

# COMMANDING HEIGHTS

Ludwig Erhard

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(1897-1977)

*As Germany's minister of economic affairs from 1949 to 1963, Ludwig Erhard crafted the plan for West Germany's post-World War II economic recovery, sometimes called the German "economic miracle."*

Only 17 at the outbreak of World War I, Ludwig Erhard came from modest circumstances in Bavaria. He attended school only to junior secondary level, and then entered a commercial apprenticeship at 16. Inducted into the German army as the war widened, he served as an artilleryman and was seriously wounded in 1918.

Amid the political and economic turmoil that swept Germany in the war's aftermath, Erhard managed to gain entrance to the commercial college at Nuernberg. In 1922 he took up further studies in marketing, management, political economy and sociology at the University of Frankfurt/Main. Even as he did so, hyperinflation was sweeping away the economic security of the middle class and wrecking public confidence in Germany's fledgling republic.

Soon married, Erhard found work as a consumer market researcher for the Institute of Restaurant Economics. As democracy collapsed and the Nazi party established its chokehold on the society, many blamed Germany's ills on external conspiracy and racial pollution. Erhard saw the problem differently. For him the roots of the problem lay in Germany's own authoritarian political heritage.

Under the Nazi regime Erhard maintained a low profile, continuing his work in the consumer sector, but in 1944 he wrote a memo on war financing and debt consolidation which began with the assumption that Germany would lose the war. This memo was passed by the German resistance to the Allies. From that point forward, Erhard was seen as a reliable participant in the postwar effort to rebuild a democratic Germany. In 1947 he was appointed director of the Economic Council for the joint Anglo-U.S. occupation zone.

That he was his own man was proved, however, when he defied allied supreme commander Gen. Lucius Clay in the darkest days of the postwar economic crisis. He abolished price controls at the same moment the Allies introduced a new German currency. This decision,

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considered by many a disastrous mistake, became instead the foundation of Germany's economic rebirth. The black market disappeared, shortages ended, inflation halted, and the population's strong commercial instincts took hold once again.

In the years ahead, Erhard's decisiveness and conviction that markets could work even in so dark an hour, would provide inspiration to many politicians and economists caught in similar crises in other countries.

In 1949 the Federal Republic of (West) Germany was established, and Erhard joined the Christian Democratic Party. He advocated the views of an economic group known as the Ordoliberals. Opposing a planned economy, the Ordoliberals envisioned what they called a social market economy, combining open market competition with a strong central bank and a social safety net to protect the disadvantaged.

With the Christian Democrats' victory, Konrad Adenauer became chancellor and Erhard was appointed economics minister. For the succeeding 14 years he shepherded the new West German economy through a recovery that outpaced the growth of the European countries that had won the war.

In 1963 Erhard himself became chancellor, but in 1966 his own Cabinet opposed his proposed economic reforms to cope with a budget deficit and recession, and he resigned. Appointed honorary chairman of the Christian Democratic Union the following year, he died in Bonn, West Germany, in 1977.