

# Ludwig Erhard and his management of the German Ministry of Economics 1949 – 1953

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## Summary

One of the German personalities who played a major role in rebuilding the German economy after the end of World War II (1939-1945) is Ludwig Erhard. In order to rebuild what can be restored from the German economy, and four years after Germany fell under the occupation of the Allied forces, those forces allowed the holding of the first parliamentary elections in 1949, and in these elections Ludwig Erhard was able to win the confidence of the German Prime Minister Adenauer and become Minister of the German Economy, and here it began His economic skill and great experience in planning to draw up an economic policy was able to extract Germany from the bitter reality that Germany was suffering from, and within four years of his assumption of this position, federal Germany rose politically and economically, especially during the period (1949-1953).

Keywords: (Ludwig Erhad - Ministry of Economy - German currency - unemployment).

## The Introduction

The political and economic history of any country and at all levels cannot be written under any circumstances unless there is a reference or attention to some personalities who played important roles in writing pages of the history of those countries.

Hence, this saying applies completely to the personality of Ludwig Erhard, who was able to put clear traces, especially on the German economic side.

This is clear when he realizes that Germany's economic renaissance, which was completely exhausted by World War II, can only be restored to its former state by adopting a solid economic policy that depends primarily on material and moral economic capabilities.

Because of the importance of the confusing political and economic phase that Germany went through and Ludwig Erhard's continuous attempts, especially after he took over the German Ministry of Economy

We focused on this important and fateful stage in the contemporary history of Germany.

In order to show the role played by this personality in building the German economy, and for the breadth of the topic and its ramifications, the researcher decided that the time period be only two years (1949-1953), we divided this topic of research into several axes, the first axis dealing with the role of Ludwig Erhard in the constancy of the level of the value of the German currency ( 1949-1953), while the second axis discussed its role in addressing the problem of unemployment (1949-1953).

### **First: the role of Ludwig Erhard in the stability of the level of the value of the German currency 1949-1950**

German economist Ludwig Erhard presented a project to reform the German currency(1) immediately after World War II, as this is considered a very important development in the economic arena from the summer of 1949 until 1953, when the purchasing power of the German currency was restored, and this resulted in an increase in the real value of labor,(2) And also the elimination of the pent-up demand suffered by German consumers for consumer goods, which were available in abundance and of their various types in the German markets, in addition to the fact that the large companies operating in the private sector are able to restore their business again on a solid basis, Therefore, there was a sudden strong recovery of the economy, especially in the consumer goods production sector, and this recovery had a gradual and increasing effect on the increase in the production index, and in increasing working hours, which significantly affected the increase in production.(3)

(Ludwig Erhard) moved from his position as head of the Economic Department in (Bavaria) to take over the position of Minister of Economy in the newly formed Federal Republic on September 20, 1949,

Whereas the concepts of the social market economy were in no way accepted by the political leaders of either the left or the right, or by the general public, Being the head of the Bavarian Economic Department, Erhard was free to develop the economic policy of Germany, Since he was Minister of the Economy, he had to work within a variety of other ministries and under the supervision of a powerful and dominant advisor in Character Konrad Adenauer.

Historians have argued that during the 1950s, Ludwig Erhard lacked an "internal political base" to base his policies entirely on the social market economy, particularly with regard to anti-cartel legislations.

Erhard's political opponents within the government had a power base, such as the Finance Minister, Fritz Schäfer, who could always count on his party, the CSU, for support in political battles over finance and investment policy. Erhard's problem was exacerbated by the fact that only 40% of the officials in the old economy department were transferred to the new Ministry of Economy .

Erhard personally did not have the political instincts to wage the constant bureaucratic and political warfare that is a fact of life in any political system. In any case, Erhard personally came into conflict with Adenauer, who did not consider the Minister of Economics diligent enough in his administrative duties within the state (4) .

On September 21st , 1949, Erhard was appointed as German Minister of Economics, and only one day after taking office, he sent a letter to German Chancellor Adenauer, in which he said: "My task is to make people with all my strength to be happy, because that will be the case." In the end for sure... I have made these thoughts my priority because my responsibility to the German people obliges me to do so... I have the sure feeling that you, dear Chancellor, are in the political arena and I am in the economic arena, the two of us responsible for Germany's happy future are in our hands and that we will only win or fail together" (5)

Erhard also considered the battle against the cartels to be his most important battle after the liberalization of the economy and the currency reform in 1948, and he also said: (6) “((I consider the fight against the cartels the number one issue and that it was as bad as the state’s economic planning days of Nazi rule. It distorts the economy, reduces the total volume of production as well as consumer welfare, curtailing economic activity, rising prices, and misallocation of capital.”(7)

Two days before the newly formed German government voted to appoint Erhard as Minister of Economy, the German economy was suffering from fluctuations that greatly affected the prices and value of the German Mark. This was one of the first problems faced by Ludwig Erhard,

As the British government devalued the pound sterling by (30%) against the US dollar in the banknote market (8),

which reflected negatively on the German mark, the exchange rate of one dollar was equivalent to (3.33) German marks before 1948, to rise to (4.20) marks Germany against one dollar, so the German mark witnessed a relative decline due to the depreciation of those currencies, which led to an imbalance in the German trade balance(9) as a result of the decline in the amount of exports of German goods, and Germany faced the danger of becoming a warehouse for foreign exports.(10)

On the evening of September 21, the Council of Ministers met at the Koenig Museum in (Koplinzer Street) in Bonn for the purpose of discussing the issue of devaluing the German Mark, and Adenauer had given priority to Ludwig Erhard in expressing his opinion on this issue. The priorities of the German economy, so the devaluation is okay if necessary, and the percentage (20%) was sufficient, the German economy can still withstand certain "pressures", even if the devaluation is slightly higher than the percentage (20%) Only, the cost of living will rise by (6 to 9%).” (11)

On the 20th of September, the United States High Commissioner to Germany (John Jay Macleoy) (12) sent a telegram to the US State Department stating: “...Erhard indicated that the German government would prefer a 20% devaluation, rather than a 30% depreciation. ) Because of the financial consequences of a further devaluation in light of the surplus of imports, especially imported foodstuffs, and the negative political and economic impact of a further devaluation on workers' cost of living and savings, the German government will present a final recommendation to the High Commission on September 22. The Allied High Commission will pass the recommendation and issue Final decision on the new conversion factor as soon as possible after receiving the German recommendation”.(13)

France's position on the devaluation of the German currency was that after World War II, France had a very great need to restructure its economy, especially in the industrial aspect, which relied heavily on the provision of coal, which it imported from Germany and the United Kingdom, and since Germany was It needed hard currency to balance the imbalance that afflicted its economy after the devaluation of the German currency. It wanted its coal exports to be on the basis of the dollar, and this was what the French government did not want to achieve, and this raised the concern of the French government, which would have to spend more francs for the same amount. As a result, (14)

Ludwig Erhard met with the financial expert and the French High Commissioner (François Ponset) (15)

at the Allied High Commission in Bonn on the twenty-second of September 1949, and a conversation took place between them about France's refusal to reduce the value of the German mark to (25%) against the dollar The American, and told him that the French government accepted the devaluation of the French franc to (22.5%) of the value of the dollar, so the value of the devaluation must be directly proportional to the value of the devaluation of the German mark in order to be able to maintain the amount of German imports of coal that French industries desperately need.(16)

On the 25th of September 1949, and in this regard, Erhard stated by saying ((that the German government should have dealt, according to its economic policy, with a slight devaluation of the German currency against foreign currencies traded in the global markets, and in agreement with the German Central Bank, especially that commodities Germany did not have the competitiveness in the European markets towards the goods exported from countries such as Britain and the United States of America. ))

Despite this, the German government was unable to make its monetary decisions, and the reason for that was due to the large deficit that the German trade balance was suffering from, in addition to the scarcity of the foreign balance in the currencies of the pound sterling and the US dollar, which was offset by a large rise in the unemployment rate, which reached ( 32% of the total German workforce.(17).

On 30th of September, Ludwig Erhard expressed his opinion about the devaluation of the German currency, saying: “The determination of the value of basic commodities and foodstuffs in the value of the US dollar in the German markets will certainly be very high compared to the purchasing power of the German citizen. In short, in short, the depreciation of the currency Deutsch leads to a threat to exports and employment in West Germany, in addition to that, this decline leads as a result to a reduction in job opportunities and a steady increase in prices)) Importers have to pay more dollars for the same number of exports before the decision to reduce, and in return, the exporters receive less dollars for the same exported goods that were exported before the decision to reduce, and therefore importers try to set prices higher than the German mark for the same imports to consumers. (18).

As for the Allied High Commission, at that time, it did not take any action to stop the deterioration of the value of the German mark against the US dollar or the British pound sterling, and it believed that this was normal after the decision to issue the German currency last year. What confirms this is the telegram that he raised The High Commissioner of the United States in Germany (John Jay McCloy) stated in it, “(In the case of a devaluation of European currencies, especially the pound sterling, we believe that the Deutsche Mark should follow suit. In this context we draw upon the following arguments: ))

A- We are concerned that West Germany should be in a position to gain from exports to South America and Eastern European countries, imports which will have to be obtained in order to be viable.

B. In terms of exports to the US, lower prices in US dollar terms should lead to some increase in US dollar earnings.

c. With regard to exports to Western Europe, the Intra-European Payments Agreement, with its provisions for convertibility at 25% of the drawing rights, gives West Germany a specific interest in meeting the agreed estimate of the intra-European surplus as the granting of US dollar aid depends directly on this fulfillment.

Dr.. If the Allied authorities opposed the devaluation favored by the Germans, they would expose themselves to the accusation that they had acted against West Germany's interests by alienating it from competition in world markets through an overvalued exchange rate.

H. We do not lose sight of the magnitude of the domestic food price problem posed by the devaluation. However, the West German government must face this problem at some point, and we feel that it will be easier to face it at a time when all other European countries face the same problem.(19)

On November 25th , 1949, Kurt Schumacher, leader of the Social Democratic Party, described Erhard's management of the German economy as "not a tool of class war, as he stated at the beginning of his assumption of office, and that as a result of his economic policies regarding the unbalanced social market, the poor became Poorer and richer richer, he adopted market-oriented policies that were supposed to steer in a socially acceptable direction and educate the German people on how to function in a free market environment, something they had not done and had been elusive since the Nazis froze wages and prices in 1936 (20)

In early January 1950, Ludwig Erhard felt political pressure as a result of the intervention of the High Commissioner of the United States in Germany (John Jay McCloy) in the affairs of his ministry, as well as the imposition of the Bank of Germany of its financial will on the German Ministry of Economy, At the beginning of January 1950, Ludwig Erhard felt the political pressure resulting from the intervention of the High Commissioner of the United States in Germany (John Jay McCloy) in the affairs of his ministry, in addition to the imposition of the Bank of Germany of its financial will on the German Ministry of Economy. even some social democratic financial experts and trade unions called for the imposition of some restrictions on German foreign trade However(21) , Ludwig Erhard did not show any reaction because of these pressures, so that German Chancellor Konrad Adenauer He began to doubt Ludwig Erhard's Economic Policies , and in the middle of the same month, he contacted the economist (Wilhelm Roebke) (22)

, who was at that time a professor at the University of Geneva, Switzerland, and he asked him to evaluate the economic policy of West Germany months after the formation of the German government.. The German Chancellor Konrad Adenauer expected that Roebke's response would be positive towards what he proposed about the ideas of the social market economy which adopted by Ludwig Erhard.

On the 22nd of January 1950, Ludwig Erhard wrote a note to Adenauer in which he explained his economic views, in which he stated: "The unemployment that West Germany was suffering from is structural unemployment in the sense (it is unemployment rooted in the origin of German society), and it is not cyclical in the sense ( It is temporary (it disappears with the demise of the influencer), and this came as a result of production bottlenecks, the inability of labor to move to available jobs due to the lack of housing in the main urban and industrial areas, and the continued excess employment of the remaining industries of the economy under the control of war.(23)

This shows that Robeke has supported Erhard's economic policies and he also underscores the fact that the market economy has promoted the general economic recovery after the currency reform and he emphasized that the need for further liberalization of foreign trade and the interest rates are realistic and eventually abandon foreign exchange controls.

Undoubtedly, this high-pitched letter was Ludwig Erhard's desire to establish a ministerial committee in which all ministers concerned with economic affairs would unite under his leadership and thus submit to his will, On the other hand, Erhard had to come to terms with the fact that he was only Minister of Economics , in a very limited sense , on the one hand, he is restricted by the realistic responsibilities of other ministers.

Because of Erhard's public and private failures, the Ministry of Economy was constantly attacked through memorandums and at cabinet meetings . More often than not, Adenauer's criticisms of Minister Erhard went so well that he earned his good reputation by avoiding bureaucratic paperwork. In addition, Adenauer was highly critical of Erhard's tendency to contradict press policies that had been agreed privately within the Cabinet.

For Erhard it may have been important to him that Adenauer was not intrinsically committed to the free market and did not view economic policy in terms of the more objective view of right or wrong 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 far-reaching and in June 1948 Erhard managed the Goods liberalization and subsequently the Minister of Economics was always on the defensive when it came to forming policy.(24).

Konrad Adenauer realized that Ludwig Erhard was becoming increasingly popular, so he felt that he should not under any circumstances allowing the Minister of Economy to become too powerful, Because that could endanger his position in power, and on the other hand, Ludwig Erhard emphasized that he was never interested in this quest for political power.(25) There is no doubt that Erhard faced daunting challenges, including the need to establish key aspects of the social market economy, such as the restrictions of cartels, the complete end of economic controls imposed by the Iraqi government, and the liberalization of trade from the restrictions imposed by the Allied High Commission.

The economic policy represented by the Christian Democratic Union resulted in a change in economic policy, as human labor regained its meaning, and the actual production of all classes of society witnessed a significant increase, especially with regard to industrial production, which developed very quickly, as this production doubled within a few months, The abolition of the ration card economy has given the consumer freedom again after many years of deprivation of meeting his essential needs.

### **. Second: Erhard's role in addressing the problem of unemployment.**

Unemployment rates rose in September 1949 as a result of the continued influx of refugees from the Soviet region, and when Erhard took office as Minister of Economy, unemployment rates had reached (8.8%), and by February 1950, this percentage had jumped to (13.5%), This development led to severe criticism of the government's policies by members of the Social Democratic Party and the Anti-Corruption Agency, and the allies feared that unemployment would lead to unrest that would culminate in a social revolution that it would be unable to put out.(26)

In mid-February, Erhard was forced to present a package of economic reform programs that included building houses, rebuilding railways, establishing a new Federal Post Office, and expanding and developing ports for export.

With the provision of financial support to companies operating in the small and medium private sector. The implementation of this program was very slow, and its positive effects did not appear.

The Ministry of Economic Affairs concluded that it is necessary to prepare a second program that is more effective than the first program. Funding for the first program was barely in keeping with the principles of free market economics, while financing for the second program threatened to flagrantly violate them .

The German government, under pressure from the opposition and the occupation authorities, approved a job creation program worth just under 1 billion DM (about 1% of the gross national product), and on the condition that the German States Bank cover the credit to enhance the injection of money into financing these projects, the German government approved these programs.(27)

The German government agreed to pass these jobs programmes, but in two phases, the first phase to be implemented in the same month, February 1950, and the second program after three months in the month of June (28) , and the total amount allocated for the two phases was (950) million DM . And the German Ministry of Finance allocated these (few) sums, in his opinion, to implement such reforms. Erhard realized that the government's measures to address economic problems are short-term solutions, and despite that, after implementing the first package of reforms, employment operations began to rise again.(29)

Based on the development of the economic situation described above, Ludwig Erhard was certain that the general uncertain foreign policy conditions in Europe and abroad had a very bad effect on the rebuilding of the West German economy, especially that foreign investors were still prevented by the occupying powers from making their capital investments in West Germany,

However, the uncertainty caused by German economic, tax and monetary policies (high tax rates, lack of credit, equal burden) also had a bad effect on German businessmen and industrialists to refrain from importing goods that require large capitals, because of this, Ludwig Erhard's efforts continued, a few weeks after he assumed the position of Minister of Economy, in important sectors of the economy, in dismantling the policy of the occupying powers and the difficulties facing German foreign trade.(30)

Erhard's first aims were his relentless pursuit of a greater value for the DM in order to facilitate free trade, promote capital accumulation and finance the reconstruction of industry. Erhard had faced great difficulties in achieving his legislative goals , so, Adenauer decided that Erhard would submit to his authority and manage his ministry in a way he saw fit, and from here the relationship between the two men began to deteriorate.

Erhard realized that he had become just one among a group of ministers, who were supposed to submit to Adenauer's terms, In this context, Kuno Okhart (31)

said about Ludwig Erhard: ((The unusual thing about the working relationship is that Ludwig Erhard was not a man who issued orders or directives to his employees, but rather let everyone do their work in the way they saw fit, Erhard avoided office work ... avoiding reading diaries, he was interested in major philosophical and theoretical issues concerning the general direction of the economy. He allowed his subordinates to deal with papers, details of reports, memos and staff meetings. Unlike Adenauer who was not interested in preparing programmes, studies and organizational plans, his philosophy pushed him away from these things and because he

was Believing that government planning must lead to economic disaster, he saw no need to prepare such plans himself and avoided technocratic and econometric methods of reporting and planning. (32)

When Erhard became Minister of Economics, and as a member of the Vershoven Institute, Minister of Economics in Bavaria, then Head of the Special Office for Money and Credit and Director of Economics in Pesoni, Erhard faced great internal challenges. In the months following the elections represented by a series of issues that directly affected his work as Minister of the German Economy and his economic ambitions in restructuring and rebuilding the German economy under the shadow of the first elected independent parliamentary government .

During late 1949 and early 1950, inflation contracted in the West German economy, at a time when unemployment rates were significantly high. Ludwig Erhard was certain that this problem would disappear in time with the growth of the economy(33) , but the Allied High Commissioner in Germany was not sure that Ludwig Erhard would be able to solve the problems , so he was criticized by the ECA and the Allied High Commission on the grounds that Ludwig Erhard did not adequately address the problem of unemployment.(34)

The Bavarian Minister of Finance (Fritz Schäfer) and the Prime Minister of North Rhine-Westphalia, (Karl Arnold) (35), and (Hans Ehard) (36) , the Bavarian Prime Minister, raised notes and inquiries to the German Chancellor Konrad Adenauer, confirming the failures of Ludwig Erhard in managing his ministry, especially with regard to currency devaluation and unemployment,(37)

As a result, Erhard was forced to engage in these battles to preserve his ministerial power. On the other hand, Adenauer did not build his government according to clear functional lines, but he rather worked to divide political power in his coalition.

Erhard's first disappointment came after the gains made by the Free Democratic Party, when Chancellor Konrad Adenauer created a Marshall Plan ministry (38) called the "Federal Ministry for the Marshall Plan." He appointed party leader Franz Blücher as minister of this ministry to satisfy the party in the coalition negotiations to form the cabinet . Ludwig Erhard was very upset with this appointment because he did not want anyone else to assume responsibility for any branch of the German economy. Despite this, the ministry was given responsibility for dealing with the Department of Economic Cooperation in Paris, which was responsible for managing the Marshall Plan. Ludwig's objection was based on how to deal with the Marshall Plan, which will have a significant impact on the development of the German social market economy. On the 24th of November 1949, Erhard sent a telegram to Adenauer, in which he explained his achievements and described his competence in managing the German economy. He believed that this would persuade Adenauer to transfer responsibility for the Marshall Plan ministry to him, or at least to subjugate Blucher to the Ministry of Economics.

We conclude from this that the establishment of this ministry was the beginning of the end of the relationship that existed between Konrad Adenauer and Ludwig Erhard, especially since Adenauer believed that the popular and political arena was more accommodating to the opinions and ideas of Erhard to overcome the economic crises that afflicted Germany.



On April 19, 1950, US High Commissioner John J. Macloy, openly expressing his serious reservations about Ludwig Erhard's economic policy, which he thought might lead to a souring of good relations with the occupying forces, Adenauer joined the members of his cabinet who led an attack against Ludwig Erhard's economic policy to the point where he became very suspicious of Erhard's failure to succeed. In his ministry, while seeking the opinion of an outside economist, he consulted his old business friend, Rob Ert Beverdamings. MBeverdamings),(39)

and his other close friend (Hermann Joseph Aps),(40) director of Deutsche Bank, who opposed Ludwig Erhard's economic policy. Nearly seven months of his work in the ministry, Wilhelm Rubke presented his report to Adenauer on the twentieth of April 1950, which was a stark endorsement of Erhard's economic policy approach, and said in this regard: "The responsibility for economic policy should be concentrated in the hands of the Minister of Economy, and therefore it should It gave him privacy in dealing with money and credit issues, and that the economic recovery that West Germany was witnessing was due primarily to Erhard's liberalization of the markets and currency reform, which in itself was insufficient had it not been for price liberalization, and that his economic policy was moving towards achieving tremendous success" (41).

The Allied High Commission continued its strong criticism of Ludwig Erhard's policy, as stated by the US High Commissioner John Jay McCloy. When he told German state radio in mid-October 1950: "As far as the external trade deficit is concerned, only primitive minds can still suggest that this problem be solved by further planning." From October, it read: "I frankly express my doubts that the price controls imposed by the Americans on the German economy will be effective. I was hoping that they would succeed in that, but I doubt their ability to do so" (42).

John Jay McLei asked the German government on March 6, 1951 to allocate the types of strategic commodities and raw materials that can be included in the field of import, and he also called for the establishment of a committee formed by the German government members whose task is to develop a study to classify the basic commodities imported to German markets, as well as Standing the necessary and necessary goods and materials that Germany can export to NATO countries, and also called on the federal government to use all its capabilities to secure the necessary supplies to the coalition forces on German territory, and finally presented a proposal to the German government to restrict local credit in order to ensure the implementation of basic and strategy projects capable of The advancement of the economic sector only (43).

The German government has realized, in agreement with the ministries of finance and economics since its formation in 1949, that its federal tax policy programs must be based on the basis of promoting internal financing by major industrial companies in order to facilitate external capitalist spending represented by the import policy of the necessary goods. This proposal was the first nucleus that it followed. Ludwig Arhard to draw German economic policy.

On the other hand, the tax policy followed by Ludwig Arhard reinforced the increase in external financing in the increasing and high economic growth in Germany during the period (1951-1953), in April 1951 when he submitted a package of proposals to the German Bundestag, in which he stated the necessity of imposing differential taxes on The profits

obtained from the exports of major German companies (44), With the obligation of the federal government to reduce income taxes to a rate of (15%) of the value of individual income, in addition to reducing taxes allocated to real estate investments, at that time the Bundestag voted on this law, at a time when the Allied High Commission rejected these proposals, at that time the Minister of Finance submitted Scheffer proposed a proposal in which he emphasized raising the sales tax on imported luxury goods to increase revenues for the German treasury. Erhard did not oppose this proposal, but rather he provided support for it.(45)

With the remarkable rise in the imports of the German economy, the value of government expenditures achieved in the first quarter of 1951, resulting from the passing of a law legislation on May 5, 1951, in the Bundestag, increased, providing for an increase in salaries and financial subsidies for the benefit of retirees, the elderly, and people affected by the war, as well as Other social groups with income Six months after the adoption of this law, in October 1951, Finance Minister Schäfer proposed imposing new taxes on large companies that import consumer goods (luxuries) to prevent the budget from falling into deficit. Economics Minister Ludwig Erhard opposed this proposal, arguing that there were no There is a need to impose these taxes, emphasizing the stability of the pace of the economy resulting from the stability of the balance of payments. Despite this, the federal government sided with Finance Minister Schäfer and approved the tax increase. With the steady growth of the economy, unemployment rates declined in German society (46 ), and inflation rates remained low, and thus reinforced The position of the Minister of Economics, Erhard, and this enabled him to persuade the Council of Ministers to reduce income taxes by (15%) in June 1953, and over the past three years, the Ministers of Economy and Finance, Erhard and Shafer, initiated many decisions and regulations that pertained to tax exemptions on the annual income of large companies and individuals alike to enhance public savings and investments.(47) The Equal Burden Act, which was promulgated on the eighth of August 1949, for example, which came in its preamble as follows: “The German legislative authorities must be entrusted with the task of regulating burden equalization as a priority task, and it cannot be settled This complicated issue once and for all over the next few years, the Emergency Assistance Act can only be a first step on the way to settling the burdens.” Adopted in the year (1948), this law included clauses containing tax exemptions for German immigrants from East Germany and other refugees from other countries, the result of all these tax cuts, which were clearly intended to promote economic growth, and despite the increases in the consumption tax in Schäfer, That investment more than doubled between 1950 and 1953 ( 48).

number table (1)

It shows the macroeconomic performance in West Germany during the period (1950-1953) (49).

the year	Own savings ratios, %	Public debt / GNP ratio, %	General savings ratio, %	Unemployment rates, %
1950	3.2	19.7	7.5	11.0
1951	3.2	17.5	11.5	10.4
1952	5.7	16.5	11.6	9.5
1953	6.9	21.6	13.0	8.4

The accounts for the year 1949 were not entered, given that Ludwig Erhard had assumed the ministry at the end of September 1949, so we did not include the evaluation of that year in this table.

We note from the above table that the percentage of private savings (for individuals) remained at its level during the first and second years of Ludwig Erhard's assumption of the German Ministry of Economy, while this percentage increased to (5.7%) and to (6.9%) during the two years 1952-1953. respectively, while the ratio of public debt to the gross national product ranged from (19.7%) to (21.6%) during the period (1950-1953), while the percentage of public savings rates (private to the state) increased with remarkable rates starting with (7.5%). % in 1950 to end at (31.0%) in 1953. As for unemployment rates, statistics indicate that their figures have been declining. When they were (11.0%) in 1950, they decreased to (8.4%) in 1953, and this It goes back to the correct planning of the German economy during Ludwig Erhard's assumption of the Ministry of Economics in the West German government. Confirming the incompatibility in the political and economic performance between Chancellor Adenauer and Economics Minister Ludwig Erhard, Adenauer sent a message on March 4, 1952 to Erhard, attacking the Chancellor and Economics Minister, accusing him that his behavior in managing the Federal Ministry of Economy during the Korean crisis was extremely chaotic and confused. and that he completely misunderstood the nature of the federal government” (50 ), He also reprimanded Erhard for his overly confident public statements (as he described them), particularly in relation to his handling of the emerging coal shortage, as well as his public attacks on German policy items that he had personally agreed to in cabinet sessions, in addition to holding Adenauer personally responsible for Erhard. The economic problems experienced by West Germany (51 ), Confirming the inadmissibility of Ludwig Erhard's management of the Ministry of Economy, Konrad Adenauer finally issued orders to appoint Ludger Westtrick.(52) Secretary of State in the Ministry of Economy and entrusted him with the task of establishing order in the ministry. Adenauer also called on Erhard to allocate more time to the ministry's management job (53 ).

In his book *Wohlstand für Alle* (54), Erhard portrayed himself during the Korean War as staunchly advocating the free market in the face of political pressures for fixed prices, as he put it when he wrote: "...because in Germany I adhered to the rules of order Economic and common sense, when the German government asked me (either to freeze prices or to resign), I did not resign and did not issue orders to freeze prices, I cannot blame them but at the same time my socialist opponents should have looked at things not from the point of view Narrow party politics They had to put the German economy and Germany first and foremost, the worst thing was that even good friends thought my economic policy would lead to Germany in disaster I argued that one should keep quiet for a while, and it proved It's worth some time."(55)

## Conclusion

The personality of Erhard Ludwig is one of the most important figures that played important roles in the history of federal Germany after World War II. Since the entry of the Allied forces into German territory, he had an integrated vision in rebuilding the infrastructure destroyed by

that war, and addressing the resulting social problems. And after he presented himself to the Allied forces as an economist and with his correct vision for rebuilding that economy, they gave him the position of head of the economic department in (Bison) in 1945, and after the political situation somewhat stabilized, elections were held in 1949 and he assumed the position of German Minister of Economy, perhaps one of the first problems What faced Ludwig Erhard in his position, this is the economic fluctuations that greatly affected the prices and value of the German mark, so he worked hard to raise the level of the value of the German mark and restore its trading value in the global and local markets alike, with his continuous pursuit to achieve a greater value for the German mark in order to facilitate trade The second problem that he faced in his first year in the ministry was the problem of unemployment resulting from the influx of refugees into West Germany from the Soviet region. Ludwig Erhard also considered that one of the most important conditions that must be met for the social market economy that he advocated. To achieve the welfare state is competition based on economic performance between companies without direct state intervention.

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### Margins

(1) Ludwig Erhard presented a proposal to reform the German currency system to the Americans in July 1945 to alleviate the suffering of the German people, especially in their occupied areas, which included his adoption of some priority economic measures in Germany's exit from the inflation crisis and the depreciation of the purchasing mark, as he called for it to be Germany has a monetary unit with a purchasing value that can provide the necessary needs for the life of the German people, while providing convincing financial incentives to work. For more details, see:

A. J. Nicholls , *Freedom with Responsibility: The Social Market Economy in Germany 1918-1963* , 20 April 2000 , S.108.

(2) Ludwig Erhard (1897-1977): He was born in the German city of Nuremberg to a family that works in the textile trade. He attended its primary and secondary schools and graduated from them in 1916. He participated in the First World War between the years (1916-1918) and returned to school to complete his studies in sociology. At the University of Frankfurt between (1922-1925), he became a member of the Bavarian Council as Minister of Economics between (1945-1947) in 1952 he became President of the German Central Bank, after the elections in 1953 he became Minister of Economy in the government of Adenauer died in 1977 for more details look :

Dieter K.Buse, Juergen C. Doerr ,*Modern Germany: an encyclopedia of history, people and culture, 1871-1990*,Garland Press, 1998, Vol.2, p. 198-201.

(3) Bundesministerium für Bonn, *Entwicklung und Ursachen der Arbeitslosigkeit in der fr Bundesrepublik Deutschland (1946 —1950)* , im März 1950 , S. 2.

(4) Bundesministerium für Bonn, *Entwicklung und Ursachen der Arbeitslosigkeit in der fr Bundesrepublik Deutschland (1946 —1950)* , im März 1950 , S. 4.

(5) Volker Hentschel , *Ludwig Erhard Ein Politikerleben* , Munchen und Landsberg am Lech Olzog , 1996., S.94.

(6) Alfred C. Mierzejewski I ‘*Ludwig Erhard A Biography* , The University of North Carolina Press, Library of Congress , 2004., S.44.

(7) The value of the US dollar was equivalent to (4.30) dollars against one pound sterling. This value decreased to (2.80) dollars against one pound sterling. Reducing the monetary value of the pound sterling against the dollar so that it can sell its goods to global markets, especially those markets that were subject to the United States of America. For more details, see: Roy F. Harrod , essays in international finance the pound sterling , no. 13, , international finance section , department of economics and social institutions , princeton university , Princeton, February 1952 , P.18.

(8) Trade Balance: It is defined as the balance of operations, i.e. purchases and sales of goods and services, and this is the broad meaning of the trade balance that is now commonly used. It also represents the difference between the values of exports and the values of imports of goods over a period of time, usually three months. Thus, the relationship between The country's exports and imports are expressed in the following equation: trade balance balance = total exports - total imports. For more details, see: Adnan Talib Bakhtiar and Imran Abbas Bakhtiar, The Impact of Economic Variables on the Trade Balance Using the Method of Joint Integration, Kirkuk University Journal of Administrative and Economic Sciences, Volume (11) , Issue (1), 2021, p. 176.

(9) Wallich, Mainsprings of the German Revival, 80; and Hardach, The Political Economy of Germany in the Twentieth Century, 1985, p. 184.

(10) Koenig Museum: It is one of the important monuments interested in natural history in the city of Bonn, whose first building was laid by researcher Alexander Könberg in 1912, and it was dedicated to displaying stuffed mammals and plants during World War I. The incomplete building was confiscated and used as a military hospital, after which it was used The French occupation forces as military barracks, the museum opened its doors to the public on May 13, 1934. After World War II, the museum building, left largely intact by the war, was the only representative hall and large assembly hall available in Bonn. This was the reason why the museum was used by the German parliamentarians for its inaugural session on September 1, 1948. At this time plans were drawn up to use the museum building as an office for the German chancellery: it was used for only two months by the new chancellor, Konrad Adenauer in 1949. For more details, see : <https://www-wegderdemokratie> , Museum Koenig Opening ceremony of the Parliamentary Council 1948-1957.

(11) Alfred C. Mierzejewski , Op Cit , S.99.

(12) John Jay McCloy (1895-1989): He was born in Philadelphia, Pennsylvania, USA. He completed his primary and secondary education at Maplewood Queer School in 1913, then his family moved to New Jersey and there he completed his university education, at Harvard University in 1916, and did not He completed his education there because of his participation with the US Army in World War I (1914-1918), and after its end he continued his education to obtain a degree in law in 1921. He worked in the most famous law firm in the state of New Jersey during the period (1921-1924), between the years (1941). And 1945 ) served as Undersecretary (Undersecretary) in the US Department of War, had an influence on foreign policy and planning for most of the US strategic military operations. He visited all theaters of war and worked closely with General George C. Marshall. From 1947 to 1949 he served as President of the World Bank, then served as US High Commissioner to Germany from September 2, 1949 to August 1, 1952, succeeding military governor General Lucius D. Clay .

He died in 1989. For more details see: MacCloy , John J ,US-Hochkommissar für Deutschland von 1949 bis 1952. <https://frankfurter--personenlexikon-de>

(13) F.R.U.S, The United States High Commissioner for Germany (McCloy) to the Secretary of State , Frankfurt , No ; 862.5151/9–2049: Telegram , September 20, 1949 , Vol III , P.197

(14) F.R.U.S, The Ambassador in France (Bruce) to the Acting Secretary of State , Paris , No ; 3947 : Telegram , September 22, 1949 , Vol III , P.199 .

(15) François Ponset (1887-1978): He was born in Paris and completed his studies there, obtaining a degree in journalism. He participated in the First World War as an officer in the French infantry, but he was assigned to work as a journalist at the French embassy in Berlin and remained in this work during The period (1917-1919), after which he was appointed assistant to the World Economic Mission in the United States in 1921, after which he held several important positions, including the French Deputy Minister of Education during the period (1928-1931) and then he held the position of Deputy Minister of Economy during the period (1931-1938). ), in 1949, he became High Commissioner of the French Republic in Germany, then Ambassador of France to the Federal Republic of Germany until 1955, from 1955 to 1967, he became Vice President and then President of the French Red Cross died in 1978, for more details see: . <https://archives-seine--et--marne> André François-Poncet (1887-1978)

(16) Alfred C. Mierzejewski , Op Cit ,S.100.

(17) Alfred C. Mierzejewski , Op Cit , S. 99.

(18) Ibid , S.98.

(19) F.R.U.S, The United States High Commissioner for Germany (McCloy) to the Secretary of State , Frankfurt , No ; 862.5151/9–2049: Telegram , September 20, 1949 , Vol III , P.197

(20) Alfred C. Mierzejewski , Op Cit , S.74.

(21) Mark E . Spicka , Selling the Economic Miracle Economic Reconstruction and Politics in West Germany, 1949-1957 , Monographs in German History , Volume 18,First published in by Berghahn Books , 2007.P.43 .

(22) Wilhelm Roebke (1899-1966): Born in the Schwarmstedt district of the German state of Hanover, he graduated in 1917, after that he served in the German army during World War I for only one year, in 1918, after which he continued his university studies to obtain a degree PhD in 1921 in political science and law from the German University of Tübingen, and at the age of twenty-four he was appointed as the youngest university professor at the American University of Jena, then in 1928 he became a professor at the American University of Graz, he was summoned to be a professor of economics and political science at Philips University in Marburg and that In 1929, and he taught there until 1933, he stood against the ideas of the Nazis' economic policy. On February 8, 1933, that is, nine days after the Nazi regime seized power, Robke delivered a speech entitled Where Are We Going? In Gustav Stolper's Bund for Economic and Political Education in Frankfurt it stated: "With the seizure of power by the National Socialists, the collapse of all that we call culture against reason, freedom and humanity began. In the same year he fled into exile in Turkey. He supported Ludwig Erhard's economic policy when he became Minister of Economics in general 1949, died in 1966. For

more details see: Gerhard Schwarz: Wilhelm Röpkes «liberale Mitte» Empörend, altmodisch und doch modern in: NZZ vom 14. April 2016 , S.12-16 .

(23) Mark E . Spicka , Op Cit, S. 97; A. J. Nicholls , Op Cit , S. 273–274.

(24) Mark E . Spicka , Op Cit , p 213.

(25) Manfred Mummler , Op Cit, S 80.

(26) Alfred C. Mierzejewski , Op Cit , S.94.

(27) Volker Hentschel , die europäische zahlungsunion und die deutschen devisaenkrise 1950/51,Verteliahfshefte fur Zeitgefchichte muenchen Jahrgang 37, Heft 4, 1989, S.716.

(28) Alfred C. Mierzejewski , Op Cit , S.94.

(29) Werner Abelshauer, Wirtschaftsgeschichte der Bundesrepublik Deutschland 1945–1980., Frankfurt/Main, Suhrkamp, 1983, S.64,

(30) I bid , S .65.

(31) Kono Ockhart: The researcher did not succeed in translating this character.

(32) Alfred C. Mierzejewski , Op Cit , S. 88.

(33)Mark E . Spicka , Op Cit , S.15.

(34) Alfred C. Mierzejewski , Op Cit , S.89.

(35) Karl Arnold (1901-1958): He was born in the German town of Herlichofen. He completed his primary and secondary studies there, then entered an industrial school to be trained in how to make shoes. In 1920 he joined the German Center Party and the Catholic Labor Movement, then continued his university studies. In 1921 to obtain a degree in Sociology from the University of Munich, after which he became an employee in the trade unions until 1924, to move to the position of city councilor of Dusseldorf in 1933, and as a result of his lack of support for the policy of the Nazis, he faced great persecution from them, to be imprisoned in 1944 and released after a few months for not sufficient evidence to arrest him. He was one of the founders of the Christian Democratic Party in North Rhine State in 1945. He became a member of the Parliament of North Rhine-Westphalia and then Prime Minister of North Rhine State until his death in 1958. For more details, see: Rudolf , Karl Arnold (1901 – 1958) Ministerpräsident von Nordrhein-Westfalen , Freiburg, 2004, S. 81-89.

(36) Hans Ehard (1887-1980): Born in the German city of Bamberg, he completed his primary and secondary studies there in 1904, then obtained a law degree from the University of Munich in 1907, then obtained a doctorate in 1912, during the First World War he was appointed to Bavarian military judiciary, in 1919 he joined the Bavarian People's Party, and in 1923 he became a public prosecutor in the Munich District Court, after which he became president of the Senate in the Higher Regional Court in Munich in 1933, and in 1941 he was president of the German Medical Court in Munich He was elected prime minister of Bavaria in 1946. He assumed the position of leader of the Christian Democratic Union party during the period (1949-1955). He died in 1980. For more details, see Dr. Hans Ehard: Lebenslauf und Kabinett, <https://www-bayern-de>

(37) Manfred Mummler , Op Cit , S.78.

(38) Federal Ministry of the Marshall Plan: This ministry was formed by German Chancellor Konrad Adenauer in September 1949 and assigned the tasks of its administration to Blucher. The tasks assigned to it were the responsibility of implementing the Marshall Plan and checking the available funds. The tasks also included European economic cooperation and international law issues for the European Recovery Program (ERP), its responsibility covered

the following areas: German participation with European countries in the reconstruction of Germany, European cooperation, specialized ERP organization, economic control, coordination of ECE affairs, planning Institutional resources and aid in dollars, representation of the Federal Republic in the European Economic Cooperation Organization, in 1953 the name of the ministry was changed to the Federal Ministry for Economic Cooperation (BMZ). The renaming in the context of the October 1953 Government Amendment did not imply any significant business changes. In the first four years of its existence, the Ministry grew into four departments (in addition to Section K: Legal, Cabinet, and Parliamentary Affairs). For more details see: Knut Borchardt und christoph buchheim ,die wirkung der marshallplan-hilfe in schlüsselbranchen der deutschen wirtschaft , vierteljahrshefte für zeitgeschichte , heft 3 , Jahrgang 1987 , S .317.

(39) Rob Ert Pferdamingis (1880-1962): He was born in the German city of Monchgladbach. He completed his primary education there in 1914, then served in the Prussian army in World War I, after which he continued his secondary education. From 1919 to 1929 he was a member of the board of directors. Deutsche Bank as early as 1921 was president of the Association of Bankers and Bankers of Rhineland and Westphalia. When the National Socialists came to power in 1933, he resigned. In 1928 he became a member of the Rhineland Regional Synod. After the assassination attempt on leader Adolf Hitler in 1944, he was imprisoned for a short time and released for lack of evidence against him. In 1946 he served as president of the Cologne Chamber of Industry and Commerce. During the period (1950-1960) he held the position of President of the Association of German Banks, from 1950 until his death in 1962 he was a member of the German Bundestag. For more details see: Wilhelm Treue , Robert Pferdminges (1880-1962) , Geschichte im Westen, Jahrgang 1990, Heft 2, S. 188–190.

(40) Hermann Joseph Abs (1901-1994): He was born in Bonn and completed his studies there. He served as a soldier in the Prussian army during the First Scientific War, then continued his university studies, obtaining a degree in law and political science from the University of Bonn in 1923. He headed the German credit institution which distributed corresponding funds created by the Marshall Plan, pioneered the rebuilding of heavy industry, and helped formulate investment policy for basic industries in 1952. He played a key diplomatic role in resolving Germany's pre-war debts in the London War Debt Agreement (1952-1953), He passed away in 1994. For more details see the website: A Life in Focus: Hermann Abs, German banker and stalwart of German postwar reconstruction with Nazi ties , <https://www-independent-co-uk>.

(41) Alfred C. Mierzejewski , Op Cit , S.93.

(42) Volker Hentschel , Op Cit , S.102.

(43) Iibd , S.103.

(44) A law passed in August 1949 regulated the manner in which companies would include assets in their new balance sheets as required by currency reforms. The law allowed them to quickly depreciate and depreciate assets, free up cash for investments and lower their actual property taxes. For more see: Alfred C. Mierzejewski , Op Cit , S.94.

(45) It was only the currency reform that showed the true extent of real masked employment and unemployment in West Germany. Despite the increase in the number of working people in the bilateral region in 1948 by about (1.3) million unemployed people, the number of unemployed also increased by about (700,000) unemployed at the end of 1948, so full employment seemed out of reach, because it In 1949 the number of unemployed rose to more



than one million people on average over the course of the year, which corresponds to an unemployment rate of about (8%) and remained at such a high level throughout the year before to its absolute peak in February 1950 with over two million Unemployed at a rate of (12%). In some areas the situation was even more catastrophic, with the unemployment rate at times reaching between 15% and 25%. A radical change for the better did not occur until the spring of 1955, for more details see:

John A. Garraty, *Unemployment in History. Economic Thought and Public Policy*, New York 1978, p.45.; John Burnett, *Idle Hands. The experience of unemployment, 1790-1990*, London 1994.P.40.

(46) <https://www.bundesarchiv.de/cocoon/barch> - Beilage Nr. 5 zum WiGBI. 1948.

(47) Alfred C. Mierzejewski , *Op Cit* , S.96.

(48) Barry Eichengreen , Albrecht Ritschl , *Working Papers No. 113/08 , Understanding West German Economic Growth in the 1950s Berkeley, December 2008* , p.53.

(49) Mark E . Spicka , *Op Cit* , S.9 .

(50) Horst Friedrich Wünsche , *Letter from Konrad Adenauer to Ludwig Erhard, (51) March 1951, in Die Korea-Krise als ordnungspolitische Herausforderung der deutschen Wirtschaftspolitik, Texte und Dokumente, Stuttgart, 1986 ,S. 341–344.*

(52) Ludger Westrick (1894-1990): He was born in the town of Monstario near the German city of Bonn, and completed his primary school there in 1911, then studied Christianity until 1914 when he participated in the First World War, after that he continued his university studies to obtain a certificate in Law from the University of Berlin in 1920, then worked as a sales manager in the United Iron Company in 1921, joined the German Christian Democratic Party in 1946, then worked in a coal mining company between 1948 and 1951. He was appointed by German Chancellor Konrad Adenauer as Secretary of State in Ministry of Economy and then held the position of Minister of Economy in the government of Ludwig Erhard in 1963 died in 1990 For more details see: GHT Gesellschaft für Historische Tonträger und Sammlung Alfred Seiser Rossauerländle 23 A/2, A-1090 Wien , The Record Company Société Ultraphone Française Enrico Pigorsch, Dresden (Germany), November 2019 , S.3-4.

(53) Horst Friedrich Wünsche , *Op Cit* , S. 344.

(54) *Wohlstand für Alle Welfare for All: It is a political and economic book published by Ludwig Erhard in 1957. In this book, Ludwig Erhard presented his economic ideas related to the social market economy, and wrote in his introduction, I wanted to remove all doubt that I am seeking to achieve an economic constitution capable of leading more and more sectors Our people to prosperity. The starting point was the desire to finally overcome the old conservative social structure through widespread purchasing power. This traditional hierarchy was characterized on the one hand by a thin upper class that could afford any consumption, and on the other by a quantitatively wide lower class with insufficient purchasing power. In this book, he emphasized that the most promising means of achieving and securing prosperity is competition. It alone leads to economic progress benefiting all people, especially in their function as consumers, and to the nullification of all advantages that do not result directly from high performance. For more details see: Ludwig Erhard , Wohlstand Für Alle Bearbeitet , Düsseldorf. Die vorliegende 8. Auflage von 1964 S.23.*

(55) *Ibid* , S . 45.

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