

ORIGINS OF THE SOCIAL MARKET ECONOMY AND THE CURRENCY REFORM OF 1948



*T*he prevailing narrative of West Germany's economic resurgence during the 1950s has proven to be an enduring and central aspect of the Germans' sense of themselves. At the conclusion of the Second World War, it seemed that Germany was finished. When Allied armies defeated the Nazi regime in the spring of 1945, the once powerful German economy had almost completely collapsed. Allied bombs had smashed much of Germany's industrial base. Transportation within Germany had ground to a sputtering halt due to the systematic destruction of railroads and bridges by Allied bombers from September 1944 onward. By May 1945 all the permanent bridges across the Rhine had been destroyed except for one at Remagen. Only 1,000 km of the 13,000 km of railroad track in the British zone of occupation were still in working order.¹ In the summer of 1945, industrial production in the American and British zones of occupation stood at 12 and 15 percent of 1936 levels respectively.² Such destruction was not limited to German industry and the transportation system; Allied bombs had also destroyed large sections of Germany's cities. Estimations at the end of the war figured that about 18 percent of the apartments and houses in the later British-American Bizonne were destroyed, while another 29 per cent suffered some level of damage.³ Large cities such as Hamburg saw over 50 per cent of their housing stock destroyed through Allied bombing.⁴ The quantity of rubble to be cleared from German cities almost surpassed imagination. German federal officials have estimated that the city of Cologne, which endured a series of 500 bomber raids during the war, had 31.2 cubic meters of rubble per inhabitant. If rubble were piled in an area of 100 yards by 40 yards, the heap would have towered 4.48 miles into the

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sky.⁵ Unquestionably, the destruction of housing stock, transportation systems, and industrial plants that Germany endured as a consequence of the Second World War was extensive and catastrophic.⁶

Most Germans experienced severe personal and economic hardship following the war. After the collapse of the Third Reich, the West German economy suffered a paralysis in which production of both raw materials and finished goods was down, few goods were transported or sold, and people resorted to barter and hoarding, lacking confidence in the currency. With the destruction caused by bombing raids and the influx of some 10 million refugees and expellees from German lands to the East between 1945 and 1949, housing was extremely scarce—resulting often times in 5 or 6 people living in a single room. Within this massive displacement and chaos, millions of Germans, including some 10 million German POWs who returned home between 1945 and 1947, desperately sought their family members. Hunger was rampant: official ration levels hovered around 1200–1500 calories per day between 1945 and 1947, and the food actually being distributed provided as little as 1000 calories a day. To supplement inadequate rations, food was acquired from company canteens, private gardens, and packages from abroad. In addition, many Germans were forced to resort to illegal means to obtain the calories necessary for survival. The black market boomed during this time with cigarettes becoming an ersatz currency. Workers would often leave work in the cities to go forage out in the countryside, thereby contributing to the low productivity in the factories.⁷ Germans directed their growing resentment toward the Allied authorities, seeing them as impeding reconstruction by dismantling industrial plants and requiring reparations of needed raw materials as part of the Potsdam agreements. The *Trümmerfrauen* (rubble women) who cleared the debris blocking the streets of the destroyed West German cities became a deeply ingrained and lasting image for those who lived through the period—replacing the image of the morally compromised German woman who fraternized with the Allied soldiers for pleasure and to make ends meet.⁸ These were hard times for the West Germans, critical days in shaping the meaning they later attributed to the immediate postwar period and the ensuing economic boom.

The year 1948 came to be remembered by the public and politicians alike as a crucial year for the resurgence of the German economy due to political-economic measures such as the reform of the German currency and the implementation of the Marshall Plan. On 20 June 1948 the United States, Great Britain, and France stabilized the German financial situation in their occupation zones by introducing the new Deutsche Mark. Overnight, shopkeepers ceased hoarding and goods appeared in their windows as people experienced a renewed faith in the currency. From the perspective of many economists the currency reform and the accompanying liberalization of certain markets and materials were some of the key catalysts for the growth of the West German economy.⁹ Now that goods were available, the Germans had an incentive to work for real wages and no longer needed to venture into the countryside to forage for food; consequently, productivity rose significantly. The influx of Marshall Plan funds intensified the new

faith in the Deutsche Mark and hastened the reconstruction of West German capital and fixed assets. Although the economy was still subject to various Allied controls and rationing, the West German people now possessed sufficient confidence in the economy to conduct normal business and participate in the free circulation of goods and money that is so critical to a healthy economy.

Led by Ludwig Erhard, the chief economic administrator of the British-American Bizone, West Germany's economic thinkers introduced the economic system of the social market economy in 1948. This socially conscious free market has remained the dominant economic policy in West Germany ever since. Although now identified with the welfare state, its proponents saw it at the time as a system supporting the free market in direct opposition to planning and control of the economy, except in cases when governmental intervention was needed to ensure competition. The social market economy was instituted with the purpose of avoiding the overconcentration of economic power in the hands of cartels and the state that had been so prevalent during the Weimar Republic and Third Reich.¹⁰ The combination of the currency reform, Marshall Plan funds, and the social market economy has been described as the foundation on which the expansion of the economic miracle was based.¹¹ With the industrial boom prompted by the Korean War, the West German GNP gained 67 percent in real terms and industrial output rose by 110 percent between 1948 and 1952. From 1952 to 1958 the West German GNP continued to increase at a lowered, but still very strong, annual rate of 7.6 per cent in real terms, and at a healthy 5 per cent yearly GNP growth through the mid 1960s. After the momentous year of 1948, West Germany transformed itself seemingly overnight from an economic cripple into a giant and enjoyed prodigious levels of growth through the 1950s and into the early 1960s.¹²

Although many historians have challenged the veracity of aspects of this outline of West Germany's economic history during the postwar years, it has taken hold in the West German national consciousness. Indeed, this narrative was partially created by Erhard himself during the 1950s, especially in his 1957 book *Wohlstand für Alle* (Prosperity for All, translated into English as *Prosperity through Competition*). Even today the legend of Erhard and the economic miracle are evoked in discussions on the economic reconstruction of the former East Germany and the challenges that a united Germany faces in a global economy. Undoubtedly, this narrative of destruction and reconstruction exerted an important influence upon the development of West German politics, especially during the 1950s. In many respects, this economic resurgence offered a sense of national redemption for Germans and became a source of legitimization for West Germany and conservative political interests. But before these themes are explored, it is necessary to briefly examine the roots and the development of the ideas underlying the social market economy and the evolution of economic policy in occupied Germany between 1945 and 1948. After the policy of autarky died with the Third Reich, economic thought went through its own reconstruction. It is important to get an overview of the ideas behind the social market economy in order

to understand how this program was picked up and molded by politicians as a means of overcoming some of the political challenges that faced the newly formed Federal Republic. Although the theorists of the social market economy grasped the political dimensions of their ideas, they could not have foreseen the manner in which their economic concepts would be transformed for public consumption. In any case, their ideas proved to be important ammunition in the battles that would rage within the West German political arena.

The social market economy had its roots in the “neoliberal” or “ordoliberal” economic thought of the interwar period. Having undergone a wartime economy, a revolution, and a transition to a democratic system, Germany experienced a vibrant debate on economics and social life after the end of the First World War—mostly from a statist, corporatist perspective. During the difficult Weimar period, when economic and political strife tore the nation apart—particularly during the period of rampant inflation between 1918 and 1923 and the Great Depression—solutions to the overwhelming economic problems of the day tended to entail heightened governmental involvement in the economy. Yet there were a number of economists who endorsed a more market-oriented approach—most notably Alfred Müller-Armack, Walter Eucken, Franz Böhm, Wilhelm Röpke, and Alexander Rüstow. Although differing in many respects, they all sought to reconcile nineteenth-century liberalism with the demands of the twentieth-century economy and politics, aiming especially to ward off the contemporary threats of fascism and communism. These thinkers believed in the retention of the free market system with a guarantee of at least a minimum social support for all in society. This defense of the free market demanded some form of governmental intervention in the economy in order to reduce the concentration of economic power in a few hands and to ensure freedom of the individual.¹³

The interest in the “social” question within economics and society had its roots in the 1872 founding of the Verein für Sozialpolitik (Association for Social Policy), a group of economists interested in social reform. According to these economists, the laissez-faire system of economic organization had not sufficiently alleviated the dreadful conditions of the working class. For this reason, the economists of the Verein turned away from pure liberalism to demand a “purposive state policy designed to regulate economic life.” An important component of their view was the endorsement of large-scale governmental measures designed to provide some measure of social security for the working class. By no means had the association completely forsaken laissez-faire economics; rather it advocated for the modern state taking on some responsibilities and functions within the free market. Although the Verein’s discussions on politics and the economy had limited short-term consequences, its influence on the debates regarding the role and function of the modern state was significant, particularly in the interwar years.¹⁴ Young economists during the 1920s, such as Walter Eucken, a professor at the University of Freiburg, developed the “Freiburg School” of economic thought, which formed a nucleus of economic theorists who further elaborated the concepts of neoliberalism. Although during the 1920s Eucken supported a purely laissez-

faire approach, with the economic crisis of 1929 he came to reject this view as inadequate and envisioned a more active role for the state in the economy, a view echoed by fellow economist Alexander Rüstow.

In a September 1932 speech to the Verein für Sozialpolitik, Rüstow argued that a strong state influence on the economy did not contradict liberalism. Instead, the state should intervene in the economy in order to ensure full competition and allow market forces to work. In this way, Rüstow suggested some form of a “third way” between capitalism and collectivism.¹⁵ Together, Eucken and Rüstow involved themselves in the Deutscher Bund für freie Wirtschaftspolitik (German League for the Free Market), a group of businessmen and economists supporting the free market system, in many ways going against the tide of interventionism of the early 1930s. Yet with the mounting deflation of 1931, both Eucken and Rüstow supported some form of temporary governmental expenditures to spur growth.¹⁶

Once the Nazis came to power, Eucken was relatively successful in creating some distance between his “Freiburg School” and the Nazi regime, despite the efforts of the university rector, Martin Heidegger, to “Nazify” the institution. Eucken sought to rehabilitate classical economics in the face of the autarkic economy Hitler was building in the Third Reich. He attacked many of his fellow German economists who were relativizing what he regarded as transcendent economic truths. From Eucken’s perspective, the truths of Adam Smith applied in the Europe of the mid twentieth century as well as in eighteenth-century Great Britain. In addition, he called for economists to become more involved in practical affairs and argued that economic issues had to be understood within a specific political context.¹⁷ It was during this time that he crafted his masterpiece, *Die Grundlagen der Nationalökonomie* (The Foundations of Economics). In this work, Eucken sought to understand the workings of economic systems, from any historical period, in their totality. In other words, he was interested in analyzing the economic, legal, social, and ethical underpinnings inherent in any economic system. In general, Eucken supported an economic system that was market driven, with the government laying down and enforcing the basic ground rules of the economy, yet not interfering with its running.¹⁸

In contrast to other neoliberal economists, Wilhelm Röpke expounded upon the social aspects of economic organization. When the Nazis came to power, Röpke emigrated first to Turkey and then to Geneva, Switzerland. In the face of the Nazis’ plans for an autarkic economic system, liberal economic ideas were clearly on the defensive. In his works over the course of the 1930s, Röpke defended the free market against onslaughts from both the left and the right. The free market, he realized, was not perfect and must be protected by government intervention against monopoly or other anticompetitive forces. He was also aware of the problems that the proletariat presented for society: if their situation was not improved, they were destined to turn to communism. Reacting to this problem, Röpke advocated a governmental policy encouraging small- and medium-sized property owners, assisting independent farmers, and fighting against the sense of rootlessness so widespread in modern society.¹⁹

Röpke further developed his ideas in his two books written during the Second World War: *Gesellschaftskrisis der Gegenwart* (Contemporary Crisis of Society, 1942) and *Civitas Humana* (1944). In *Civitas Humana*, Röpke divided the economic systems since the eighteenth century into two categories: collective or capitalist. He accepted neither of these systems. Collectivism led to economic despotism, centralization, depersonalization, and eventually totalitarianism. Capitalism, as it was practiced, led to monopoly. Röpke called for a third way that could be described as “economic humanism.” He favored the dismantling of modern mass society, a deproletarianization of society, and the creation of a new market economy in which free competition was guaranteed.²⁰ Röpke was especially interested in what he called the anthropo-sociological aspects of the economy. He saw the free market as resting upon a sound society. As he commented in *Civitas Humana*, a purely liberal point of view was problematic:

It [liberal capitalistic thought] overlooked that the Market represents but one narrow sphere of social life, a sphere which is surrounded and kept going by a more comprehensive one; a wider field in which mankind are not merely competitors, producers, men of business, members of unions, shareholders, saver and investors, but are simply human beings who do not live on bread alone, men as members of their family, as neighbors, as members of their churches, as colleagues, as citizens of the community, men as creatures of life and blood with their sentiments, passions, and ideals.

A healthy society and the free market must coexist together in order to avoid society becoming “engulfed by mass civilization, collectivized, proletarianized, uprooted, fundamentally dissatisfied and unstable.”²¹ Röpke interested himself in the role of economics in relation to all other social, political, and cultural endeavors of human society. From this perspective, he saw the free market as being intertwined and functioning in concert with an organic community.

Overall, the neoliberal thinkers were keenly interested in the relationship of the market to society as a whole and thought of economic policy as being directly related to political systems that emerged in a society. A functioning market and price system must be the basis of each action within the political economy. In order to assure competition, currency stability and convertibility must be maintained. This would encourage the full interaction of the factors of production and greater efficiency within the economy. In addition, such full competition required open markets, preserved by the government through a liberal trade policy. Also crucial was careful government intervention to guard against monopolies and ensure competition. Perhaps most importantly, these neoliberal economists embraced a decidedly broad view of economics and were concerned about the connection between economics and the creation of a just, open, and liberal society. The social dimension of a liberal economic system rested upon the idea that the free market contains within itself certain social and political advantages over centrally administered economic systems. A market system in which competition was preserved ensured the maximum expansion of the economy, whose surplus could be redistributed more equally throughout society. Moreover, from the neoliberal

perspective an economic system based upon competition required the maximum freedom for the members of society, in direct contrast to collective economic systems that inevitably led to tyranny and control. A liberal economic system was not only based upon the freedom of individuals, but was also an essential component in the establishment of that freedom.²²

From this perspective the neoliberals echoed some of the views advanced by the Austrian-born economist Friedrich August von Hayek, whose thought centered around the freedom of the individual in society. In von Hayek's view, one of the greatest threats to the freedom of the individual was socialism. He believed that there was no way that a planned economy could meet the needs of individuals within society. A planned economy could only be implemented by force, and the lives of individuals would be excessively controlled and regulated. As he commented in his 1944 *Road to Serfdom*, "planning leads to dictatorship because dictatorship is the most effective instrument of coercion and the enforcement of ideals and, as such, essential if central planning on a large scale is possible."²³ The expression of a free society in the economic realm is competition. Competition, von Hayek argued, allowed individuals to make free decisions outside of coercive control.²⁴ Despite their many agreements about the importance of competition in helping maintain a free society, von Hayek and the neoliberals differed strongly in that von Hayek rejected any government intervention or regulation to maintain markets or some form of social justice.

Although the ideas of the social market economy had a long history, two figures, Alfred Müller-Armack and Ludwig Erhard, were essential in transferring its abstract, theoretical ideas into the political realm. Erhard was born on 4 February 1897, in the northern Bavarian town of Fürth to middle-class, shopkeeper parents. He attended a vocational secondary school where he was a very ordinary student. During the First World War he served in an artillery battalion, was severely wounded on the western front in September 1918, and convalesced in a hospital until June 1919. After his recovery, he enrolled at a *Handelshochschule* (business school) in Nuremberg in the autumn of 1919 and received his diploma in the spring of 1922. He then went to Frankfurt to earn his doctorate in economics in December 1925 under the direction of Franz Oppenheimer, a professor of sociology and theoretical economics. Oppenheimer developed theories on what he called "liberal socialism" that rejected both laissez-faire capitalism and Marxism. Oppenheimer thought that social justice had to be retained within an economy of free competition protected by the state. He also believed that a way of ensuring genuine free competition was to redistribute land more equally and thereby ensure the freedom of individuals. Erhard never accepted all of Oppenheimer's ideas, especially in regard to land redistribution, and reversed the adjective by supporting a "social liberalism." Nevertheless he advanced some of Oppenheimer's core ideas, especially his belief in free competition as the source of efficiency within the economy and his view that monopoly gravely threatened such competition. In addition, Erhard took his mentor's view that the govern-

ment should sometimes intervene in the economy in order to stimulate consumer demand and discourage the overconcentration of capital.²⁵

After working for a time in his father's clothing business, Erhard moved in 1928 to an institute involved in market research at the Nuremberg Commercial College under Wilhelm Vershofen, remaining there until 1942. During his time in Nuremberg, Erhard conducted market research on consumer goods—a newly emerging field. In 1935 his director, Vershofen, founded the Berlin-based Gesellschaft für Konsumforschung (Society for Consumer Research), which gathered economists, industrialist representatives from firms such as I.G. Farben, and representatives of economic associations to investigate the relationship of the consumer to producers and the motives behind consumers' buying. Over the course of the 1930s the modest institute expanded quickly through contracts from the federations of the finished and consumer goods industries to investigate their costs and earning conditions. Influenced by Vershofen's emphasis on consumer research, Erhard learned to respect the wishes and importance of the consumer in driving economic development. According to Vershofen, economists and businessmen alike must take into account ethical and psychological aspects of human behavior in their scientific inquiries in economics—an orientation toward the consumer that proved enduring and politically valuable for Erhard in his years as economics minister. As he later stated in that capacity, "Our economy serves the consumer, he alone is the standard and judge of economic activity"²⁶ In addition, the contacts he made during this time with industrialists from I.G. Farben and businessmen from the consumer goods industry, such as Philipp Reemtsma, head of a large tobacco firm, proved crucial in his efforts during the 1950s to "sell" the ideas of the social market economy.²⁷ Meanwhile, in January 1933 Hitler and the Nazis seized power in Germany. The Nazi regime quickly transformed Germany's economy into one that mixed capitalist, planned, and autarkic elements. Since Erhard was highly critical of the nationalist economic policies of Hjalmar Schacht, Hitler's economics minister and president of the Reichsbank through 1937, he could not hope for promotion to a university chair.

In 1942 Erhard left Vershofen's institute. It is unclear whether Erhard's departure resulted from his personal conflicts with Vershofen, or whether it was because he refused to join the Nazi Labor Front. In any case Erhard, an ardent supporter of the free market, disagreed sharply with Vershofen's support of cartels to order the economy. During the late 1930s and early 1940s, Erhard had become familiar with the leading economists of the neoliberal school, including Eucken, Rüstow, and Röpke.²⁸ Having parted with Vershofen, Erhard founded the Institut für Industrieforschung (Institute for Industrial Research) with funding from several major industrial firms. During 1942/43 Erhard concentrated upon studying Germany's transition to a peacetime economy after the war. The circulation of his 268-page memorandum *Kriegsfinanzierung und Schuldenkonsolidierung* (War Finance and Debt Consolidation) was a potentially dangerous move on Erhard's part for Josef Goebbels' declaration of "total war" in January 1942, talk of the

peace after the war's conclusion was unacceptable to the Nazi regime.²⁹ In this document distributed to such firms as I.G. Farben, Flick, Siemens, Dresdner Bank, and Deutsche Bank in the summer of 1944, Erhard's ideas regarding the postwar-era economy began to take shape. He proposed scaling down government control of the economy, beginning with the demobilization of labor and restructuring of the economy to ward peacetime production. After a transition period, market forces must be allowed to direct the economy. Most importantly, the expansion of the money supply created by the war had to be scaled back. This inflation, argued Erhard, had been masked by the price controls that were currently in place. Following a transition period during which the economy was to be structured for peacetime activity, at a decisive juncture the money supply must be reduced and the purchasing power of money decreased. In essence, Erhard treated Germany as though it were a bankrupt concern and what was needed to correct the situation was a sound monetary policy. In addition, he stressed the importance of a healthy, growing peacetime economy of consumer goods production within the context of the free market over capital goods expansion directed by heavy industry.³⁰

Erhard met Müller-Armack during the war. Although Müller-Armack was not part of the Freiburg School, Erhard was strongly impressed by him and his writing, "most of all not as a theorist, but instead as one who wanted to transfer theory into practice."³¹ A Nazi Party member, Müller-Armack occupied a chair in economics during the war at the University of Münster in Westphalia.³² He also worked within a research institute conducting market research for the textile industry. After the war was concluded, Müller-Armack began to write and speak about the necessity of reintroducing market forces into the German economy. One of his most influential works was the *Wirtschaftslenkung und Marktwirtschaft* (Economic Control and the Free Market), published in 1946, of which one section was entitled "Soziale Marktwirtschaft," giving birth to the term "social market economy."³³ In this work, he argued that the economic "rules of the game," or what has been called *Wirtschaftsordnung*, must be reestablished in the wake of the war's disruptions, the most important "rule" being the reintroduction of market forces in the economy that would ensure the efficient allocation of resources and increased productivity.³⁴

But a key question was how Müller-Armack could possibly influence political leaders capable of implementing the ideas of the social market economy at a time, at least until 1947/48, when market economics were highly unpopular in the context of a ruined Germany and the belief that big business had been in league with the Nazis. Marxists from the left and Christian politicians from the right saw the age of free market capitalism passing, and some form of public ownership and economic planning emerging in its stead. Müller-Armack's contact with industry, stemming from his work with the textile market research institute, proved to be a crucial factor in creating a political audience for the social market economy. In June 1947 Müller-Armack established contact with an organization of Hamburg businessmen called Volkswirtschaftliche Gesellschaft (Society of Political Econ-

omy). This organization helped publish some of Müller-Armack's pamphlets on the social market economy. More importantly, these businessmen brought Müller-Armack into contact with the budding liberal Free Democratic Party (FDP). Through the summer of 1947, the FDP supported economic programs based upon some form of economic planning. After the establishment of the Bizone in early 1947, the FDP began moving toward a more liberal economic program, culminating in January 1948 with the Wageroog Program. This statement, promulgated by the British Zone FDP, laid down free market principles as essential for the development of German freedom. In many respects, the writings of Müller-Armack and Röpke provided a theoretical base for the development of the FDP's program.³⁵

Meanwhile, when the war ended, the American occupation forces appointed Erhard as economic administrator for the area of northern Bavaria. Due to both his antisocialist position and his relatively clean past during the Third Reich, in September 1945 the Americans recommended him to the Social Democratic (SPD) minister president of Bavaria as economics minister for the state of Bavaria, a post that he filled until January 1947. In December 1946 the SPD government in Bavaria was replaced by the conservative Christian Social Union (CSU). Following the change in government, some members of the CSU and the SPD accused Erhard of administrative incompetence and he subsequently resigned from his position. In November 1947 Erhard secured a position at the University of Munich through his contacts with the liberal economist Adolf Weber, and began promoting free market principles by publishing articles in newspapers such as *Die Neue Zeitung*. In these articles Erhard echoed the ideas of the neoliberals. He stressed the idea that the government was responsible for stepping into the economy in order to preserve free competition. In addition, he argued that the free market that enjoyed true free competition was a form of the economy that was social because it benefited all consumers—that is, everyone within society.³⁶

In the summer and fall of 1946 the British and Americans had begun planning the fusion of their occupation zones into one economic unit—a most daunting job indeed, given the different political organizations of the individual zones. While the American Zone was organized into the various *Länder* (states), the British Zone was directed by central zonal organizations, especially in economics. Meanwhile, the French and the Soviets refused to participate in coordinating the zonal administrations. In August 1946, the American military governor, General Lucius Clay, announced plans to create the so-called Bizone, which would maintain five central offices, staffed by German civil servants, to administer the economies, transportation, finances, post, and food supply of the two zones. Although the Bizone was officially implemented on 1 January 1947, it had been operational since September 1946.³⁷

Prior to joining the American and British zones' economies together, as early as December 1945 the occupation governments in the American, British, and French zones of occupation had allowed the establishment of German political parties. Retaining control of party licensing, the occupying powers gave special preference to the development of moderate parties such as the CDU/CSU, SPD,

and FDP.³⁸ The creation of the Bizone marked the start of disputes between the CDU and the SPD on economic issues. At the conclusion of the war, the SPD foresaw the creation of an “economic democracy” (*Wirtschaftsdemokratie*) that entailed the social and economic transformation of German society, including some form of a socialist planned economy—particularly in regard to heavy industry—and worker representation within companies’ boards. Meanwhile, by 1946 elements of the CDU were drifting toward support of the free market, while many of the party’s mainstream leaders supported “Christian Socialism.” The control of the new bureaucracies within the Bizone would become a central point of contention between the two parties.

The Economics Administration, the most important of the five Bizone offices, drew its staffers mostly from the Zentralamt für Wirtschaft (Central Economics Office, ZAW) in Minden in the British Zone. With the support of Britain’s Labour government, this group had been working toward the creation of a centrally planned economy in the British Zone. Yet in September 1946 the command of the new Economics Administration was given not to Viktor Agartz (SPD), who had run the ZAW in Minden, but instead, following tough negotiations between economics ministers from the British and American zones, to the Hessian economics minister Rudolf Mueller, who had clear free market proclivities. But in face of pressure from the head of the SPD, Kurt Schumacher, Mueller was replaced in January 1947 by Agartz, who sought to redouble SPD efforts for socialization and a planned economy. In addition, the SPD had occupied all of the economics minister positions in the *Länder* (states) by this point.³⁹ As a consequence, the CDU/CSU was excluded from decision making on economics throughout the Bizone. This setback galvanized cooperation among the bourgeois opposition against the SPD and sharpened the political and economic conflict between the SPD and the CDU/CSU. Faced with this political competition from the SPD, the CDU/CSU, especially the organization in the American Zone, began moving toward a liberal-conservative position that supported the free market.⁴⁰ Lacking national-level political bodies, political parties struggled against one other within the administrative offices of the developing Bizone. It was in this context that the positions and identity of the West German parties began to emerge.

In May 1947 the military governors of the two occupation zones announced the reorganization of the Bizone agencies by creating a number of new organizations centered in Frankfurt to streamline administration. To oversee the economic reconstruction of the combined zones, an overarching economic administration, the Wirtschaftsrat (Economics Council), functioned as a quasi-parliamentary control organ. Under the direction of the Bipartite Control Group of the two occupying powers, the Wirtschaftsrat could issue laws dealing with a number of areas crucial to the Bizone’s economic reconstruction, including transportation, production and distribution of goods, raw materials, foreign and domestic trade, and price formation and controls. The Exekutivrat (Executive Council), comprised of representatives from the eight *Länder* (states) of the British and American zones,

was to oversee the interests of the *Länder* and coordinate the activities of the directors of the five Verwaltungen (administrations offices) of economics, transportation, finance, post, and food. Because the CDU/CSU's delegation to the Economic Council was larger than the SPD's, it was able to relegate the Social Democrats to the opposition and direct the activities of the Bizone. Johannes Semler, a Bavarian leader of the CSU who supported the free market, was tapped as the new director of the Economics Administration on 23 July 1947 after Victor Agartz resigned due to illness.⁴¹ Over the course of 1947, CDU/CSU representatives began working closely with other "bourgeois" parties in the Economics Council, especially the liberal FDP, in order to form a bloc against the SPD. In many respects, the parties in the Bizone were already working in the same fashion as the coalition that would be formed in September 1949 following the first parliamentary elections.

The new head of the Economics Administration, facing the extreme shortage of raw materials, food, and consumer goods, continued to follow a policy of price controls and rationing within the Bizone. As Agartz had before, Semler worked for the revival of heavy industry within the Ruhr as an essential element in the Bizone's overall economic recovery and sought to eliminate key bottlenecks in the economy, including problems in transportation, coal production, and electricity supply.⁴² However, in early January 1948 Semler had gotten himself into trouble with the American occupiers. In a meeting with CSU leaders, Semler was critical of the food supplied by the occupiers, labeling the grain fodder aid from the US as "chicken feed," a comment picked up by the American press. This prompted accusations that Semler was "sabotaging the cooperation of German offices with the Allied authorities." On 26 January 1948 he was dismissed by the Allied military governors, creating animosity on the part of the CDU/CSU members of the Economics Council. With Semler's ouster the threat grew that the Germans sitting on the various boards and committees of the Economics Administration would be less willing to cooperate with the occupying forces, thereby hindering reconstruction. After a cooling period, however, the tensions relaxed.⁴³ In any case, Erhard, the former economics minister of Bavaria, was named his permanent successor.

Before this turn of events, in the autumn of 1947, Erhard had been appointed to the Sonderstelle für Geld und Kredit (Special Bureau for Monetary and Currency Matters) of the Economics Council. From this position, and in consultation with the neoliberal economist Walter Eucken, Erhard quickly advanced a policy of sound money and price deregulation within the newly formed Bizone. With the money supply reduced, producers would have more incentive to generate consumer goods. Even after Erhard had left the Special Bureau, the organization continued to work for the introduction of new currency in the Bizone.⁴⁴ On 2 April 1948, Erhard officially took up the position of director of the Economics Administration of the Bizone. The FDP's acceptance of market principles proved to be crucial at this juncture. The Economics Council was divided, with forty-four CDU/CSU representatives versus forty-six Social Democrats and Commu-

nists, but the CDU/CSU leader, Konrad Adenauer, wanted at all costs to avoid forming a coalition with the SPD. The CDU/CSU could not agree on whom to name to the position of economics director, especially with the strong trade unionist wing of the CDU/CSU supporting more economic controls and emphasis upon heavy industry. The FDP, on the other hand, was promoting Erhard as director of the Economics Administration and its support was crucial in creating an antisocialist bloc. As a result, in heated discussions in early March 1948, the CDU/CSU and FDP compromised by nominating the Christian Socialist Herman Pünder from Cologne to head the whole Bzone, while Erhard was nominated as the director of the Economics Administration—a position to which he was elected on 2 March 1948.⁴⁵ As some historians have suggested, Erhard's quick rise from obscure industrial researcher to head of the economy in the Bzone was due more to political wheeling and dealing than the CDU/CSU's commitment to his economic ideas.⁴⁶

As director of the Economics Administration, Erhard was in a position to promote some of his basic economic principles—especially his firm belief in the competitive free market as the most efficient method of distributing resources and effectively uniting producer and consumer. Along with the imminent currency reform being pushed by the Americans, Erhard was proposing radical liberalization of controls over the Bzone economy. In addition, he thought German trade should be freed from restrictions and called for ending of some of the rationing—in other words, the introduction of the free market. Erhard also called for increasing production of consumer goods. In the months prior to the currency reform, Erhard pushed through the Law Governing the Guiding Principles for Controls and Pricing Policy after the Currency Reform, which allotted the director of the Economics Administration greater powers in resource allocation and pricing. This Guiding Principles Law, approved by the Economics Council on 18 June 1948, meant, in practice, that Erhard had a much freer hand in the liberalization of the West German economy. Although the law still had to be passed by the *Länderrat* and the Allied powers, Erhard announced immediately following the 20 June currency reform that price controls on a range of mostly consumer goods would be relaxed. In all about 400 items were no longer under price controls.

The occupying authorities feared that the removal of rationing and price controls and ceilings would weaken the currency through inflation. Erhard, however, was convinced that market forces, much better than bureaucratic controls, would unleash the potential of the economy through the rational decision making of both producers and consumers. When the military governor of the Bzone demanded that Erhard explain his actions, considering him to have no right to alter price controls, Erhard is reported to have replied, "I have not altered them. I have abolished them." This process of price liberalization continued, and by July 1948, 90 percent of price controls had been eliminated. This applied for mostly manufactured and consumer goods, as a number of controls on items such as rents, utilities, transport fares, industrial raw materials, international transactions, and the capital market all remained in place.⁴⁷

In spite of what could be called Erhard's theatrics, the United States proved to be the decisive force in the creation of West Germany's new currency. When the American army occupied Germany in 1945, there was no clear plan in terms of monetary policy. But with the Reichsmark (RM) being practically worthless and the majority of the German population surviving through barter and the black market, it was clear that Germany's monetary situation had to be stabilized. A group of economic experts, led by Gerhard Colm and Ray Goldsmith, was dispatched to Germany by the American government to work out the details of a plan. There they worked with General Clay's financial advisor, Joseph Dodge, to produce the Colm-Dodge-Goldsmith Plan, which called for a currency reform in all four occupation zones. All through 1946 the four powers discussed plans for such a reform, but disagreements over who would print the new currency led to the breaking off of negotiations. By 25 September 1947, the decision had been made to introduce a new currency in the Western zones. From February until April 1948 the new Deutsche Mark notes arrived in Bremen from the United States. So as to appear politically neutral, the notes featured neither an issuing authority nor a place of issue or signature. On 20 June 1948, the new Deutsche Mark was introduced in the American, British, and French occupation zones. Not until four days later, after a currency reform was announced for the Soviet Zone, including East Berlin, was the western currency introduced into West Berlin.⁴⁸

With the currency reform, the old worthless Reichsmark was to be exchanged for the new Deutsche Mark (DM) on a one-to-one basis. But one could only exchange up to 40 old Reichsmarks into the new currency. Two months later one could exchange another 20 Reichsmarks. In addition, each employer was able to exchange RM 60 for each employee in order to meet payroll. Wages, salaries, rents, and pensions continued at their old rates. In contrast, liquid assets, bank deposits, and liabilities were converted at the rate of RM 10 to DM 1. In effect, the currency reform drew about 93.5 percent of all currency out of circulation.⁴⁹ The aforementioned relaxation of price controls of many consumer goods was instituted in conjunction with the currency reform. Erhard had his press secretary announce on the radio this reduction of price controls on the day of the currency reform, although articles such as essential foodstuffs, coal and iron, and clothing remained under controls.⁵⁰

The public sensed that the currency reform had a positive effect on the economy. Official statistics indicated that industrial production rose 30 percent from the second to third quarter of 1948, although it is not entirely clear whether this reflected real production gains or that firms were more willing to report their actual production after the currency reform.⁵¹ For months retailers had been hoarding goods because they did not want to accumulate the practically worthless Reichsmarks. Yet in the days before the currency reform, consumers were buying up absurd quantities of anything shopkeepers would sell. It was common to hear stories of people buying bulk supplies of Dr. Oetker's glaze for cakes—enough for 2,800—or hundreds of Reichsmarks' worth of aspirin, bathing salts, or rat poison.

The currency reform destroyed the black market, which had been a source of necessities for many West Germans. Overnight all kinds of goods appeared in storekeepers' windows. Newspapers reported an unbelievable availability of goods.⁵² Instead of a scarcity of goods being chased by abundant but worthless money, now there were available goods but money was scarce. People were given the incentive to work for wages instead of resorting to the black market and barter—thereby setting the economy on more stable footing. According to the popular news magazine *Der Spiegel*, black market prices had fallen dramatically after the currency reform, and sellers were having a hard time moving their goods. The article noted that with the fall of the black market value of American cigarettes, which thereby lowered the income derived from American GIs, German prostitutes in Frankfurt “for the first time in the history of the occupation, gave interested looks to Germans passing by with their valuable Deutsche Marks.”⁵³

Despite the new availability of consumer goods, clear drawbacks accompanied the currency reform. With one fell swoop—and, considering the hyperinflation of 1923, for the second time in twenty-five years—the small saver saw his savings wiped out. Within this context an important part of the currency reform mythology emerged that the reform was a “great leveler” in society because everyone started off with DM 40. But one must also consider that the owners of physical assets or means of industrial or agricultural production had 90 per cent of their debt wiped out. These were the same people who were in good position to enjoy the boom that emerged in the 1950s. Meanwhile, workers, pensioners, and small savers lost practically all their liquid assets. Even the 1952 passage of the so-called *Lastenausgleich* (equalization of burdens), which transferred wealth to those who had suffered material damage during the war, did not seriously alter the unequal distribution of wealth within West German society.⁵⁴

People were generally supportive of the currency reform soon after its enactment. In a survey conducted by the Institut für Demoskopie following the reform, 71 percent of those polled expressed satisfaction that the currency reform had occurred. This number had climbed to 74 per cent by July 1948. As of October 1948, 43 percent of respondents believed that their lives had become easier since the currency reform, while 37 percent considered life to be more difficult.⁵⁵ In addition, an OMGUS (Office of Military Government, United States) survey reported a remarkable shift in people's concerns following the currency reform. Fifty-eight percent of respondents in July 1948 anticipated improvement in their living conditions in the coming year, and belief that the black market was a serious problem tumbled from 48 per cent in June to 16 per cent the following month. The surveys reflected that West Germans were less anxious about obtaining necessary foodstuffs. Prior to the currency reform, 54 percent of Germans in the American Zone named food procurement as their main concern. This figure had dropped to 19 percent by July 1948, and by 1949 it was down to 10 percent.⁵⁶ To a certain extent, the surveys reflect sentiments found by later social historians who have argued that researchers should approach the period between the defeat at the Battle of Stalingrad in 1943 and the 1948 currency reform as a whole, given

the common experience of bomb attacks, destruction, extreme shortages, and starvation. For many West Germans, it was not the ending of military hostilities in May 1945 but the currency reform that represented a dramatic change in their social conditions and an improvement in their ability to meet the most basic needs for existence.⁵⁷

Yet, the optimism following the currency reform was surely measured. About a quarter of all West Germans thought that Germany would never recover economically. In addition, in July 1948 a full 42 percent regarded their lives as more difficult since the currency reform. Other worries centered around the rise in prices. In the months after the currency reform, financial problems superseded food as the chief concern for Germans (60 percent). Following the currency reform, 43 percent of respondents anticipated that prices would rise in the next few weeks, while only 25 percent thought prices would fall. This concern continued through December 1948, when 36 percent believed prices would rise but decreased dramatically by March 1949, when only 7 percent thought prices would rise while 64 percent anticipated they would fall.⁵⁸ One survey conducted in the American Zone reported that huge majorities of respondents (no exact figure given) believed that the currency reform would increase the unemployment rate. In addition, though a large majority was willing to work more in order to earn more, many believed that they would not have the opportunity to do so.⁵⁹ Unemployment climbed from 442,000 in June 1948 to 937,000 in January 1949, since a number of firms had to let workers go when they could not afford to pay them in the more valuable Deutsche Mark after the currency reform. Wages were frozen until the beginning of November 1948 at levels established during the Third Reich. Workers' concerns about work, prices, and wages were expressed in a very tangible way when the trade union council of the Bizone called a 24-hour strike, held on 12 November 1948, to demand higher wages.⁶⁰

In addition, many West Germans were concerned about how the currency reform was implemented. One frequent complaint, as reported in an Institut für Demoskopie survey from June 1948, was that "social factors should been taken into consideration" when formulating the currency reform.⁶¹ In July 1948, 79 percent of West Germans believed that certain levels of society had disproportionately benefited from the currency reform. These advantaged groups included businessmen (named by 62 percent of respondents), manufacturers (38 percent), and capitalists (20 percent).⁶²

Despite the overall positive view many West Germans held of the currency reform, its impact on the West German economy has come under scrutiny. Some historians since the 1970s have questioned the validity of the idea "*Wirtschaftswunder*" in general and the overall effects of the currency reform on the development of the West German economy in particular. Foremost among these historians is Werner Abelshauser, who has argued that West Germany's economic growth from the late 1940s through the 1950s represented a period of catching up after the destructive impact of the war, and that eventually West Germany fell into longer-term trends of twentieth-century economic growth.⁶³ Abelshauser chal-

lenged the often accepted roots of the economic miracle by attacking the following postulates: that the West German recovery began with the currency reform of 20 June 1948; that this recovery was based upon foreign aid, especially the Marshall Plan; and that the changes in the political economy associated with the social market economy triggered the eventual West German economic recovery.⁶⁴

Abelshauser argued that between 1945 and 1948 the West German economy was plagued not so much by the destruction of the war, but instead by bottlenecks in the economy, especially coal shortages and the inadequate transportation system. Economic indicators showed that the West German economy was already improving by the time of the currency reform in 1948. In fact, Abelshauser pointed out, the total amount of fixed industrial assets was actually about 20 per cent higher in 1945 than in 1936 because of the heavy war-time investment in German industry. Even in 1948, after the impact of depreciation, reparations, and dismantling had been felt, fixed industrial assets were about 11 per cent higher than in 1936.⁶⁵ Under the direction of economic planning the bottlenecks hindering the West German economy's potential growth had been overcome by late 1947, and real reconstruction had begun. Because of this achievement, production was already increasing by the time the currency reform was instituted in June 1948. The perception that the currency reform spurred the production of new goods was a function of the release of hoarded goods that had been building for more than a year beforehand. Therefore, the currency reform did not induce a rise in production.⁶⁶ More recently, scholars have challenged Abelshauser's view of the currency reform. They have particularly attacked what they call an overassessment of West German industrial production prior to the currency reform—thereby diminishing the size of the post-reform increase in industrial production.⁶⁷ To be sure, in laying claim to West Germany's economic resurgence during the late 1940s and 1950s, Erhard and the neoliberals focused too narrowly upon the currency reform and market liberalization as the keys to West Germany's and their own success. In contrast, newer works have not taken their accounts at face value and have wisely tried to place Erhard within the larger context of both internal and external forces driving West Germany's economic growth.⁶⁸

Apart from discussions on West Germany's political economy and more pertinent for this study, however, is Abelshauser's critique of the mythologies and legends that arose around the currency reform and proved critical for the development of politics in the Federal Republic. Abelshauser examined some of the legends that have subsequently emerged—such as the belief that the currency reform was the product of Germans or Ludwig Erhard in particular, that it represented an equal start economically for all West German citizens, and that it singlehandedly triggered West Germany's subsequent economic growth.⁶⁹ These views of the June 1948 currency reform and the social market economy provided conservatives with important political prestige—prestige that was apparent in West Germany's first federal elections in 1949. Throughout the 1950s the meaning of the economic miracle and the social market economy was to be constructed and reconstructed—

especially by those who stood to gain politically from public perceptions of these developments. Although studies of the political economy by economic historians can track the growth of the economy, they do not necessarily trace the perception of economic realities held by people at the time. These perceptions, perhaps more than any statistical analysis of the economy, had a critical impact upon developments underway in West Germany's political culture.

One must remember that on 20 June 1948, the currency reform was viewed by all in West Germany not as a German measure, or one led by Ludwig Erhard, but instead as one of the American occupier's policies. But even by the summer of 1948 the mythology surrounding the currency reform and birth of the economic miracle had begun to form. Some of the key aspects of this mythology included the view that German economic life was overwhelmingly handicapped by Allied military controls, an absence of a stable currency, the black market, and the Allied dismantling of the German industrial capital, as opposed to attributing economic problems to larger internal structural and international economic conditions. Immediately following the currency reform, the American-British newsreel *Welt im Film* (The World in Film) portrayed the reform to the population of the three Western zones of occupation. In an analysis of these films, Martin Loiperdinger concluded that their reportage of the currency reform included many of the "facts," especially in terms of problems accompanying the currency reform, such as social tensions and rising prices. At the same time, however, the films lent themselves to the creation of myths and legends surrounding the currency reform. They conveyed in an optimistic tone that the reform had ushered in a new era for German economic recovery. When they did admit that prices had risen, the films tried to persuade viewers that they could change prices by not frittering away their money and by rationally participating in the mechanism of supply and demand. When the 12 November 1948 workers' strike and ongoing rallies against price increases were portrayed, the films emphasized that this was not the proper way a democracy worked. Explaining that while it was legitimate that the workers were on strike, the single strike cost the Bizone DM 200 million in production while Marshall Plan funds were flowing into Germany. The film editing made the German workers appear selfish at a time when other nations were lending Germany a helping hand. All the while, Loiperdinger concluded, the films pointed to Ludwig Erhard as the person to solve West Germany's economic problems.⁷⁰

In fact, Erhard himself was responsible for the creation of the mythology and legend surrounding the currency reform. Since his days at the Society for Consumer Research in Nuremberg, Erhard had realized the importance of the "psychological" forces behind economics. He would later address this subject in his 1957 work, *Wohlstand für Alle*. Erhard argued that "psychology" was an instrument equal in value to traditional economic policies. People's actions and attitudes regarding economics had to be changed in order to bring them in line with general economic aims. Erhard concluded, "Above all, the people must be made to understand that to follow the voice of good common sense and of economic

reason will, in the long run, result in their benefit.”⁷¹ Erhard was clearly aware of the importance of public opinion regarding the economy. In fact, as head of the Economics Administration, Erhard had commissioned the above-mentioned public opinion surveys from the Institut für Demoskopie in order to keep track of the swings of public opinion following the currency reform.⁷²

On 21 June 1948, the day after the currency reform, Erhard went to the airwaves to promote faith in the new currency and to explain the necessity of the reform. Erhard opened his speech by proclaiming that “[a]fter several days of mental and spiritual anxiety, we have relapsed into the routine of daily life.” Wishing to be viewed only as an “expert” who harbored no political ambition, Erhard explained that the German people could have confidence in what he called “our new currency” and in the decision to abandon the principle of a state-controlled economy. He was not, he argued, “appealing to some vague, obscure faith, not to an irrational belief in a miracle, when I try to strengthen the confidence of our people in our new currency.” In addition, he tried to convince the German people that prices would come down as the economy righted itself under the forces of the market. Erhard then went on to address the technical aspects of the currency reform and what it would mean for the development of the West German economy, a message that probably went over most listeners’ heads.⁷³ In terms of actually convincing the public, the effectiveness of Erhard’s public address was perhaps questionable, for at this point he was relatively unknown to the German public. Nevertheless, his speech was one of the opening salvos in what would prove to be a barrage of public relations efforts that Erhard would either coordinate or endorse over the course of the 1950s. In addition, it was a German voice that came onto the airwaves to reassure the public, not that of an American occupier—thereby helping Germans associate Erhard with what was seen as part of the liberation, both economically and politically, of Germans from Allied authorities.

In many respects, the currency reform intensified tensions between the three Western powers and the Soviet Union and acted as a powerful impetus in the establishment of the new Federal Republic of Germany. The Soviet Union countered with the introduction of its own currency in the Eastern Zone on 23 June 1948 and blockaded entry into West Berlin the following day. The Western allies responded with the Berlin Airlift, flying all food, fuel, and supplies into the besieged city until the Soviets lifted the blockade on 12 May 1949. Meanwhile, in February 1948 the three Western occupying powers along with the Benelux countries had recommended the creation of a West German government, followed by the proposal in July 1948 by the three Western military governors to the minister presidents of the *Länder* (states) in the Western Zones that they form a Parliamentary Council to draw up the constitution for the new West German state. The subsequent Parliamentary Council met in Bonn from September 1948 through May 1949 writing the draft for the West German constitution, the *Grundgesetz* (Basic Law). The Basic Law was passed by the Parliamentary Council on 8 May 1949, approved by the Western powers on 12 May, and ratified by the parliaments of the West German states on 23 May with elections scheduled for August.

In large part because of economic imperatives, particularly the need for a stable currency as aid began streaming into the Western zones, Germany was divided.

As subsequent chapters of this work will show, business and political interests constructed a meaning of the currency reform and the ensuing economic miracle that lent support to both the free market and the conservative CDU/CSU. Werner Abelshauser has identified perhaps the most important legacy of the currency reform in regard to the development of West German politics: the reform helped set up a dichotomy between the *Marktwirtschaft* (market economy) and *Planwirtschaft* (planned economy) that allowed no reconciliation, manifesting itself particularly in the 1949 election campaign. Abelshauser has suggested that the position between the CDU/CSU's "directed free market" (*gelenkte Marktwirtschaft*) of the social market economy and the SPD's "free directed economy" (*marktwirtschaftliche Lenkungswirtschaft*) were, in fact, not far apart from each other. Yet, the policy of "planning" came to be remembered by most Germans as "primarily the planning out of the Stone Age of the economy as practiced in the Third Reich, as well as in the Soviet occupation Zone."⁷⁴ Although the SPD never supported such an economic system, the party during the 1950s did not manage to disassociate itself from it. Abelshauser may be correct in his assessment that the economic gurus of the SPD and the CDU/CSU might not have been far apart in terms of their policies. The fact remains, however, that Adenauer and the CDU/CSU found a way to ensure that economics did become a divisive or "wedge" issue creating a sharp distinction between the parties. This distinction was to be further developed and exploited by the CDU/CSU in the Federal Republic's first elections.

Notes

1. Abelshauser, *Wirtschaft in Westdeutschland, 1945–1948: Rekonstruktion und Wachstumsbedingungen in der amerikanischen und britischen Zone*, 151–153.
2. Kramer, *The West German Economy, 1945–1955*, 92–93.
3. Karl Hardach, *The Political Economy of Germany in the Twentieth Century*, 99.
4. Kramer, *The West German Economy, 1945–1955*, 17.
5. Jeffry M. Diefendorf, *In the Wake of War: The Reconstruction of German Cities After World War II* (Oxford, 1993), 14–15.
6. Werner Abelshauser, however, has argued that the damage to West Germany's industrial base was not as severe as previously thought. He stated that West German capital assets actually rose from 1936 to 1945 by about 20 percent, then declined in the years 1944 and 1945 due to Allied bombing and between 1946 and 1948 by about 3 percent due to depreciation, reparations, and dismantling. See Werner Abelshauser, *Wirtschaftsgeschichte der Bundesrepublik Deutschland, 1945–1980*, 20.
7. Kramer, *The West German Economy, 1945–1955*, 75–80. See also Michael Wildt, *Der Traum vom Sattwerden: Hunger und Protest, Schwarzmarkt und Selbsthilfe in Hamburg, 1945–1948*

- (Hamburg, 1986); and Rainer Gries, *Die Rationen Gesellschaft, Versorgungskampf und Vergleichsmentalität: Leipzig, München, und Köln nach dem Kriege* (Münster, 1991).
8. Heineman, "The Hour of the Woman: Memories of Germany's 'Crisis Years' and West German National Identity," 354–395.
 9. Among many works, see for example Henry C. Wallich, *Mainsprings of the German Revival*; Nicholls, *Freedom with Responsibility: The Social Market Economy in Germany, 1918–1963*; and Christoph Buchheim, "Die Währungsreform 1948 in Westdeutschland," *Vierteljahrshefte für Zeitgeschichte* 36, no. 2 (1988): 189–231.
 10. Wallich, *Mainsprings of the German Revival*, 114–115. For further discussion of the social market economy see Christian Watrin, "The Principles of the Social Market Economy: Its Origins and Early History," *Zeitschrift für die gesamte Staatswissenschaft* 135, no. 3 (1979): 405–425; and Alfred Müller-Armack, "The Principles of Social Market Economy," *The German Economic Review* 2 (1965): 89–103.
 11. This conception of the *Wirtschaftswunder* was mainly based on Henry Wallich's *Mainsprings of German Revival* and Erhard's *Wohlstand für Alle*.
 12. Hardach, *The Political Economy of Germany in the Twentieth Century*, 161, 186, 193.
 13. Christoph Heusgen, *Ludwig Erhards Lehre von der Sozialen Marktwirtschaft: Ursprünge, Kerngehalt, Wandlungen*, 42–44; and Watrin, "The Principles of the Social Market Economy," 405–409.
 14. Watrin, "Principles," 407–408.
 15. Nicholls, *Freedom with Responsibility*, 46–49.
 16. *Ibid.*, 49–55.
 17. *Ibid.*, 62–68; Daniel Johnson, "Exiles and Half-exiles: Wilhelm Röpke, Alexander Rüstow and Walter Eucken," in *German Neo-Liberals and the Social Market Economy*, ed. Alan Peacock and Hans Willgerodt (New York, 1989), 48–52.
 18. Nicholls, *Freedom with Responsibility*, 110–111; and Norman P. Barry, "Political and Economic Thought of German Neo-Liberals," in Peacock and Willgerodt, *German Neo-Liberals and the Social Market Economy*, 113.
 19. Nicholls, *Freedom with Responsibilities*, 90–97.
 20. Heusgen, *Ludwig Erhards Lehre von der Sozialen Marktwirtschaft*, 50–54.
 21. Wilhelm Röpke, *Civitas Humana: A Humane Order of Society*, trans. Cyril Spencer Fox (London, 1948), 31–32.
 22. Watrin, "Principles," 414–422; and Barry, "Political and Economic Thought of German Neo-Liberals," 105–124.
 23. Friedrich A. Hayek, *The Road to Serfdom* (Chicago, 1994), 78.
 24. Heusgen, *Ludwig Erhards Lehre von der Sozialen Marktwirtschaft*, 45–50.
 25. Nicholls, *Freedom with Responsibility*, 73–78; Heusgen, *Ludwig Erhards Lehre von der Sozialen Marktwirtschaft*, 68–78; Mierzejewski, *Ludwig Erhard*, 4–10; and Volkhard Laitenberger, *Ludwig Erhard, Der Nationökonom als Politiker* (Göttingen, 1986), 7–23.
 26. Quoted in Mierzejewski, *Ludwig Erhard*, 35.
 27. Heusgen, *Ludwig Erhards Lehre von der Sozialen Marktwirtschaft*, 78–84; Laitenberger, *Ludwig Erhard*, 18–32; and Mierzejewski, *Ludwig Erhard*, 12–18. See also Hanns W. Brose, *Die Entdeckung des Verbrauchers: Ein Leben für die Werbung*, (Düsseldorf, 1958), 55–58. Brose was an advertising agent associated with Vershofen who later conducted a massive public relations campaign for the benefit of Erhard and the social market economy; see chapter 4 of this volume. See also Dirk Schindelbeck and Volker Ilgen, "*Haste Was, Biste Was!*" *Werbung der Sozialen Marktwirtschaft* (Darmstadt, 1999), 86–87 for more on Brose and the Society for Consumer Research.
 28. Nicholls, *Freedom with Responsibility*, 116; and Mierzejewski, *Ludwig Erhard*, 11–18.
 29. Laitenberger, *Ludwig Erhard*, 35–37. Volker Hentschel, in his biography of Erhard, questioned whether this action truly posed a risk by Erhard. See *Ludwig Erhard: Ein Politikerleben*, 26–37. Hentschel suggests that the economics ministry, in conjunction with heavy industry, was al-

- ready interested in generating plans for the conversion of the wartime economy to a peacetime economy.
30. Nicholls, *Freedom with Responsibility*, 117–119; and Mierzejewski, *Ludwig Erhard*, 20–21.
 31. Eschenberg, *Geschichte der Bundesrepublik Deutschland: Jahre der Besatzung, 1945–1949*, 426.
 32. A.J. Nicholls, a historian clearly supportive of the neoliberal economists, argued that Müller-Armack joined the Nazi Party out of professional considerations. *Freedom with Responsibility*, 72.
 33. Eschenberg, *Geschichte der Bundesrepublik Deutschland: Jahre der Besatzung, 1945–1949*, 439.
 34. Watrin, “Principles,” 415.
 35. Nicholls, *Freedom with Responsibility*, 146–149. See also H. J. U ngeheuer, “Die Wirtschaftsprogramm und Wirtschaftspolitik der liberalen P arteien Deutschlands unter besonderer Berücksichtigung der Entwicklung in der SBZ und in der britischen Zone” (M.A. thesis, University of Bonn, 1982), 134–135; and Jörg M ichael Gutscher, *Die Entwicklung der FDP von ihren Anfängen bis 1961* (Meisenheim am Glan, 1967), 95–96.
 36. Nicholls, *Freedom with Responsibility*, 151–154; and Laitenberger, *Ludwig Erhard*, 44–55.
 37. Eschenburg, *Geschichte der Bundesrepublik Deutschland: Jahre der Besatzung, 1945–1949*, 375–384.
 38. Daniel E. Rogers, *Politics after Hitler: The Western Allies and the German Party System*. For an overview of the dev elopment of the par ties, see Eschenberg, *Geschichte der Bundesrepublik Deutschland: Jahre der Besatzung, 1945–1949*, 171–209.
 39. Jürgen Domes and Michael Wolffsohn, “Setting the Course for the Federal Republic of Germany: M ajor Policy D ecisions in the B i-Zonal E conomic Council and P arty I mages, 1947–1949,” *Zeitschrift für die Gesamte Staatswissenschaft* 135, no. 3 (1979): 333–340; and Eschenburg, *Geschichte der Bundesrepublik Deutschland: Jahre der Besatzung, 1945–1949*, 375–384.
 40. Ambrosius, *Die Durchsetzung der Sozialen Marktwirtschaft in Westdeutschland, 1945–1949*, 69–70. The development of the CDU’s economic policy will be examined in chapter 2 of this volume.
 41. Eschenburg, *Geschichte der Bundesrepublik Deutschland: Jahre der Besatzung, 1945–1949*, 384–396; and Van Hook, *Rebuilding Germany*, 135–136.
 42. Van Hook, *Rebuilding Germany*, 152–156.
 43. Nicholls, *Freedom with Responsibility*, 187–188; and D omes and Wolffsohn, “Setting the Course for the Federal Republic of Germany,” 338–339.
 44. Nicholls, *Freedom with Responsibility*, 156–157; and H ans Möller, “D ie w estdeutsche Währungsreform von 1948,” in *Währung und Wirtschaft in Westdeutschland, 1876–1975*, ed. Deutsche Bundesbank (Frankfurt am Main, 1976), 444–454.
 45. Nicholls, *Freedom with Responsibility*, 158.
 46. Van Hook, *Rebuilding Germany*, 141. See Volker Hentschel’s biography, which portrays Erhard more as a bumbling buffoon whose success overall was due more to luck rather than his abilities. Hentschel, *Ludwig Erhard: Ein Politikerleben*.
 47. Hentschel, *Ludwig Erhard: Ein Politikerleben*, 209–217; Gustav Stolper, Karl Häuser, and Knut Borchardt, *The German Economy: 1870 to the Present* (New York, 1967), 228–229, and Hardach, *The Political Economy of Germany in the Twentieth Century*, 144–145.
 48. Eckhard Wandel, “Historical Developments Prior to the German Currency Reform of 1948,” *Zeitschrift für die Gesamte Staatswissenschaft* 135, no. 3 (1979): 321–331.
 49. Abelshauser, *Wirtschaftsgeschichte der Bundesrepublik Deutschland*, 49–50.
 50. Nicholls, *Freedom with Responsibility*, 216–217; and Wallich, *Mainsprings of the German Revival*, 69–71.
 51. Kramer, *The West German Economy, 1945–1955*, 138.
 52. Wolfgang Benz, *Von der Besatzungsherrschaft zur Bundesrepublik: Stationen einer Staatgründung, 1946–1949* (Frankfurt, 1984), 142–143.
 53. “Der billigste Tag, Liebe kaum gefragt,” *Der Spiegel*, 26 June 1948, 5.

54. Kramer, *The West German Economy, 1945–1955*, 134–138.
55. Umfrage über der Währungsreform, Institut für Demoskopie, ZSg 132/1/2, BA Koblenz.
56. Anna J. Merritt and Richard L. Merritt, ed., *Public Opinion in Occupied Germany: The OMGUS Surveys, 1945–1949* (Urbana, IL, 1970), 251–252 and 294–295.
57. See Martin Broszat, Klaus-Dietmar Henke, and Hans Woller, eds., *Von Stalingrad zur Währungsreform: Zur Sozialgeschichte des Umbruchs in Deutschland* (Munich, 1988).
58. Merritt and Merritt, *Public Opinion in Occupied Germany*, 294; Umfrage über der Währungsreform, Institut für Demoskopie, ZSg 132/1/2, BA Koblenz.
59. Merritt and Merritt, *Public Opinion in Occupied Germany*, 251–252.
60. Kramer, *The West German Economy, 1945–1955*, 146; and Eschenburg, *Geschichte der Bundesrepublik Deutschland: Jahre der Besatzung, 1945–1949*, 434–436.
61. Noelle and Neumann, *Jahrbuch der Öffentlichen Meinung, 1947–1955*, 151.
62. *Ibid.*, 151.
63. See, in general, Abelshauser, *Wirtschaftsgeschichte der Bundesrepublik Deutschland*.
64. Werner Abelshauser, “West German Economic Recovery, 1945–1951: A Reassessment,” *Three Banks Review* 135 (1982): 34–53.
65. Abelshauser, *Wirtschaftsgeschichte der Bundesrepublik Deutschland*, 20–21.
66. Abelshauser, “West German Economic Recovery,” 38–43.
67. For detailed rebuttals to Abelshauser, see Christoph Buchheim, “Die Währungsreform 1948 in Westdeutschland,” 189–231; and Albrecht Ritschl, “Die Währungsreform von 1948 und der Wiederaufstieg der westdeutschen Industrie,” *Vierteljahrshefte für Zeitgeschichte* 33, no. 1 (1985): 136–165. See, in general, Mierzejewski, *Ludwig Erhard*, 117–120; and Nicholls, *Freedom with Responsibility*, 165–174.
68. See Van Hook’s overview of the literature in *Rebuilding Germany*, 1–18.
69. Werner Abelshauser, “Die Währungsreform-Legende und Wirklichkeit,” in *Der schwierige Weg zur Demokratie: Die Bundesrepublik vor 40 Jahren*, ed. Landeszentrale für politische Bildung, Nordrhein-Westfalen (Düsseldorf, 1990), 220–221.
70. Martin Loiperdinger, “A Note on Allied Currency Reform in West Germany (1948) as presented by *Welt im Film*,” *Historical Journal of Film, Radio, and Television* 8, no. 3 (1988): 299–309.
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