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**Economic Recovery and Distribution of Prosperity Through a Social Market Economy**

* *GHDI*’s original source citation: Ludwig Erhard, *Prosperity for All [Wohlstand für alle].* Düsseldorf: Econ-Verlag, 1957, pp. 9-12. Translation by Thomas Dunlap.

*Abstract: This source exploration discusses the German-language book Wohlstand für Alle (1957) [English: “Prosperity for all”], in which author and economist Ludwig Erhard (1897 – 1977) explains his reasoning for implementing a social market economy in struggling post-war West Germany. Furthermore, Erhard suggests that the key for economic recovery, as well as for lessening class tensions, is fostering competition.*

*Wohlstand für Alle* (1957) [English: “Prosperity for all”] is a German-language book written by economist Ludwig Erhard (1897 – 1977), the first Minister for Economic Affairs (1949 – 1963) under Chancellor Konrad Adenauer in the Federal Republic of Germany (FRG), which is also known as West Germany.[[1]](#footnote-1) Later, he was Vice Chancellor of West Germany (1957 – 1963), Chancellor of West Germany (1963 – 1966), and Leader of the Christian Democratic Union (CDU, 1966 – 1967), a political party in Germany.[[2]](#footnote-2) Although accounts of the extent of his anti-Nazi actions during World War II and their exact contributions to his career in the post-war period vary and are rather limited, it does appear as though Erhard’s anti-Nazi stance contributed to the Allies delegating to him various roles of power intended to aid the German economy– for example, he was tasked with rebuilding the industry of the Nürnberg (Nuremberg)-Fürth area, as well as appointed to some of his other early roles, such as Bavarian minister of finance in 1945.[[3]](#footnote-3)

According to WorldCat, the first edition of *Wohlstand für Alle*, edited by Wolfram Langer, was published in February of 1957 by Econ-Verlag in Düsseldorf and has since been translated in at least 12 other languages.[[4]](#footnote-4) In terms of the English translation– which is titled *Prosperity Through Competition*, instead of the literal translation “prosperity for all”– the book appears to have been first published by Thames and Hudson in London and by Praeger in New York in 1958; both credit Edith Temple Roberts and John B. Wood as translators and editors.[[5]](#footnote-5) The full text of the 1964 German version is available online through the Ludwig Erhard Foundation; the full text of the 1958 English version is available online through the Mises Institute.[[6]](#footnote-6) Finally, Erhard’s other most widely held works– both related to economics– are *The Economics of Success* (1962) and *Germany’s Comeback in the World Market* (1954).

Furthermore, it is important to understand the economic situation prior to and during which Erhard came to have influence in West Germany’s economy: to begin with, in 1936, Adolf Hitler– leader of the National Socialist (Nazi) Party and Chancellor of Germany at the time– established price controls that made it possible for the German government to access materials needed for war at a low cost.[[7]](#footnote-7) At the time the economy was “‘planned’ from the top,” per socialism, and the government was in charge of important industries. As a side effect of these price controls, and in combination with food rationing, shortages were abundant and an informal system of bartering came to characterize one-third to one-half of transactions within the U.S. and British zones of post-war, divided Germany.[[8]](#footnote-8) As an additional issue, the overall physically destructive effects of World War II caused widespread suffering; to alleviate these types of issues, change was necessary.

Thus, in his work Erhard advocated for a social market economy (*soziale Marktwirtschaft*) rather than a centrally planned economy, and through this vision helped bring about what is often referred to as “the economic miracle” (*Wirtschaftswunder*), leading to Germany becoming a world leader in industry and exports despite doubts Erhard’s methods would actually work.[[9]](#footnote-9) That is to say, his methods– which have been discussed in terms of “de-Nazifying” the economy of West Germany, as they included strategies such as terminating price controls and disbanding monopolies and cartels– drastically contributed to West Germany’s economic recovery and, moreover, economic success after being absolutely devastated by war. While a centrally planned economy may be favorable during war to “concentrate resources” toward an overarching goal of victory, in peacetime a planned economy’s efficiency is unremarkable, and would have likely negatively affected the pace of economic recovery in Germany.[[10]](#footnote-10)

In *Wohlstand für Alle* (1957), Erhard explains and justifies the reasoning behind his economic policy– founded on the basis of a social market economy, which he describes as an alternative, middle ground between “unbridled liberalism and a soulless State control.”[[11]](#footnote-11) That is to say, his policy was “a third way between liberal capitalism and a Socialist planned economy”: it vehemently opposed monopolies, which were a prominent aspect of capitalism, while retaining concern for the working class, similar to socialism.[[12]](#footnote-12) In fact, early in his book he critiques and calls for an end to “the old hierarchy” composed of a small, upper class with a great amount of purchasing power and a larger, lower class with “insufficient purchasing power”– as he found that it “hampered progressive development”– and the “ill feeling” between people created by that hierarchy.[[13]](#footnote-13)

Through fostering a free economy, and by extension competition, Erhard promotes the idea of bringing prosperity to all, rather than to only upper classes. He argues that since production and economic prosperity in Germany would be beneficial for the masses, as a “steadily increasing wages” would be at stake, people would be personally invested in achieving and maintaining high productivity levels.[[14]](#footnote-14) Therefore, his argument is based on the belief that people would be energetic about contributing to the creation of economic prosperity if they could expect to benefit from it themselves, rather than wealth being hoarded by the upper classes.

Simultaneously, he urges making improvements to the economy– namely, he focuses on expanding the economy, for example through increasing the number of products available for sale, in order to “give an impetus to competition.”[[15]](#footnote-15) Overall, Erhard emphasizes that it is more important and productive to expand the economy as a way to increase prosperity, than to spend time and energy arguing about how the nation’s wealth should be distributed– he explains this concept as permitting all to enjoy a “larger slice out of a bigger cake,” rather than discussing how a smaller cake would be shared. Once again, both economic and social concerns are addressed simultaneously.

As a final note, within the first few pages of his book (viewed as an excerpt, translated to English, on the *GDHI* website), Erhard states that there is danger in competition being threatened or suppressed, and cannot emphasize competition’s importance enough. In this same paragraph, he states, “‘Prosperity for all’ and ‘Prosperity through competition’ are inseparably connected,” then continues to explain that the first is the goal and the second is the means, or the way to arrive at the goal. Therefore, while the original German title focuses on the goal, the English title focuses on the means.

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**Annotated Bibliography in Chronological Order**

Reich, Nathan. “Review of Prosperity through Competition.” *The American Economic Review*,

vol. 48, no. 5, 1958, pp. 1024–25.

According to Reich, the reasoning for the indirect translation of what should literally be “prosperity for all” in the German title to “prosperity through competition” in the English-language title is unclear, but suggests that the word “competition” may be used to create sympathy within American readers who are already accustomed to thinking in terms of competition. Reich notes that the book is largely a “reporting” of economic progress in Germany, but also mentions how Erhard repeatedly emphasizes the importance of 1) the principles of *soziale Marktwirtchaft* (social market economy) and 2) the role of Minister of Economic Affairs in establishing it and defending its principles. One major critique presented by Reich is that the book does not contribute new information regarding the story of German economic recovery or the widely-used term “social market economy.” Factors relevant to this story, as accounted by Erhard and already understood by Reich, include: getting rid of National Socialist (Nazi) controls, stabilizing currency, and initiating a free market once more (in 1948), along with Marshall Plan aid and skilled workers migrating from the East. In terms of discussing the cycles economies were previously theorized to go through (recovery, boom, decline, crisis, convalescence), Reich believes Erhard is premature in stating that under his guidance of almost nine years, the cycle has been broken and the German economy is on an “upward trend.”

Houchem, J. E. “Review of Prosperity Through Competition.” *World Affairs*, vol. 122, no. 3,

1959, pp. 95–95.

 In their review, Houchem begins by stating that “the ruins of the Third Reich” immediately following World War II led experts to believe that Germany and its economy would not recover for at least 50 years. According to Houchem, in actuality, and not even 15 years after the end of the war, Germany was “the most prosperous country in Europe.” Houchem states that in his book, Erhard rejects being regarded as an “economic sorcerer” who brought about some sort of economic miracle, but rather considers himself someone who rejected a slow recovery through *dirigisme* (an approach preferred by “occupation authorities,” which was founded on principles focusing on state intervention in the economy); instead, in war-torn society Erhard observed and paid attention to combining what Houchem refers to as “an unlimited demand” [along] with “forces eager and able” to do the work to satisfy that demand.[[16]](#footnote-16) In comparison with Reich’s review, this one seems more focused on praising, or at the very least accounting for, the positive effects Erhard had on the German economy.

Roucek, Joseph S. *Contemporary Political Ideologies*. Rowman & Littlefield, 1961, pp. 296.

Although the focus of this text is not specifically Ludwig Erhard or *Wohlstand für Alle* (1957), both are discussed when contextualizing “German reconstruction,” the “economic miracle,” and the “Social Market Economy,” as is expected when considering Erhard’s influence in these areas. Additionally, there is a strong focus on the Christian Democratic Union (CDU), a “major political force” of the time and a party to which Erhard belonged to; Roucek credits the CDU as giving Erhard strong political support after becoming Federal Minister of Economics, allowing him to carry out “daring” ideas and theories in terms of revitalizing the economy. Moreover, a very interesting point regarding social market economy that is highlighted by the author is the general principle of the CDU/CSU, in 1950 that success can only be made possible when everyone– broadly, people, but more specifically people as entrepreneurs, workers, employees, and consumers– believes in the economic system and is willing to work to achieve it. Thus, Roucek introduces Erhard’s belief that “the psychological aspect” of this type of system is vital for its success.

“Wohlstand Für Alle;” *Find in a Library with WorldCat*, 30 Jan. 2019,

[worldcat.org/title/wohlstand-fur-alle/oclc/361208/editions?referer=di&editionsView=true](https://www.worldcat.org/title/wohlstand-fur-alle/oclc/361208/editions?referer=di&editionsView=true).

According to WorldCat, *Wohlstand für Alle* (1957) has been translated in the following 12 languages, as listed with the year they were [first] translated: Italian (1957), Swedish (1957), Arabic (1958), English (1958), Finnish (1959), Japanese (1960), Spanish (1960), Portuguese (1960), Danish (1962), Dutch (1966), Vietnamese (1966), and Hungarian (1993). Additionally, there are three listings for the book under an “undetermined” language category, likely accounting for WorldCat records which state that the book has been published in 14 languages [rather than 13]. Notable is the fact that Erhard’s most widely held work [in libraries around the world] is the English version of his book, *Prosperity Through Competition* (1958), which has 40 published editions (1958 – 2011) and is held in 661 libraries worldwide.[[17]](#footnote-17)[[18]](#footnote-18)[[19]](#footnote-19)

1. Erhard, Ludwig. “Ludwig Erhard, Prosperity for All (1957).” Translated by Thomas Dunlap, *GHDI*, ghdi.ghi-dc.org/sub\_document.cfm?document\_id=4599. [↑](#footnote-ref-1)
2. “Ludwig Erhard.” *Wikipedia*, Wikimedia Foundation, 15 Apr. 2019, en.wikipedia.org/wiki/Ludwig\_Erhard. [↑](#footnote-ref-2)
3. Britannica, The Editors of Encyclopaedia. “Ludwig Erhard.” *Encyclopædia Britannica*, 1 May 2019, britannica.com/biography/Ludwig-Erhard.; Henderson, David R. “German Economic Miracle.” *Econlib*, econlib.org/library/Enc/GermanEconomicMiracle.html.; “Ludwig Erhard.” *Wikipedia.* [↑](#footnote-ref-3)
4. “Wohlstand Für Alle;” *Find in a Library with WorldCat*, 30 Jan. 2019,

worldcat.org/title/wohlstand-fur-alle/oclc/361208?referer=di&ht=edition. [↑](#footnote-ref-4)
5. Ibid.; “Prosperity Through Competition.” *Mises Institute.; Ludwig Erhard Stiftung [Ludwig Erhard Foundation].* [↑](#footnote-ref-5)
6. *Ludwig Erhard Stiftung [Ludwig Erhard Foundation],* [ludwig-erhard.de/wp-content/uploads/wohlstand\_fuer\_alle1.pdf](https://www.ludwig-erhard.de/wp-content/uploads/wohlstand_fuer_alle1.pdf).; “Prosperity Through Competition.” *Mises Institute*, 18 Aug. 2014, mises.org/library/prosperity-through-competition. [↑](#footnote-ref-6)
7. Henderson, David R. “German Economic Miracle.”  [↑](#footnote-ref-7)
8. Ibid. [↑](#footnote-ref-8)
9. Per Deutschland.de, the aim of the social market economy is “the greatest possible prosperity with the best possible social protection. It is about benefiting from the advantages of a free market economy, which include free choice of workplace, pricing freedom, competition and a wide range of affordable goods, while at the same time absorbing its disadvantages, such as monopolization, price fixing, and existence-threatening unemployment.”; “70 Years of Social Market Economy.” *Deutschland.de*, 19 June 2018, deutschland.de/en/topic/business/social-market-economy-in-germany-growth-and-prosperity.; “Ludwig Erhard.” *Bundeskanzlerin*, bundeskanzlerin.de/bkin-en/chancellery/federal-chancellors-since-1949/ludwig-erhard.; “Prosperity Through Competition.” *Mises Institute*. [↑](#footnote-ref-9)
10. Hallett, Graham. *The Social Economy of West Germany*. Springer, 1973, p. 18. [↑](#footnote-ref-10)
11. “Prosperity Through Competition.” *Mises Institute*, p. x. [↑](#footnote-ref-11)
12. Erhard, Ludwig. “Ludwig Erhard, Prosperity for All (1957).” Translated by Thomas Dunlap, *GHDI.* [↑](#footnote-ref-12)
13. This emphasis on “purchasing power” also highlights the important role he believed consumers, and by extension the right of free consumer choice (it seems, freedom for people to have purchasing power, as well an array of consumer goods to buy), played in a prosperous democratic nation.; “Prosperity Through Competition.” *Mises Institute*, p. 1-2. [↑](#footnote-ref-13)
14. “Prosperity Through Competition.” *Mises Institute*, p. 2. [↑](#footnote-ref-14)
15. Ibid, “Chapter 1: The Thread.” [↑](#footnote-ref-15)
16. Chen, Rebecca. “Dirigisme.” *Encyclopædia Britannica*, 29 Mar. 2013, britannica.com/topic/dirigisme. [↑](#footnote-ref-16)
17. “Erhard, Ludwig.” *Find in a Library with WorldCat*, worldcat.org/wcidentities/viaf-66499657. [↑](#footnote-ref-17)
18. His fourth most widely held work is the German version, *Wohlstand für Alle* (1957), which has 67 published editions (1957 – 2014) and is held in 480 libraries worldwide. [↑](#footnote-ref-18)
19. With these statistics it is important to note that due to the various translations, the number of editions may not be entirely accurate– some translations may be accounted for multiple times when cataloged by WorldCat. However, the latest edition catalogued for the original German text, on WorldCat, appears to be number eight. [↑](#footnote-ref-19)