

## THE KOREAN CRISIS, THE SOCIAL MARKET ECONOMY, AND PUBLIC OPINION



*T*he CDU/CSU had based its 1949 election campaign upon connecting the improvement of material conditions and the construction of a West German, organic Christian community to the introduction of the party's social market economy. Following the election and the creation of a CDU/CSU-led coalition, Ludwig Erhard moved from his position as head of the Economics Administration of the Bizone to become the economics minister of the newly formed Federal Republic. Yet, the concepts of the social market economy were by no means necessarily accepted by political leaders from either the left or the right, or by the general public. As head of the Economics Administration, Erhard had had a relatively free hand in developing policy. As economics minister, he now had to work within a network of other ministries and under a highly capable, controlling chancellor in Konrad Adenauer. Historians have argued that during the 1950s Erhard lacked a *Hausmacht* (internal political base) to fully institute his policies regarding the social market economy, especially in terms of anticartel legislation. Many of Erhard's political rivals within the government possessed this power base, such as the finance minister, Fritz Schäffer, who could always rely on his party, the CSU, for support in political battles over finance and investment policy. Erhard's problem was intensified by the fact that only 40 percent of his old Economics Administration officials were transferred into the new Economics Ministry.

Erhard personally did not possess the political instincts to wage the continual bureaucratic turf and policy wars that are a fact of life in any political system. In any case, he conflicted personally with Adenauer, who did not regard the eco-

nomics minister as sufficiently diligent in his administrative duties within the Economics Ministry and constantly attacked Erhard for his failings both publicly and privately, through memorandums and in cabinet meetings. In many respects, Adenauer's criticisms of Erhard were on the mark, as he had earned his well-deserved reputation for avoiding bureaucratic paperwork. In addition, Adenauer was highly critical of Erhard's tendency to contradict in the press policies that had been agreed upon privately within the cabinet. Perhaps most importantly for Erhard, Adenauer was not fundamentally committed to the free market and viewed economic policy not in the more objective terms of a correct or faulty policy, as Erhard did, but often as a matter of political expediency. As a result of these circumstances, some historians have argued, Erhard never achieved anything as far-reaching as he had managed with his liberalization of goods in June 1948 and later as economics minister was constantly on the defensive when it came to policy formation.<sup>1</sup>

To be sure, Erhard faced daunting challenges. He confronted not only the necessity of instituting key aspects of the social market economy, such as limitations of cartels, the complete end of economic controls, and the liberalization of trade, but also the imperative of generating public support for these economic policies as a consequence of the economic challenges generated by the Korean War. The experience of the economic turbulence caused by the Korean War showed very clearly to Erhard and others within the government the widespread West German ignorance of the social market economy. Perhaps even more significantly, this economic crisis and the accompanying rise in prices revealed the public's tendency to support a planned economy rather than an economic policy that allowed market forces to influence prices. The so-called Korean Crisis, during which prices skyrocketed owing to the increased cost of raw materials, proved to be the turning point in "selling" the social market economy and the economic miracle.

In many respects, the experience of a drastic dip in public support for Erhard and the social market economy, demonstrated by public opinion polls, galvanized a variety of forces to intensify their efforts to "educate" the West German population so as to shore up support for the free market system. The crisis helped unite business interests within the consumer goods industry and neoliberal economists interested in supporting the social market economy with the CDU/CSU's political leadership, which saw its party's popularity drop in unison with public confidence in the economy. The result was that all these groups perceived it to be in their common interest to devise means of bolstering support for the social market economy. At the center of this on-going public relations campaign was Ludwig Erhard, who was connected to all three groups. In response to the drop in public confidence in the free market during the Korean Crisis, by 1952 forces supporting the social market economy began introducing new advertising techniques that sought to produce a political meaning of the economic miracle. This meaning not only provided support for conservative political interests and business but also helped create a new, distinctly West German sense of nationality. In addition, the Korean Crisis acted as a catalyst in the further transformation of

West Germany's political culture as it adopted a more Americanized form of election campaigning based upon public opinion polling and modern methods of political advertising. In conjunction with the swings in West German public opinion, both business and political leaders sought new and more effective means of communicating with the public, aiming not merely to understand, but also to manage and manipulate their views.

Following the June 1948 currency reform, the West German economy experienced decidedly healthy economic growth. Between the first and second halves of 1948, industrial production rose 21.5 percent. Economic historians have identified this period as crucial to West Germany's long-term economic growth, as businesses enjoyed high profits with the rise of prices and low corporate taxes. This growth created an important source of investment in capital-poor West Germany, money to be ploughed back into reconstruction and expansion. However, six months after the currency reform, West Germany experienced a period of relative economic deflation and stagnation. Between January 1949 and March 1950 industrial production increased by 23 percent, but this constituted a relative slowdown after the post-currency reform boom during which West Germans spent their new Deutsche Marks on sorely needed goods. By February 1950 unemployment in the Federal Republic had reached two million, or about 12.2 percent. The relative economic slowdown and heightened unemployment generated some concern among economic experts and the public alike, especially in light of the relatively fresh memories of the end of the Weimar Republic and the danger of high unemployment.<sup>2</sup>

A number of different factors triggered the end of the post-currency reform boom. The price increases outpaced wages and kept down consumption, budget surpluses had accumulated, and the United States was experiencing a recession. In the second half of 1949 the Deutsche Mark experienced relative appreciation because of the devaluation of many European currencies; therefore exports slumped and West Germany faced the danger of becoming a dumping ground for foreign exports. In September 1949 the exchange rate of the dollar was raised from DM 3.33 to DM 4.20—but this devaluation of over 20 percent did not keep up with the devaluations introduced by France and Great Britain. The British pound, for example, was devalued by over 30 percent.<sup>3</sup> Moreover, although jobs continued to be created in the wake of the currency reform, this increase was more than offset by the flood of refugees from the Soviet Zone—about ten million by early 1950—thereby elevating the unemployment figures.

A number of proposed solutions to the problem of the relative economic slowdown surfaced between the autumn of 1949 and the early spring of 1950. The more extreme proposals for full-employment policies, supported by the Social Democrats, trade unions, and even some members of Adenauer's cabinet, advocated a looser monetary policy by the West German central bank, the Bank deutscher Länder. Budget deficits could be used to increase demand, while some form of price controls could help curb possible inflation. Under political pressure, in early 1950 a DM 2 billion make-work program was approved by the Eco-

nomics Ministry and the Bank deutscher Länder. By the time that plan was instituted three months later, the economic situation had been transformed completely by the Korean boom. The economic slowdown also had an impact upon Erhard's political clout. The apparent lack of a speedy response to the downturn on the part of Erhard and the Economics Ministry hurt Erhard's political standing within the cabinet.<sup>4</sup> Erhard and the Bank deutscher Länder believed that a more conservative fiscal approach would lead to continued growth of the West Germany economy. From their perspective, currency stability and a balance of payments equilibrium should take precedence over full employment. Although imports were sure to flood into West Germany, Erhard was continuing to fight for the liberalization of foreign trade—especially within Western Europe. A stable currency and free trade, he was convinced, would encourage West German producers to take advantage of the high profitability of exports. If West Germany remained competitive abroad, exports could contribute significantly to its economic health, despite the short-term balance of payments shortages and excessive imports of consumer goods.<sup>5</sup> The reduction of trade barriers proved significant in October 1949 as West Germany's balance of payments to Western Europe went from a positive \$31.4 million to a negative \$110.4 million between the summer and autumn of 1949. Erhard began to feel political pressure from the U.S. High Commissioner, the Bank deutscher Länder, and even some experts within the Economics Ministry. They all called for trade restrictions, of which some minor ones were introduced in early 1950.<sup>6</sup>

Even Adenauer began to question the soundness of Erhard's economic policies. In early 1950 Adenauer contacted the neoliberal economist Wilhelm Röpke, who at the time was a professor in Geneva, asking him to assess West Germany's economic policy. Adenauer's motives were not clear, since Erhard's resignation might have helped strengthen rumors of a grand coalition between the CDU/CSU and the SPD, a situation that was already present in the state of North Rhine-Westphalia. In any case, it could have been expected that Röpke's response would defend the ideas of the social market economy. His memorandum to Adenauer was published along with an introduction by Adenauer. Röpke argued that the unemployment West Germany was experiencing was structural, not cyclical. It was the result of production bottlenecks, the inability of labor to move to available jobs because of housing shortages in the major urban and industrial areas, and the continued overstaffing of industries lingering on from the wartime controlled economy. Röpke supported Erhard's economic policies and underscored the fact that the market economy had fostered a general economic upswing following the currency reform. He stressed the need for further liberalization of foreign trade, realistic interest rates, and the eventual abandonment of foreign exchange controls.<sup>7</sup>

But the outbreak of the Korean War in June of 1950 dramatically changed West Germany's economic situation. New orders for goods to support the war effort streamed into the country. The industrial production index shot up from 100 in the fourth quarter of 1949 (1936=100) to 134 in the final quarter of 1950.

This trend continued, with production reaching 146 by the end of 1951 and 158 by the end of 1952.<sup>8</sup> With the increased international demand for goods, the West German economy now had to deal with the impact of inflation rather than deflation. The source of the inflation was not internal, but instead external, as West German industrialists hastily bought raw materials on the world market at rising prices. Prices of basic materials rose by 13 percent within five months after the outbreak of war, and they had increased by another 14 percent as of March 1951.<sup>9</sup> By October 1950, West Germany had consumed its quota of \$320 million in credits via the European Payments Union (EPU), an organization instituted in the summer of 1950 to act as a clearinghouse for credits in foreign trade for nations participating in the Marshall Plan. The EPU was designed to encourage trade among European nations by avoiding problems of bilateral trade agreements and foreign currency restrictions. West Germany was the recipient of an extra credit of \$120 million in November 1950, but also ran through this sum by February 1951 because of the increase in raw materials required for producing war supplies.<sup>10</sup> In contrast, the United States prepared for war through measures similar to those instituted during World War II: by allocating resources under the Defense Production Act and declaring a state of national emergency. All the while, Erhard, despite the flood of imported goods into West Germany, continued to struggle for the liberalization of trade.

Because of the increased price of raw materials vital to West German industrial production, the Korean War produced a steep hike in prices. In the autumn of 1949 the cost of living index equaled 105 (1950=100). This figure jumped to 119 in the second quarter of 1951, during the peak of the Korean Crisis. Gross hourly wages also rose during this period, from 95 (1950=100) to 117 in the second quarter of 1951.<sup>11</sup> In fact, the index of real weekly earnings continued to go up during this period from 87 in 1949 to 115 at the end of 1952.<sup>12</sup> But what would prove crucial was the public's perception of the increase in prices, rather than the actual reality of the situation.

Erhard worried that spiraling inflation, caused by rising prices and higher wage demands, would lead to the reintroduction of price controls and rationing. As he had done following the currency reform in June 1948 and in the midst of the strikes of November 1948, Erhard went to the air waves to reach out to the West German people. On 15 September 1950, Erhard presented a speech explaining the economic consequences of the Korean War. Prior to the Korean War, he pointed out, West Germany was on the road to economic recovery as its exports rose and unemployment dropped. Surely, the boom situation stemming from the war could threaten those gains.<sup>13</sup> Erhard argued that in order to secure the benefits from the Korean boom, West Germany had to retain a stable price index in the face of the rising cost of raw materials. In other words, Erhard wanted the importation of raw materials to be directed toward increasing the production of exports and not to domestic consumption.

Erhard then got to the crux of his message: he was trying to explain the danger of the trade union demands for a general wage increase of 15 to 20 percent.

"We must also remember," he argued, "that we are no longer living in an age of economic isolation, but are part of a world economy and that, in consequence, our economic policy must take account of developments in other countries." Erhard went on to explain that "[t]he German worker must be made to see that he risks his social security and his job if he expects social benefits from the action of the trade unions." Here he presaged the position that he would take through much of the 1950s: the German worker must give up immediate gains for the future benefits that would result from investment in increased productivity and efficiency. To forgo consumption now would allow West Germany to enter into world markets and reap the benefits later. In addition, an increase in prices and a subsequent drop in exports could lead to an attack on the market economy by those who supported the planned economy.<sup>14</sup> In many respects, Erhard was advocating an economic program that he would support throughout his public service both as economics minister and eventually chancellor. But at the time of the Korean Crisis, Erhard did not have at his disposal public relations and propaganda instruments to manage public opinion effectively. The challenges that the Korean War presented for the social market economy would help spur greater efforts to devise a coherent public relations campaign for the benefit of Erhard and his economic principles.

In the fall of 1950 the Allied High Commission in West Germany also worried that the Federal Republic of Germany was not devoting enough of its limited resources to production for the war effort and was expending too much of its scarce capital on the importation of consumer or luxury goods. Despite these Allied concerns, the West German government refused to commit itself to a policy of economic controls. The Allies became even more worried about an emerging shortage of coal, which actually was still under price controls, because of its vital role in the overall economy. In February 1951 West Germany had run out of EPU credits to import raw materials, despite the granting of an extra quota, and was forced to institute import restrictions on all nonessential goods from EPU nations. By early 1951 the crisis had come to a head, with the Bank deutscher Länder withdrawing a billion DM of credits from the banks of the individual states in order to stem inflation. In addition, the United States was dissatisfied with West Germany's contribution to the war effort. On 6 March 1951, U.S. High Commissioner John McCloy wrote Chancellor Adenauer to call for a significant modification of the free market system in West Germany. McCloy demanded that "the Federal Government must immediately work out the necessary system of administrative measures for the control of priorities and allocations and for the control of selected prices."<sup>15</sup>

At this time it appeared that Adenauer's support of Erhard had begun to waver. In February 1951 Adenauer declared before the CDU/CSU executive committee that he was no principled adherent of the free market and would not advocate it unless it was successful. In fact, in March 1952 Adenauer convened a group of economic experts to advise him from a position counter to Erhard's own ideas on economics.<sup>16</sup> In a letter to Erhard, the chancellor attacked his economics minister, charging that his behavior was impossible and that he completely misunder-

stood the nature of the federal government. Erhard was also chided for his overly confident public pronouncements, especially regarding his handling of the emerging coal shortage and his public attacks on policy he had agreed to in cabinet sessions. In addition, Adenauer held Erhard personally responsible for the economic troubles that West Germany was experiencing. He finally appointed Ludwig Westrick as the new state secretary of the Economics Ministry and charged him with the task of bringing order to the ministry. Adenauer also demanded that Erhard devote more time to the job of running the ministry.<sup>17</sup> Yet despite his manifest displeasure, Adenauer retained Erhard as his economics minister. Perhaps Adenauer regarded Erhard as a linchpin to the CDU/FDP coalition and concluded that the risks of opening the door to a possible “grand coalition” of the CDU/SPD outweighed the benefits of sacking him.<sup>18</sup>

In spite of the serious confrontation between Adenauer and Erhard, the West German economy began to improve after the crisis of early 1951. With the suspension of trade liberalization, West Germany's balance of payments situation improved, and by May 1951 the country had repaid the European Payment Union credit in full. By early summer of 1951 the Korean boom had leveled off. During the boom West Germany's exports had doubled and its factories' productivity improved. In the end the country experienced a relatively small hike in prices and wages. By 1952, the Federal Republic's government resumed the liberalization of trade with other European nations. A period of economic crisis had been averted, and West Germany's economy continued its boom through the 1950s. In fact, the period of the Korean War could be seen as setting the stage for subsequent West German economic growth. West German industry had excess capacity going into the Korean War and could fill orders quickly. With this opportunity, West Germany again reentered foreign markets and thereby was able to acquire the capital for imports that fueled its economy.<sup>19</sup>

Werner Abelshauser has argued that the Korean Crisis constituted a significant juncture in the development of West Germany's political economy. During this period, a system of “societal corporatism” emerged in which the true free market was replaced by a political cartel. Key to this system was a process of interest reconciliation in a triangular pattern among business associations, trade unions, and the state. During the Korean Crisis of 1950–1952 the umbrella organizations of business associations and trade unions won an important voice in the creation of German economic policy, and in addition regained a role in economic planning and control, both autonomously and in conjunction with the state. As a result of the United States' attack on Erhard's liberalization policies and its demand that West Germany allocate its raw materials for the war effort, the free market was fatally undermined. The industrialist *Gemeinschaftsausschuß der deutschen gewerblichen Wirtschaft* (Working Group of the German Manufacturing Industry) provided a vehicle for direct controls on raw material allocation and investment planning. At the suggestion of the *Bundesverband der Deutschen Industrie* (Federation of German Industry, BDI), the main German industrial organization, Adenauer's government created the office of “Adviser to the Federal Government on

Raw Materials” in March 1951—a post filled by Otto A. Friedrich, head of the Phoenix Rubberworks of Hamburg. In addition, the *Investitionshilfe-Gesetz* (Investment Aid Law) of December 1951 lent DM 1 billion, extracted through a tax on smaller business and the consumer industry, to heavy industry, the energy sector, and railroads to aid in their expansion.<sup>20</sup>

Abelshauser’s interpretation has come under fire from more recent scholarship. In his biography of Otto Friedrich, Volker Berghahn has argued that Abelshauser misunderstood the developments of the Korean Crisis in general and the context of the letter exchange between McCloy and Adenauer in particular. Berghahn contended that in view of the ongoing discussion between the Allied High Commission and the German government, McCloy’s letter to Adenauer was not demanding the complete dismantling of the free market, but rather calling for government control of the raw materials devoted to the production of West Germany’s export goods. He further argued that Friedrich was careful in his capacity as adviser on raw materials not to undermine the West German market economy fundamentally.<sup>21</sup> Others have gone on to argue that the controls imposed upon the economy during the Korean Crisis were lifted in the ensuing years.<sup>22</sup> In other words, West Germany’s social market economy did not suffer fatal damage during the Korean Crisis. James Van Hook has made a similar case with regard to the 1951 Investment Aid Law in which he contends that Abelshauser’s use of the term “corporatism” is excessive in describing Erhard’s agreeing to government/business involvement in raising needed capital for underinvested sectors of the economy, and that the scheme overall was “market conforming.”<sup>23</sup>

Whatever the impact of the Korean War on West Germany’s political economy, its effects on the public at large were significant to say the least. Polling clearly tracked the dramatic swing in public opinion during the Korean Crisis. A report entitled *Das Soziale Klima* (The Social Climate) prepared by a public-opinion polling organization, the Institut für Demoskopie in Allensbach, showed a dramatic dropoff in the public’s optimism just prior to the outbreak of the Korean War. In one survey, respondents were asked, “If you compare your present situation with last year’s, are you better off today than a year ago, or worse, or would you say that there is no difference?” In July 1948, following the currency reform, West German optimism was relatively high with 37 per cent of respondents believing that things were better, while 42 percent reported things as worse and 11 percent saw no difference (10 percent responded with no answer). By March 1949 the positive figure had climbed to 47 per cent and the negative had decreased to 31 percent. Yet the economic conditions in late 1949 and during the Korean War triggered a dramatic dropoff in people’s optimism. In April 1951, only 12 percent of the respondents considered themselves better off than a year earlier. In comparison, 56 per cent believed that they were worse off. It was not until April 1953 that respondents believing things were better (24 percent) outnumbered those who saw things as worse (19 percent).<sup>24</sup> This drop in optimism was also reflected in a survey that asked, “Do you see the new year with hope or with apprehension?” Only 27 percent in 1950 looked forward to the coming year,



whereas 48 percent had done so in 1949. By 1953, in time for the next Bundestag election, this figure had gone up to 60 percent.<sup>25</sup>

Clearly the inflation of the Korean Crisis had affected the population's perception of economic stability and prosperity. During the time of the Korean War, the fear that a new world war would break out spread dramatically. In April 1950 only 26 percent of the respondents believed that such a war would break out. By June of 1950 this figure had increased to 53 percent and remained relatively high at 47 percent in January 1951. Meanwhile, the number of respondents who believed that war would not break out dipped from 74 percent in April 1950 to 47 percent in June 1951.<sup>26</sup> But insuring the peace was not the foremost concern of the West German populace. In October 1951, 45 percent of respondents regarded the "improvement of the economic situation" as West Germany's most important concern, while only 20 percent thought that securing peace was the most important concern.<sup>27</sup>

In conjunction with this declining optimism among West Germans and the heightened concern about the nation's economic wellbeing, polling results documented a perceptible dip in the support of the free market in relation to the planned economy. In a survey conducted by the Institut für Demoskopie in March 1949, less than a year after the currency reform, 41 percent of respondents preferred the free movement of prices, while 47 percent favored controlled prices.<sup>28</sup> This percentage dropped significantly over the course of the economic difficulties stemming from the Korean War. In March 1951 only 37 percent endorsed the social market economy, and by October 1952 this figure had dipped to 29 percent. During those years, those respondents favoring a form of planned economy remained stable at around 47 percent.<sup>29</sup>

Meanwhile, the West German population attributed the rise in prices during the Korean Crisis to the policies of their government. In a survey conducted in March 1951, a sample group of West Germans were asked, "What do you think is the main reason for the rise in prices: increased prices on the world market or the economic policies of the government?" (multiple answers were possible). Forty-six percent thought that the government's economic policy was responsible, while 37 percent attributed the rise to price increases on the world market. In a follow-up question in May 1951, West Germans were asked, "Could the government do something about the increase in prices if it wanted?" Seventy-five percent responded yes, and only 9 percent answered no.<sup>30</sup> This assignment of blame affected the public's perception of the CDU/CSU. A January 1952 survey asked West Germans, "Which party has done the most for people—I mean for people in their living conditions?" Twenty percent responded by naming the SPD, while only 12 percent favored the CDU/CSU.<sup>31</sup> However, the results of this survey improved for the CDU/CSU as the 1953 federal elections approached. A March 1953 survey showed that 24 percent believed that the SPD would most likely attempt to improve the economic situation for all classes of society, as opposed to a much closer 22 percent for the CDU/CSU.<sup>32</sup> Institut für Demoskopie polls indicated that the CDU/CSU dropped below the SPD in popularity during the summer of 1950 and remained there until February of 1953. Clearly the eco-

nomic problems of the Korean Crisis influenced the public's opinion of both the Adenauer government and the CDU/CSU.<sup>33</sup>

In addition, polls reflected the public's general ignorance regarding the actual nature of the social market economy. In a public opinion poll from April 1950, respondents were asked the following question: "The social market economy is discussed frequently in the newspapers and on the radio. According to your view how should one understand the social market economy?" Only 12 percent of the respondents answered the question in line with Erhard's understanding, offering responses that included notions of the "free market, the economic policy of the government and liberal economy." Fifty-six percent of the respondents had no idea what the social market economy was, while 27 percent gave vague or incorrect answers.<sup>34</sup> This pattern had not dramatically changed by November 1952 in which 48 percent had no idea and 37 percent gave vague or incorrect answers on the country's social market economy. This time only 8 percent could correctly identify the components of the social market economy.<sup>35</sup>

Despite the confusion surrounding the term "social market economy," it had the potential for political influence. In March 1952, a sample of West Germans were asked, "What type of program must a party have, so that it works well for Germany?" Eighty-seven percent responded that it must be social, while 73 percent were for democratic, 58 percent for Christian, and 25 percent for authoritarian. Polls during this time demonstrated that most critics of the government's economic policy concentrated on the idea that it was not social. Consequently, the CDU/CSU needed to first associate the social market economy with the government and then inculcate the belief that the social market economy was actually social.<sup>36</sup>

The survey also showed that the term "social market economy" had some form of political currency, regardless of whether respondents had a clear idea of what the term meant. The Institut für Demoskopie posed a follow-up question to those who had participated in the November 1952 survey, asking for a definition of the social market economy. The respondents who gave some form of an answer, be it correct or incorrect, were asked, "Which party would you vote for: a party for or against the social market economy?" Thirty-eight percent of the respondents believed they would support a party that endorsed the social market economy, while 6 percent would oppose it, 8 percent were undecided, and 48 percent did not give any answer regarding the definition of the social market economy.<sup>37</sup> Yet at the same time opinions on the social market economy were problematic for the CDU/CSU's prospects. Although there was a tendency among respondents to support a party having such a program, regardless of whether they could accurately identify the social market economy, a problem surfaced in linking the economic policy with the correct political party. In March 1953, 12 percent of the respondents of an Institut für Demoskopie survey thought that the SPD backed the social market economy, while only 5 percent identified it as a CDU/CSU policy. More telling was that 40 percent of the respondents did not know which party supported the social market economy and 41 percent did not know what the social market economy actually was.<sup>38</sup>

These survey results could be interpreted as casting doubt on the crucial role that the social market economy played in the 1949 election campaign. How could the “*Markt oder Plan*” issue have been a crucial platform if there prevailed such widespread ignorance about the subject? One could also question the validity of the survey results, particularly since the polling techniques at the time were relatively crude. The Institut für Demoskopie utilized the quota method of polling, instead of the more exact, and more expensive, random sampling method.<sup>39</sup> But the Institut für Demoskopie was accurate in much of its polling, especially its predictions of the Bundestag elections. Instead of dismissing the polling as invalid, one must examine its results in the context of the information being disseminated on the social market economy. The poll asked respondents to identify the social market economy in technical terms. One must bear in mind that the CDU/CSU couched its discussion of more abstract economic ideas in tangible, real ways. Without ever defining it, the CDU/CSU associated its economic program with the concrete examples of West Germany’s economic resurgence or with ideas about the creation of an organic, Christian West German society. For a large portion of the electorate, the CDU/CSU was the party of economic reconstruction and responsibility, above any consideration of the party’s support for one economic system over another.

It is also important to keep in mind not only that these polls were read and disseminated by leaders in politics and business alike, but also that the surveys themselves were commissioned by the very same people. Those who viewed the social market economy as crucial to continuing West Germany’s economic upswing, especially Ludwig Erhard, paid particular attention to the polls’ results. Aware of the danger that the Korean Crisis presented to the social market economy, these same groups began to realize the necessity of educating the West German populace on the workings of the free market system if it was to continue. In addition, the 1953 and 1957 election propaganda espoused a clear connection between the burgeoning West German economic miracle and the legitimacy of the West German state in general, and also sought to convince West Germans more specifically of the linkage between the new prosperity with conservative economic policies. In many respects, the Korean Crisis was the turning point in the “selling” of the economic miracle. Adenauer saw the popularity of his party drop precipitously in conjunction with the effects of economic crisis.<sup>40</sup> Although he lacked complete faith in Erhard and did not even particularly like him, the chancellor was acutely conscious of the political capital that Erhard could provide him. The Korean Crisis’s impact upon public opinion spurred the creation of private business public relations campaigns, active government propaganda campaigns, and new CDU/CSU political advertising strategies to spread the ideas of the social market economy and the economic miracle. With these efforts, a new, uniquely West German political culture began to take shape. New American-style public relations and advertising techniques were utilized to drum up support for both the social market economy and the CDU/CSU. In this respect, developments in economics were closely intertwined with the evolution of West Germany’s political culture.

Economics Minister Ludwig Erhard, as the personification of the economic miracle, took center stage in these efforts. In October 1948, four months after the currency reform, the Institut für Demoskopie surveyed West Germans regarding their opinion of Erhard. Sixty-three percent of the respondents knew of Erhard, as opposed to 37 percent who did not. Overall, 13 percent had a good opinion of Erhard, while 18 percent regarded him as mediocre, 16 percent had a bad opinion of him, and 16 percent were undecided.<sup>41</sup> By 1951, 14 percent still had a good opinion of Erhard, but the percentage of those holding a poor opinion of him had climbed to 49 percent. By 1954 these results had reversed.<sup>42</sup> This trend was to continue through the 1950s.

The Korean Crisis revealed the shaky support for the social market economy on the part of both the government and public opinion. Clearly, over the course of the early 1950s Erhard's reputation grew enormously. Undoubtedly, this upswing in the public opinion of Erhard had much to do with the dramatic improvement in West Germany's economic fortunes. But, also during this time, Ludwig Erhard's image and the creation of the mythology of the economic miracle were carefully crafted by both political and economic leaders, many times with decidedly different goals in mind. Erhard was clearly interested in claiming West Germany's economic resurgence as a product of not only his policies, but also his discipline, calmness, and foresight of future economic developments. In his 1957 book *Wohlstand für Alle*, Erhard portrayed himself during the Korean War as steadfastly defending the free market in the face of political pressure for price controls. As he put it:

Because in Germany I kept to the rules of economic order and healthy commonsense, I was asked: freeze prices now or resign. I neither resigned nor ordered a price freeze. That my socialist opponents should have looked at things from a party political point of view I cannot grudge them. It was worse that even good friends should have gone so wrong as to think that my economic policy would land Germany in disaster. I argued that one should remain quiet for a time, and this proved itself worth while.<sup>43</sup>

The campaign to mold public perception of the economic miracle would continue through the 1950s. As a result of his own efforts, and of those politically allied with him, Erhard came to personify the very idea of the economic miracle and promoted this economic resurgence as a crucial aspect of the legitimacy of the Federal Republic itself.

## Notes

1. Nicholls, *Freedom with Responsibility*, 270–273; and Mierzejewski, *Ludwig Erhard*, 87–91.
2. Wallich, *Mainsprings of the German Revival*, 73–81; Kramer, *The West German Economy, 1945–1955*, 163–173; and Stolper, Häuser, and Borchardt, *The German Economy: 1870 to the Present*, 228–233.

3. Wallich, *Mainsprings of the German Revival*, 80; and Hardach, *The Political Economy of Germany in the Twentieth Century*, 184.
4. Wallich, *Mainsprings of the German Revival*, 86–87; and Nicholls, *Freedom with Responsibility*, 273.
5. Nicholls, *Freedom with Responsibility*, 270–278; and Schwarz, *Geschichte der Bundesrepublik Deutschland: Die Ära Adenauer, 1949–1957*, 61.
6. Van Hook, *Rebuilding Germany*, 206–209.
7. Nicholls, *Freedom with Responsibility*, 273–274.
8. Werner Abelshauser, “Probleme der Wiederaufbau der westdeutschen Wirtschaft 1945–1953,” in *Politische Weichenstellungen im Nachkriegsdeutschland, 1945–1953*, ed. Heinrich August Winkler (Göttingen, 1979), 241.
9. Wallich, *Mainsprings of the German Revival*, 87.
10. Schwartz, *America’s Germany: John J. McCloy and the Federal Republic of Germany*, 204–205.
11. Abelshauser, “Probleme des Wiederaufbaus der westdeutschen Wirtschaft, 1945–1953,” 241.
12. Wallich, *Mainsprings of the German Revival*, 298.
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