

## A New Chapter in Economic Policy (March 21, 1962)

### Abstract

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In this speech, Minister of Economics Ludwig Erhard appeals for reason and moderation and emphasizes the need for all social groups to work together on economic issues. The speech set the tone for economic policies during his administration.

### Source

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#### Moderation! [Radio Speech]

I turn to the German people in a solemn hour, when we must take responsible actions to promptly curtail dangerous emergent developments in order to protect our country from harm. I am well aware that the people who most need to heed such warnings are precisely those who don't want to hear them, and I am thus prepared, once again, to be suspected of harboring an anti-worker or pro-business attitude. Everyone has heard this record before, and it is untruthful.

Those who do not want to hear or cannot bear the truth try to falsify it or, better yet, drown it out with their own screams. The global political situation has changed fundamentally since the founding of the Federal Republic. Beyond the EEC [European Economic Community] the world is drawing ever closer together in open, free markets, with all the accompanying political and economic consequences. The constant threat facing Berlin puts the question of our freedom and security in a new light. This also includes the further development of a free and socially-minded social order, one that calls for greater public spirit for communal tasks.

For this reason, too, the German people—and by that I literally mean each and every individual—must know where we stand; indeed, it would be more accurate to say [the German people must know] the direction in which we are stumbling and what dangers are threatening us. There is still time, but it is also high time to come to our senses and escape delusion: as if it were possible for a people to consume more, for all sorts of public and private purposes, in all areas of individual and national life, than the same people can or are willing to produce. And as if it were possible for those limits to be surpassed, if necessary, simply through the threat or application of power and violence.

[...]

Let me speak to you in a way that everyone can understand and verify. In 1959, for example, our wage levels jumped to first place in the Common Market. At the same time, in 1960 and 1961, our labor costs, without even considering the reduction in working hours, rose by 21 percent, whereas our partners contented themselves with increases of 6 to 13 percent over the same time period. The increases in the most powerful industrial countries, such as Britain and the United States—the latter with only 3 percent—were even lower.

We have obviously lost the sense of what is possible and are about to practice social policies that might be well intended but will certainly result in harm—namely, the destruction of a good social order. Sometimes I actually ask myself whether the German people are becoming less and less receptive as their affluence grows, and less and less willing to hear the truth. For instance, in the case of last year's currency appreciation [*Aufwertung*], I worked so hard to make clear that this measure—far from showing international solidarity—serves to set new parameters for foreign trade policies, which will set tighter

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cost limits for wage and price increases. But what happened? The trade unions declared—and the best I can say is against their better judgment—that none of this concerned them and that it wouldn't keep them from pursuing their current proactive wage policy in unchanged form.

And on the other hand, employers were no less contradictory when they predicted negative consequences for exports but were still prepared—also against their better judgment—to allow production costs to rise, with the attendant rise in prices. In fact, the appreciation of the Deutschmark in 1961 through the reduction of import costs by exactly 4.8 percent served to halt inflation pressure in the domestic market. Otherwise, the collective bargaining partners' lack of restraint would have meant far greater disadvantages for the consumer.

[...]

So what do I want? I would like to be sure that the German people will not, once again, become a tragic example of the old saying: "He who does not listen must feel the consequences." The German nation doesn't only consist of unions and management. And it is contrary to the nature of a democratic, parliamentary order to make collective bargaining partners responsible for the stability of the currency, that is, for the maintenance of the value of money, which ultimately means that they are responsible for society and the social order as well as the economic fate of a people. Because the collective bargaining powers will be all too willing to blame the effects of their behavior on the government, attributing the failure and assigning the blame to it. But one cannot fault the government for trying to control unbridled freedom—as is the case in all other European countries as well—by educating the public and trying to foster an objective debate in negotiations.

[...]

My dear listeners, let me conclude with a positive and conciliatory word: In delivering this speech, it was not my intention to aggravate differences or raise a sociopolitical indictment against anyone. But precisely because of my deep sense of duty and responsibility toward the German people, I hope that, regardless of group, class, and social strata, you can recognize how important it is for me to speak directly, in what I believe is a decisive hour, to each and every one of my fellow citizens, even to shake you up in order to make clear that no membership—whether to a party or an organization or anything else—can free you of your personal responsibility and conscience.

Source: "Maßhalten," Rundfunkansprache [Radio Speech], 21. March 1962; reprinted in Karl Hohmann, ed., *Ludwig Erhard. Gedanken aus fünf Jahrzehnten. Reden und Schriften*. Düsseldorf/New York: ECON Verlag, 1988, pp. 729–37.

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