

S-E-C-R-E-T

FEDERAL REPUBLIC OF GERMANY

Ludwig ERHARD

Federal Chancellor

Ludwig Erhard succeeded Konrad Adenauer on 16 October 1963, becoming the Federal Republic's second Chancellor and the first new Chancellor in fourteen years. A member of the original cabinet formed in 1949, Erhard served throughout the Adenauer years as Minister of Economics and, in addition, was named Vice Chancellor in 1957; he has been affiliated with the CDU since 1949 and has served on its seven-man Presidium since 1962. Although he had to overcome Adenauer's determined opposition to attain the chancellorship, Erhard has indicated that his government will continue the basic policies of his predecessor, while making some changes in emphasis and showing a greater concern for domestic problems. A professional economist, renowned for his role in the "economic miracle" of his country's postwar recovery and prosperity, Erhard enters office as the most popular figure in West Germany but with his qualities of political leadership still largely untested.



The son of a dry-goods merchant, Erhard was born 4 February 1897 in Fuerth, Bavaria. After military service in World War I, during which he was severely wounded, he studied economics at the University of Frankfurt, receiving a doctorate in 1924. He spent the next four years doing research for various business firms and beginning in 1928 was employed by the Institute for Economic Observation in Muenster as assistant, department head, and director. Refusing to join the German Labor Front (DAF), Erhard came into conflict with Julius Streicher, the Nazi Gauleiter for Franconia, and was discharged in 1941 as a result of Nazi pressure. He spent the last three years of World War II as director of the privately supported Institute for Industrial Research in Muenster; during this period the Reich Economic Ministry commissioned him to do consumer research and he also acted as an adviser to the government of Westmark, a province set up to include Lorraine. In frequent contact with Carl Goerdeler, a leading figure in the unsuccessful 20 July 1944 plot against Hitler, Erhard drafted a plan for a liberal, post-bellum German economy and was apparently intended by Goerdeler for a high position in the post-Hitler government.

After the German collapse in 1945 Erhard was cleared of any participation in Nazi activities and appointed economic adviser for Upper and Middle Franconia by the US Military Government. In October 1945 he was named Bavarian Minister of Economic but resigned in December

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Ludwig ERHARD (Cont'd)

1946, after his ministry was criticized for hiring former Nazis. Becoming Director of the Money and Credit Office of the Bizonal Economics Administration in 1947, he prepared the currency reform of 1948. He was elected to the Bundestag in 1949 and became Minister of Economics in September of that year.

Erhard advocates a "social market economy," a concept that stems from efforts to reconcile 19th century liberalism with social responsibility. He believes in the efficacy of market competition and private enterprise, on the one hand, and consumer sovereignty, on the other, as the determining economic forces in Western society and opposes elaborate economic planning and restrictive trade practices. He recognizes, however, the necessity of government action to maintain conditions permitting free competition and economic stability; he has secured adoption of an anticartel law, and, to combat inflationary tendencies, he has sought to pressure both labor and management to restrain demands for wage and price increases. He appears to enjoy the general support of the business community but does not feel bound to any economic group.

In foreign policy Erhard differs from Adenauer in placing less emphasis on cooperation with France and in strongly urging the admission of the United Kingdom to the European Economic Community. An opponent of centralized European economic planning and protectionism, he advocates European unification on a confederative basis and economic cooperation in ever-widening circles, looking forward to the development of a closer Atlantic community. He is a strong proponent of the Atlantic partnership and has indicated that West Germany should play a part in the reconciliation of differences among the Western Allies. He played a helpful and constructive role at the May 1963 meeting of the General Agreement on Tariffs and Trade (GATT) in Geneva. Although he has evidenced little interest in the non-economic aspects of foreign policy or defense, he is believed to have orthodox views on NATO, Berlin, and relations with eastern Europe, and to support the idea of a multilateral nuclear force; he has indicated that he favors the US tactic of attempting to ease Cold War tensions. Defense and especially development aid may be affected by his announced intention to keep public expenditures in check.

An extrovert who radiates energy, self-confidence, and optimism, Erhard is an able speaker, but he is frequently undiplomatic and on occasion his bluntness has caused minor furors. Many Bonn politicians doubt that Erhard possesses the political acumen to make a strong or effective chancellor; his often humiliating encounters with Adenauer gave him the sobriquet of "rubber floor." He has the reputation of

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