



Volume 8. Occupation and the Emergence of Two States, 1945-1961
Ludwig Erhard, *Prosperity for All* (1957)

Ludwig Erhard (CDU), the popular West German Minister of Economics, is considered the “father of the economic miracle” in the Federal Republic. His concept of a “social market economy” as a third way between liberal capitalism and a Socialist planned economy was confirmed by the economic success of West Germany. To achieve “prosperity for all,” Erhard pinned his hopes on economic growth through private initiative and state-controlled competition rather than struggles over a different distribution of the existing wealth. For Erhard, consumption was one of the tasks of the citizen in a democracy.

[. . .]

The danger of the impairment of competition is a constant threat from many sides. It is, therefore, one of the most important tasks of a state based on a liberal social order to guarantee free competition. It is truly no exaggeration when I declare that a law against monopolies should be considered an indispensable *economic basic law*. Should the state fail in this area, it would be an early end to the “social market economy.” The principle proclaimed here means that no individual citizen may be granted the power to suppress individual freedom or, in the name of a false understanding of freedom, to restrict it. *Prosperity for all and Prosperity through competition are inseparably connected*; the first postulate identifies the goal, the second the path that leads to it.

These few remarks already show the fundamental difference between the social market economy and the liberal economy of the old style. Entrepreneurs who believe that, because of new economic developments, they can demand cartels are like those Social Democrats who believe that automation leads to a state-run, planned economy.

This reflection surely reveals how incomparably more useful it seems to me *to increase prosperity through expansion* than to wish for prosperity through a pointless quarrel about a different distribution of the national income. [. . .]

Success has proved me right. As a result of German economic policy, the profit that everyone derives from the economy has grown year by year without interruption. For example, between 1950 and 1955, private consumption – as expressed in 1936 prices – rose from DM 29 to 51 billion. By international standards, this striking increase ranks at the very top. According to calculations by the OEEC, the index of private consumption rose – price-adjusted – per capita (1952=100) in West Germany from 77 in 1949 to 126 in 1955; during this same period, it rose in

the U.S. from 96 to 107, in Great Britain from 100 to 110; in Sweden from 96 to 110; in France from 88 to 113. Even if the prewar period is chosen as the basis for comparison, West German development far exceeds the average of all OEEC countries. *Even the most revolutionary transformation* of our social order would *never have been able to increase the private consumption* of this group or that *by even a fraction of what was actually achieved*; for precisely such an attempt would have led to the paralysis and stagnation of the national economy.

This skepticism about the debate over the “just” distribution of the national income springs also from the conviction that wage struggles justified in this way are closely related to the various efforts by other interested parties, indeed by entire segments of the population, *to seek advantages at the expense of others*. In the process, it is readily ignored that every demand for ‘more’ also presupposes more productivity. In the end, this kind of behavior, which can be called downright childish, *threatens*, by inducing illusionary blindness, *the very foundations of our progress*. Here, too, the affirmation of competition is suited to put a stop to selfishness. Just as in a healthy competitive economy the individual is not allowed to claim special privileges for himself, whole groups must not be allowed to benefit in this way.

My constant urging to direct all our efforts at expansion without endangering the healthy foundation of our economy and currency is based precisely on the conviction that only this will allow me to guarantee *an appropriate, dignified standard of living* for those who, through no fault of their own – because of age, illness, or as victims of two world wars – cannot participate directly in the productive process.

The growth in social benefit payments in recent years has proven the correctness of this view. The increase in public social services in the Federal Republic from DM 9.6 billion in 1949 to nearly DM 21 billion in 1955, like the new pension reform, was possible *only through economic progress*. Only expansion has made it possible to let the poor, too, share increasingly in the rising prosperity. If, as I have said, the federal government can now afford further and substantial increases in social benefit payments, it can do so only because our economic policy gives us reason to believe that our national income will also grow in the future. [. . .]

Source: Ludwig Erhard, *Prosperity for All [Wohlstand für alle]*. Düsseldorf: Econ-Verlag, 1957, pp. 9-12.

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