German History in Documents and Images

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The CDU and the "Social Market Economy": Düsseldorf Guidelines for Economic Policy,
Agricultural Policy, Social Policy, and Housing (July 15, 1949)

By 1949, the idea of Christian Socialism had clearly lost influence within the CDU. In its stead,
Konrad Adenauer, the chairman of the CDU in the British zone, advocated the "social market
economy," a concept proposed by CDU politician and economic expert Ludwig Erhard. The
"social market economy" differed from both the Socialist planned economy in the Eastern zone
and the liberal-capitalist economic system. The CDU's Düsseldorf Guidelines of July 15, 1949,
reflected the basic principles of the concept. At its core stood the linkage of the private sector's
performance principle with an active state economic policy that included numerous instruments
of regulation and control.

(Summary)

After the war, the economic and social life of the German people moved closer and closer to a
state of utter dissolution.

The turnaround came on June 20, 1948. The currency reform alone did not bring it about, but it
did create the proper technical preconditions. The most essential impulse came from the
implementation of market economic principles. On June 20, 1948, the "social market economy"
espoused by the CDU made these principles the foundation of German economic policy.

What does the CDU mean by social market economy?

The "social market economy" is the socially anchored law for the industrial economy, according
to which the achievements of free and able individuals are integrated into a system that
produces the highest level of economic benefit and social justice for all. This system is created
by freedom and responsibility, which find expression in the "social market economy" through
genuine performance-based competition and the independent control of monopolies. Genuine
performance-based competition exists when the rules of competition ensure that, under
conditions of fair competition and equal opportunity, the better performance is rewarded.
Market-driven prices regulate the interaction between all market participants.

The social market economy stands in marked contrast to the command economy, which we reject, regardless of whether its guiding agencies are organized in a centralized or decentralized fashion, are part of the state, or are autonomous.

However, the "social market economy" also stands in stark contrast to the so-called free enterprise economy of liberal hue. To avoid a relapse into the "free enterprise economy," monopolies must be independently controlled in order to ensure performance-based competition. After all, just as the state or semi-public agencies must not guide the industrial economy and individual markets, private persons and private associations must not assume such guiding functions, either. The social market economy refrains from attempts to plan and guide production, the workforce, or sales, but it does support planned efforts to influence the economy through the organic means of a comprehensive economic policy coupled with flexible adaptation to market studies. Effectively combining monetary, credit, trade, customs, tax, investment, and social policies, as well as other measures, this type of economic policy creates an economy that serves the welfare and needs of the entire population, thereby fulfilling its ultimate goal. Naturally, it must also adequately meet the needs of those parts of the population suffering hardship.

We recognize the principles of the Ahlen Program, which primarily concern property law and social policy, yet we would like to supplement and further develop these principles with regard to the market economy.

We hereby present the following principles in order to implement the social market economy:

1. Performance-based competition must be secured by law. Monopolies and holders of economic power must be subject to an institutionally based, independent control authority that answers only to the law.
2. We aim for legal measures that foster genuine responsibility in the business community.
3. Legal measures must be implemented to ensure stricter reporting requirements, particularly for incorporated companies.
4. A central financial supervisory body is needed to protect the currency.
5. Market-driven prices must be allowed to evolve, and they must not be distorted by the state or by private industry through arbitrary action or decree. This type of interference only squeezes products out of the market. However, we support efforts to organically influence prices by means of economic policy, particularly by means of monetary, credit, and tax policies, so that goods will flow into the market in growing quantities and at sinking prices.
6. In the interest of German competitiveness in global markets, we aim for a reduction in price levels in Germany. This will simultaneously bring about an *increase in real income*.
7. The fixing of wages and working conditions must be left to the collective agreement system. Performance-based pay and wage increases must be supported within the framework of proper market-economic prices. They increase both purchasing power and demand in much the same way as sinking prices.

8. Technology and science must be strongly promoted. They create new needs and job opportunities. They lower prime costs.
9. The "social market economy" embraces the free choice of profession, the right to establish a business, freedom of trade, and freedom of movement. In the skilled trades, however, the certificate of professional competence (master craftsman's exam) must be presented as before. The same applies to all professions that require proof of professional competence.
10. The "social market economy" affirms and promotes private property. A just distribution of economic proceeds and a socially anchored legal system must seek to transform, on a large scale, the poorer classes into property owners. Aside from a broad distribution of property, we favor, in the industrial sphere, business forms based on public ownership, where they are economically useful, operationally feasible, and politically necessary.
11. We will emphatically promote the accumulation of savings.
12. We demand a comprehensive tax reform, in particular through cutting the existing tax rates in all brackets and by simplifying the entire tax system.
13. Effective safeguards must be put in place to prevent economic crises and mass unemployment. These must include an effective credit and currency policy as well as a public investment policy.
14. We aim to promote foreign trade by all possible means. We support the Marshall Plan (European Recovery Program).
15. The German merchant fleet must be rebuilt.
16. The "social market economy" can only be realized if it enjoys the trust of all strata of society, that is, when entrepreneurs, blue-collar workers, white-collar workers, and consumers are actively involved in its implementation.

Performance-based competition and monopoly control

are the foundation of the economic and social order we seek. Together with efforts to organically influence economic development by means of monetary and capital policy, by means of a tax system that improves tax morale and capital formation, and by means of an enhanced labor and economic law and a reformed social law, performance-based competition and the control of monopolies will ensure the ongoing development of the industrial economy. They will create social peace and grant each individual the freedom and opportunity to participate in the economic process in accordance with his or her performance and ability. This is the only way to achieve and secure a political democracy by means of a social and economic democracy.

Source: Düsseldorfer Leitsätze über Wirtschaftspolitik, Landwirtschaftspolitik, Sozialpolitik, Wohnungsbau [Düsseldorf Guidelines for Economic Policy, Agricultural Policy, Social Policy, and Housing] (July 15, 1949); reprinted in Ossip Kurt Flechtheim, *Die Parteien der Bundesrepublik Deutschland* [*The Parties of the Federal Republic of Germany*]. Hamburg, 1973, pp. 162-63.

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