard of living. He proposed redistributing income and using government programs to relieve social distress. Müller-Armack approved of the New Deal of Franklin D. Roosevelt and the ideas of John Maynard Keynes. In effect, as he put it, he proposed a “steered market economy” designed primarily to achieve social goals. He would instrumentalize the market to achieve non-economic objectives, particularly reconciliation among social classes.⁷ Müller-Armack was able to work with Erhard because they shared a commitment to free, competitive markets.⁸ However, Erhard rejected Müller-Armack’s desire to redistribute income and to restructure society.⁹

Wilhelm Röpke was one of the scholars who formed the group of ordoliberals who helped define the new economic order built by Erhard. Röpke, who taught at the Institute for International Studies in Geneva, advocated free, competitive markets, private property and free trade. He, like Erhard, opposed cartels and monopolies. Röpke thought that Germany should have a strong government that acted as an umpire in the market place, but should not intervene in it directly. He also held romantic conservative views critical of big cities, large companies, technology and the United States. Röpke’s wartime publications helped Erhard define his ideas. But Erhard departed from Röpke’s prescription in significant ways. Erhard tolerated the existence of large firms, welcomed technological innovation and approved of big cities and the United States. Röpke publicly endorsed Erhard’s policies after 1948, but did not shape them.¹⁰

Probably the ordoliberal thinker who influenced Erhard most directly was Walter Eucken. A professor at the University of Freiburg where he gathered around himself a group of free market thinkers during the war years called the Freiburger School, Eucken advocated completely free competitive domestic and international markets. He called for the dissolution of cartels, monopolies and dominant firms. Like Röpke, Eucken conceived of the government as a referee acting to ensure that the free market functioned properly. He contended, in contrast to Friedrich von Hayek, that markets did not arise spontaneously and did not function smoothly if left to themselves. He argued that the market itself was social and that the solution to social problems was economic growth.¹¹

The key, though, was what Erhard thought. He was the one who made the crucial decisions in June 1948 that set West Germany on the path to a free market and to unprecedented prosperity. When the Allies introduced the new German currency, the Deutsche Mark, on 20 June 1948, Erhard, on his own authority, abolished the rationing

1957: LUDWIG ERHARD'S ANNUS TERRIBILIS

of most goods that had continued since the end of the war. At the same time, in coordination with the Americans and the British, he began a comprehensive program of tax reductions.

The kernel of Erhard's ideas was his embrace of freedom. He was convinced that a free, competitive market was the sole means of both creating prosperity and achieving social fairness. As he put it in 1953, "...the freer the economy, the more social it is."¹² Erhard went further and contended that the free economy was also essential for the creation of a free, democratic political system. Erhard sought a third way. He rejected unrestrained capitalism because some of its practitioners, big business owners, abused it. But, he also rejected all forms of state planning. In his view, the state should supervise the market place while the price mechanism allocated resources. Erhard hoped to abolish cartels and monopolies to ensure the smooth operation of the price mechanism. He also advocated policies promoting widespread ownership of property, stable prices and free trade. The result of this system controlled by consumers would be growth and prosperity for everyone.¹³ Erhard accepted the need for social welfare programs, but wanted them to be kept to a minimum.¹⁴ The expression "social justice," in his view, had no economic meaning, rendering the redistribution of income unnecessary.¹⁵ As he put it, "It is much easier to give everyone a bigger piece from an ever growing cake than to gain more from a struggle over the division of a small cake, because in such a process every advantage for one is a disadvantage for another."¹⁶ Put simply, "The solution lies not in the division but rather in the multiplication of the social product."¹⁷ The solution was to bake a bigger cake through economic growth.

Initially, Erhard was able to apply his ideas largely because the parliamentary system was in its formative stages, making it difficult for his opponents to block him. However, as the West German political system evolved and stabilized, the political parties and interest groups gained power, enabling them to oppose Erhard more effectively. The turning point came in 1957. Erhard suffered three major defeats that marked the beginning of the end of the social market economy as he conceived it. His cartel bill was so adulterated by its opponents in industry that it provided no bar to anti-competitive business activity. A very expensive pension reform was passed that indexed benefits to inflation and put West Germany firmly on the road to the welfare state. In addition, West Germany joined the European Common Market, an organization that split Europe into rival trading blocks, erected tariffs along its external borders, excluded the Americans and the British and increased the influence of the dirigiste French. At the same time, and beyond Erhard's control, the federal chancellor, Konrad Adenauer, ran a national parliamentary election campaign in which he used pork barrel legislation to pave the way to victory. These "Wahlgeschenke" (election gifts) were not only expensive in the short-term, they also committed the federal government to spend heavily in the future.¹⁸

The Anti-Cartel Law

Erhard suffered a clear defeat on the cartel issue. He considered cartels, which are associations of independent companies formed to restrict competition, as incompatible with free markets and democracy. In Erhard's view, cartels artificially increased their share of economic activity, through the division of markets and price setting, thereby reducing the scope of free competition. The result was the misallocation of resources and a smaller gross domestic product. According to Erhard, cartels made markets less flexible, making it more difficult for the economy to overcome recessions. They also reduced the ability of the government to stimulate the economy in downturns. Overall, and this was the critical consideration from Erhard's perspective, cartels reduced consumer welfare.¹⁹ In 1949, soon after he was appointed West Germany's first minister of economics, Erhard proposed a bill to prohibit cartels and other anti-competitive business practices and to regulate dominant firms. He considered this proposed law the "constitution of our economy" and the "heart of the social market economy."²⁰ It was by far the single most important legislative initiative that he undertook during his fourteen years as economics minister. Organized big business violently opposed Erhard. The Federal Association of German Industry was able to adulterate and delay passage of his bill to the point that it became virtually worthless. During the discussion of the bill in the economic policy committee of the West German parliament, the Bundestag, virtually all of the changes proposed by the Federal Association were accepted.²¹ The bill that was finally passed in 1957 contained so many exceptions to the prohibition, that cartel activity was able to continue unhindered.²² The newly created Federal Cartel Office was weak. For example, between 1958, when the law came into effect, and 1966, when it was amended, the office opened 1,400 investigations of violations of the prohibition on cartels.²³ Only one fine was imposed as a result. Erhard's drive against cartels had failed.²⁴

The Pension Reform Law

Erhard sustained a similar defeat in the debate to reform West Germany's extensive social security system. Chancellor Adenauer wanted to reform the system because it consisted of a large number of overlapping laws and because he feared the growth of the welfare state.²⁵ After much delay by his labor minister, Anton Storch, Adenauer adopted a plan proposed by the Catholic intellectual Wilfrid Schreiber in December 1955. The Schreiber plan would separate old age pensions from other benefits, fund them on a pay-as-you-go basis, include everyone in the system to increase the pool of funds available, and limit benefits so as to preserve the will to work, but index them to inflation and the rise in the standard of living.²⁶ Erhard accepted that a reform of the social security system was necessary, and supported an increase in benefits for those who were in real need. However, he opposed indexing benefits and wanted the group included in the plan to be kept as small as possible. He especially did not want the self-employed to be compelled to participate. Erhard wanted to preserve the entrepreneurial spirit among independent

1957: LUDWIG ERHARD'S ANNUS TERRIBILIS

professionals and to ensure that the new social security system did not promote inflation.²⁷

With the 1957 elections approaching, Adenauer became anxious that a pension bill be passed quickly. Storch used this to limit the reform to old age pensions and to convert the initiative into a straight increase in benefits. In two decisive cabinet meetings in May 1956, Erhard's effort to prevent indexing was defeated. Also, white collar employees were forced to join blue collar workers in the system. But, Erhard was able to prevent the self-employed from being compelled to join.²⁸ The bill was passed by the parliament and went into effect retroactively in January 1957. Because the West German economy continued to grow strongly until the early 1960s, the damaging effects of this law did not become immediately apparent. Pension benefits increased immediately by 120%, while pension fund contributions jumped by 77.27%, implying that the government had to subsidize the system from general tax revenues from the beginning.²⁹ By 2000, pension expenditures had become so large, both because of the inherent growth dynamic of indexing and due to the expansion of benefits by the Bundestag, that they consumed 46.7% of federal outlays.³⁰ The system is currently approaching bankruptcy. The massive taxes involved, amounting to close to a fifth of Germans' pay checks, crowded out investment and made German labor among the most expensive in the world.

The Common Market

In 1957, Erhard also suffered defeat on an issue that he held very close to his heart: free trade. Erhard was a strong advocate of open international markets. He felt that European integration could be achieved most effectively by creating a pan-European free trade area and by allowing the free convertibility of currencies. Ultimately, Erhard hoped that the entire world would embrace free trade. He thought that large bureaucracies were not necessary to accomplish these goals. The market would run itself with only supervision necessary to prevent anti-competitive behavior. In short, Erhard advocated what was called at the time "functional integration."³¹

The rejection of the European defense association by the French national assembly in 1954 lead west European diplomats to seek an alternative path to European integration. Adenauer was convinced of the need for formal integration in order to allow West Germany to participate fully in international diplomacy, to turn German society toward the west away from its historic concentration on the east and to end the ancient enmity with France. Consequently, Adenauer welcomed the initiatives taken by the French premier Antoine Pinay and the Belgian premier Paul-Henri Spaak to create a European common market. The foreign ministers of the western European states set the direction of the talks at a meeting at Messina in early June 1955. A plan for the creation of a common market, heavily influenced by the French, was approved by the foreign ministers at Venice in May 1956. Erhard energetically opposed this initiative. In a letter to Adenauer, he stressed that integration at any price was not in the Federal Republic's interests. He condemned the French effort to have other countries adopt their social

welfare standards and their system of economic planning. He also opposed the exclusion of the British, the Scandinavian countries and the United States.³² In the fall of 1956, as the negotiations entered their decisive phase, both in the cabinet and in correspondence with Adenauer, Erhard condemned the scheme as an economic "sin," charged that it provided for too little freedom and too much planning, and urged a less formal, more inclusive approach.³³

While this debate was taking place, the Soviets suppressed the democratic uprising in Hungary and the Suez crisis occurred. On 31 October 1956, Adenauer appealed to Erhard to support the common market in order to promote European unity in the face of these diplomatic challenges. Erhard caved in.³⁴ He publicly supported the common market proposal and voted for it when it was raised for ratification in the Bundestag in July 1957.³⁵ However, he continued to criticize it privately, calling it "economic nonsense," and demanding the inclusion of the British.³⁶ The EEC developed into the big bureaucracy that Erhard feared. It pursued policies that discriminated against goods, especially agricultural products, from non-EEC countries and operated an expensive system of subsidies that badly distorted the market, leading to vast surpluses of wine, cheese and steel, to mention just a few examples.

Conclusions

If the foundations of the social market economy were free competitive markets and limited state intervention, then, clearly, it had suffered fatal wounds in 1957. Erhard's cartel law was so weakened by industrial interests that it was ineffective. The pension reform that he opposed led directly to the creation of a welfare state in Germany, decisively weakening Germans' willingness to innovate, compete and take responsibility for their own fates.³⁷ And the European Common Market has evolved into the large, interventionist bureaucracy that Erhard feared, contributing to the slow growth and high unemployment that afflict the European economy today. 1957 marked the decisive turning point on the road to the welfare state and away from growth in West Germany.³⁸ The basic principles of the social market economy had been violated and were increasingly ignored afterward. Erhard won some minor victories after 1957, such as the convertibility of European currencies. But a trend had begun that he could not reverse. The social market economy had begun to fade, disappearing entirely by the late 1960s.

Notes

1. For a definition of the term social market economy (soziale Marktwirtschaft) see Friedrun Quaas, "Soziale Marktwirtschaft: Einführung," and Dietrich Dickertmann and Viktor Wilpert Piel, "Soziale Marktwirtschaft: Ökonomische Grundlagen und Funktionsweise," in *Lexikon Soziale Marktwirtschaft*, eds. Rolf H. Haase, Hermann Schneider, Klaus Weigelt (Paderborn: Schöningh, 2002), 360-367, 367-378.

2. Basic texts that treat the social market economy as if it still exists include H. Jörg Thieme, *Soziale Marktwirtschaft. Ordnungskonzeption und wirtschaftspolitische Gestaltung*. 2. ed. (Munich: DTV, 1994), 10, 16-17, 21-24; Heinz Lampert, *Die Wirtschafts- und Sozialordnung der Bundesrepublik Deutschland* 12. ed. (Munich: Olzog, 1995), especially 97. Other examples of writing that take the existence of the social market

1957: LUDWIG ERHARD'S ANNUS TERRIBILIS

economy as a given are Bernd Hübinger, "Rückbesinnung auf die Leitgedanken der Sozialen Marktwirtschaft in den achtziger und neunziger Jahren," and André Habisch, "Die Zukunft der Sozialen Marktwirtschaft" both in *Soziale Marktwirtschaft. Grundlagen, Entwicklungslinien, Perspektiven*, eds. Otto Schlecht, Gerhard Stoltenberg (Freiburg: Herder, 2001), 115-192, 193-228; Reinhard Blum, *Soziale Marktwirtschaft* (Tübingen: Mohr, 1969), 96; Ludwig-Erhard-Stiftung, *Ludwig Erhards Soziale Marktwirtschaft: Erbe und Verpflichtung* (Krefeld: Sinus, 1997).

3. The welfare state can be defined as a state that assumes responsibility for providing basic needs such as minimum income, health care, sickness and old age insurance for its citizens outside of the market. It obtains the resources necessary to deliver these services through progressive taxation, thereby effecting a redistribution of wealth. See John Eatwell, Murray Milgate and Peter Newman, eds, *The New Palgrave. A Dictionary of Economics* Vol. 4 (London: Macmillan, 1998), 895-97; Donald Rutherford, *Dictionary of Economics* (London: Routledge, 1992), 441 and for a 1960's adulatory definition Harry K. Girvetz, "Welfare State," in *International Encyclopedia of the Social Sciences*, Vol. 16, ed., David L. Sills (New York: Macmillan & The Free Press, 1968), 512-21.

4. Alfred Müller-Armack, *Wirtschaftslenkung und Marktwirtschaft* (Hamburg, 1946, Munich: Kastell, 1990), 65; Alfred Müller-Armack, "Soziale Marktwirtschaft," *Wirtschaftsspiegel* (1947) quoted in Lampert, *Wirtschafts- und Sozialordnung*, 90. Erhard first used the term "social market economy" in August 1948.

5. Andreas Metz, *Die ungleichen Gründerväter. Adenauers und Erhards langer Weg an die Spitze der Bundesrepublik* (Konstanz: Universitätsverlag Konstanz, 1998), 192.

6. Gerold Ambrosius, *Die Durchsetzung der Sozialen Marktwirtschaft in Westdeutschland 1945-1949* (Stuttgart: Deutsche Verlags-Anstalt, 1977), 14-47. For an effective demolition of this myth see Henry Ashby Turner, *German Big Business and the Rise of Hitler* (New York: Oxford, 1985).

7. Müller-Armack, speech notes, 1961, Archiv für christlich demokratische Politik, Sankt Augustin, Müller-Armack Papers, I-236-002/1, pp. 7, 28; Müller-Armack, "Soziale Marktwirtschaft," *Wirtschaftsspiegel*, (1947) cited in Lampert, *Wirtschafts- und Sozialordnung*, 97; Müller-Armack, *Wirtschaftslenkung und Marktwirtschaft*, 7, 15, 23, 63-4, 67, 128, 135, 139, 145, 148, 151-3, 155.

8. It is clear that Müller-Armack hoped to redistribute wealth and expand the role of the state as provider of social services, things that Erhard was not interested in doing. Consequently, they had substantially different conceptions of what they both called the social market economy. Indeed, it is possible to see Erhard using Müller-Armack to ward off pressure for greater government management of the economy stemming from Adenauer. On the relationship between Erhard and Müller-Armack see Rolf Kowitz, *Alfred Müller-Armack. Wirtschaftspolitik als Berufung: Zur Entstehungsgeschichte der sozialen Marktwirtschaft und dem politischen Wirken des Hochschullehrers* (Cologne: Deutscher Instituts-Verlag, 1998), 464.

9. Horst-Friedrich Wünsche, "Erhards Soziale Marktwirtschaft: von Eucken programmiert, von Müller-Armack inspiriert," in Ludwig-Erhard-Stiftung, *Soziale Marktwirtschaft als historische Weichenstellung* (Düsseldorf: ST-Verlag, 1997), 166.

10. Wilhelm Röpke, *The Social Crisis of Our Time* (New Brunswick, N.J.: Transaction, 1992.), 18-19, 21-23, 52, 103-105, 160, 179, translation of *Die Gesellschaftskrisis der Gegenwart* 6. ed. (Bern: Haupt, 1979); Röpke, *The Moral Foundations of Civil Society* (New Brunswick, N.J.: Transaction, 1996), 28, 30, 220-21, translation of *Civitas Humana* 4th edition. (Bern: Haupt, 1979); Röpke, *Internationale Ordnung - heute* 3rd ed. (Bern: Haupt, 1979), 336; Röpke, *Die Deutsche Frage* (Erlenbach-Zürich: Rentsch, 1945), 232-57; Röpke, letter to the editor of the New York Times, 11.7.1948, reprinted in *Gegen die Brandung*, Albert Hunold, ed., (Erlenbach-Zürich: Rentsch, 1959), 187-91. See also Röpke's endorsement of Erhard's policies in *Ist die Deutsche Wirtschaftspolitik richtig?* (Stuttgart: W. Kohlhammer, 1950), 16-19.

11. Walter Eucken, *Die Grundlagen der Nationalökonomie* 6th ed. (Berlin: Springer, 1950, original edition 1939) *Grundsätze der Wirtschaftspolitik* 6th ed. (Tübingen: Mohr, 1990, original edition 1952).

12. Erhard, "Rede vor der 2. Tagung der Aktionsgemeinschaft Sozial Marktwirtschaft in Bad Godesberg, 19. November 1953," Archive of the Ludwig-Erhard-Stiftung (cited hereafter as LES), Nachlaß Erhard (Erhard Papers, cited hereafter as NE) 459A, p. 20.

13. Erhard, "Der Stand der Kartelldebatte," Bonn, 9 July 1954, p. 10, Bundesarchiv Koblenz, Federal Ministry of Economics B102/17084/3 (cited hereafter as BAK B102/file number); Christian Watrin, "Die Tradition freiheitlicher und sozialer Politik," in LES, *Weichenstellung*, 14; Ludwig Erhard, *Wohlstand für alle* (Düsseldorf: Econ, 1957), 159, 162, 185, 216. See also Erhard's comment to Hayek quoted in Alan Ebenstein, *Friedrich Hayek. A Biography* (New York: St. Martin's, 2001), 242. For discussions of Erhard's definition of

ESSAYS IN ECONOMIC AND BUSINESS HISTORY (2004)

the social market economy see Horst Friedrich Wünsche, *Ludwig Erhards Gesellschafts- und Wirtschaftskonzeption. Soziale Marktwirtschaft als Politische Ökonomie* (Stuttgart: Bonn Aktuell, 1986) and Werner Abelshäuser, "Erhard oder Bismarck? Die Richtlinienentscheidung der deutschen Sozialpolitik am Beispiel der Reform der Sozialversicherung in den Fünfziger Jahren." *Geschichte und Gesellschaft*, 22(Jul-Sep 1996): 378; Abelshäuser, *Die langen fünfziger Jahre: Wirtschaft und Gesellschaft der Bundesrepublik Deutschland, 1949-1966* (Düsseldorf: Schwann, 1987), 32, 48; Abelshäuser, *Wirtschaftsgeschichte der Bundesrepublik Deutschland 1945-1980* (Frankfurt/Main: Suhrkamp, 1983), 72.

14. Anthony J. Nicholls, *Freedom with Responsibility* (Oxford: Oxford University Press, 1994) 155, 394.

15. Erhard, *Kriegsfinanzierung und Schuldenkonsolidierung. Faksimiledruck der Denkschrift von 1943/44* (Frankfurt/Main: Propyläen, 1977), 15.

16. Erhard, *Wohlstand für alle*, 10.

17. *Ibid.*, 216.

18. Hans-Peter Schwarz, *Die Ära Adenauer. Gründerjahre der Republik. 1949-1957. (Geschichte der Bundesrepublik Deutschland, Band 2.)* (Stuttgart and Wiesbaden: Deutsche Verlags-Anstalt/Brockhaus, 1981), 322, 325-26. These Wahlgeschenke included increased spending and tax cuts totaling about 5.1 billion DM in 1957.

19. For a summary of Erhard's ideas on cartels see Erhard, "Zehn Thesen zur Verteidigung der Kartellgesetzgebung," Offener Brief an den Präsidenten des Bundesverbandes der Deutschen Industrie Fritz Berg," 10 July 1952, reprinted in *Ludwig Erhard. Gedanken aus fünf Jahrzehnten*, Karl Hohmann, ed. (Düsseldorf: Econ, 1988), 347-355, also available in LES NE I 4)36 and LES NE 16.

20. Erhard to Berg, Bonn, 21 January 1953, p. 5, LES NE I 4)36; Erhard to Adenauer, "Kartellgesetz in binnen- und aussenwirtschaftlicher Betrachtung," Bonn, 1 July 1954, p. 1, LES NE I 1)3; Erhard to Adenauer, Bonn, 7 December 1953, p. 2, LES NE I 1)3.

21. Viola Gräfin von Bethusy-Huc, *Demokratie und Interessenpolitik* (Wiesbaden: Steiner, 1962), 68, 73.

22. For the text of the Gesetz gegen Wettbewerbsbeschränkungen see *Bundesgesetzblatt*, 1957 and BAK B136/703, ff. 199-213.

23. Rüdiger Robert, *Konzentrationspolitik in der Bundesrepublik - Das Beispiel der Entstehung des Gesetzes gegen Wettbewerbsbeschränkungen* (Berlin: Duncker & Humblot, 1976), 349, 351. Robert's book is indispensable for the study of the 1957 cartel law.

24. Peter Hüttenberger, "Wirtschaftsordnung und Interessenpolitik in der Kartellgesetzgebung der Bundesrepublik 1949-1957," *Vierteljahrshefte für Zeitgeschichte*, 24(July 1976): 307. The interpretation presented by Volker Berghahn, *Otto A. Friedrich: Ein politischer Unternehmer*. (Frankfurt/Main: Campus, 1993), 133 and in *The Americanisation of West German Industry, 1945-1973* (Cambridge: Cambridge University Press, 1986), 181 is not supported by the documents.

25. "Auszugsweise Abschrift aus dem Protokoll über die 63. Kabinettsitzung," 14 December 1954, BAK B136/1385, also in BAK B102/40896 and *Die Kabinettsprotokolle der Bundesregierung. Band 7. 1954*, Thomas Trumpp and Ursula Hüllbüsch, eds. (Munich: Oldenbourg, 1993), 562-63; Adenauer to cabinet ministers, "Entwicklung zum Versorgungsstaat," 7-810000-201/55, Bonn, 16 January 1955, BAK B102/40896 and B136/1281, ff. 55-56.

26. Wilfrid Schreiber, "Existenzsicherheit in der industriellen Gesellschaft," Bonn, 13 December 1955, BAK B136/1384, ff. 77-98, also in *Die Kabinettsprotokolle der Bundesregierung. Ministerausschuß für Sozialreform 1955-1960*, Bettina Martin-Weber, ed. (Munich: Oldenbourg, 1999), 127-131; Wilfrid Schreiber, "Zur Reform der gesetzlichen Rentenversicherungen. Memorandum zur Ergänzung meines Referats vor dem 'Ministerrausschuß für die Sozialreform' zu Bonn, am 13. Dezember 1955," 31 December 1955, BAK B136/760, 3-34 and Martin-Weber, *Ministerrausschuß für die Sozialreform*, 296-311. There is no evidence that Schreiber was influenced by the model of the Social Security system of the United States. However, he was influenced by Keynes's ideas of demand management by the state. See Hans Günter Hockerts, *Sozialpolitische Entscheidungen im Nachkriegsdeutschland. Alliierte und deutsche Sozialversicherungspolitik 1945 bis 1957* (Stuttgart: Klett-Cotta, 1980), 309-312.

27. "7. Sitzung des Ministerrausschusses für die Sozialreform," 18 January 1956, Martin-Weber, *Ministerrausschuß für die Sozialreform*, 143, 145; Erhard to State Secretary in Federal Chancellor's Office,

1957: LUDWIG ERHARD'S ANNUS TERRIBILIS

"Grundgedanken zur Gesamtreform der sozialen Leistungen," Z A 3-564/55, Bonn, 21 May 1955, BAK B136/1379, ff. 77-84; Erhard to Adenauer, "Entwicklung zum Versorgungsstaat," Bonn, 24 May 1955, BAK B102/40896, B102/8301 and BAK B136/1385; Erhard to Blücher, "Sozialreform; hier: Alterssicherung der Selbständigen," Z A 3-1924/55, 23 November 1955, BAK B136/1362, ff. 11-20, reprinted in Martin-Weber, *Ministerausschuß für die Sozialreform*, 253-258; "6. Sitzung des Ministerausschusses für die Sozialreform," 13 December 1955, Martin-Weber, *Ministerausschuß für die Sozialreform*, 127-133 also in BAK B136/1384, ff. 77-98. For a discussion of this see Hockerts, *Sozialpolitische Entscheidungen*, 317, 327-28. Hockerts's book is essential reading on the subject. See also Abelshauser, "Erhard oder Bismarck," 387.

28. Pühl, "Vermerk für die Kabinettsitzung. Betr.: Entwurf eines Gesetzes zur Neuregelung des Rechts der Rentenversicherung der Arbeiter und der Angestellten (Rentenversicherungsgesetz)," Bonn, 14 May 1956, p. 1, BAK B136/756, f. 211; Pühl to Adenauer, Globke, "Entwurf eines Gesetzes über die Neuregelung der Rentenversicherung der Arbeiter und Angestellten (Rentenversicherungsgesetz - RVG)," Bonn, 19 May 1956, B136/756, ff. 261-62.; Hockerts, *Sozialpolitische Entscheidungen*, 350-51; Hockerts, "Konrad Adenauer und die Rentenreform von 1957," in *Die Dynamische Rente in der Ära Adenauer und heute*, ed. Konrad Reppen (Rhöndorfer Gespräche, Bd. 1) (Stuttgart/Zürich: Belsler, 1978), 25.

29. Based on a comparison of spending and receipts from 1955 and 1958 using statistics in Statistisches Bundesamt, *Statistisches Jahrbuch für die Bundesrepublik Deutschland 1959* (Stuttgart: W. Kohlhammer, 1959), 355, Table 6. For additional information see Schwarz, *Die Ära Adenauer. Gründerjahre der Republik. 1949-1957*, 335-36 and Hockerts, *Sozialpolitische Entscheidungen*, 422-423.

30. Calculated from www.destatis.de/basis/d/fist/fist03.HTM and www.destatis.de/basis/d/solei/soleitab1.HTM. This is the website of the Statistisches Bundesamt.

31. Erhard, "Die deutsche Wirtschaftspolitik im Blickfeld europäischer Politik," speech before the Swiss Institut for Foreign Research, Zürich, 6 February 1952, reprinted in *Gedanken*, 338; Erhard, *Deutschlands Rückkehr zum Weltmarkt*, ed. Herbert Gross (Düsseldorf: Econ, 1953), 149-50; Erhard, "Zu Fragen der Europäischen Zahlungsunion," speech before the ministerial council of the European Economic Council, Paris, 30 October 1953, reprinted in *Gedanken*, 390-91; Erhard, "Europäische Einigung durch funktionale Integration," speech at the club Les Echos, Paris, 7 December 1954 reprinted in *Gedanken*, 418, 421-22; Bundesministerium für Wirtschaft, "Bericht über die wirtschaftliche Lage und die wirtschaftspolitischen Probleme und Aufgaben in der Bundesrepublik," Bonn, 31 October 1953, pp. 22, 24, BAK B136/1358.

32. Erhard to Adenauer, Bonn, 11 April 1956, p. 15, LES NE I 1)4.

33. Erhard to Adenauer, Bonn, 25 September 1956, LES NE I 1)4. See also the excellent article by Ulrich Enders, "Integration oder Kooperation? Ludwig Erhard und Franz Etzel im Streit über die Politik der europäischen Zusammenarbeit," *Vierteljahrshefte für Zeitgeschichte*, 45(1997): 157; 155. Cabinet Meeting, 5 October 1956, *Die Kabinettsprotokolle der Bundesregierung. Band 9. 1956*, ed. Ursula Hüllbusch (Munich: Oldenbourg, 1998), 620.

34. Hans-Peter Schwarz, *Konrad Adenauer. A German Politician and Statesman in a Period of War, Revolution and Reconstruction. Vol. 2: The Statesman, 1952-1967*, trans. Geoffrey Penny (Providence: Berghahn Books, 1995), 241; Enders, "Integration oder Kooperation?," 159.

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36. Enders, "Integration oder Kooperation?," 161-62. Erhard made this comment in a letter to Franz Etzel on 16 November 1956. The original is available in LES NE I 4)41.

37. Abelshauser, *Langen fünfziger*, 49, 74.

38. Quaas, "Soziale Marktwirtschaft: Einführung," *Lexikon Soziale Marktwirtschaft*, 363.

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