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Journal of Democracy, Volume 34, Number 3, July 2023, pp. 77-89 (Article)

Published by Johns Hopkins University Press

DOI: <https://doi.org/10.1353/jod.2023.a900434>



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# MAKING LIBERALISM WORK

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Few doubt we are in a crisis of democratic capitalism. The basic premise of liberalism, that a market economy and liberal democracy are mutually reinforcing, is under attack in the United States and around the world. Critics blame liberalism for the policies that have fueled economic inequality in the United States, shrinking the middle class and producing a level of income concentration that has nearly doubled over the past four decades (from the top 1 percent receiving about 10 percent of pretax income in 1976 to 19 percent in 2021, according to the World Inequality Database). Among 31 OECD countries, the U.S. poverty rate—defined as household income below half the national median income—is among the highest, at 18 percent. Only Costa Rica is higher, at 19.9 percent.

Although many economists cite “skill-biased technological change” and globalization as the major reasons for rising inequality, the accumulation of institutional choices has been at least as important. These have hollowed out government regulation of financial markets, relaxed enforcement of labor rights, encouraged unrestricted trade, cut top-end personal and corporate income taxes, and encouraged the privatization of public goods. Such choices reflect the dominance of a distinctly “neo”-liberal version of liberalism that puts great stress on free trade, the primacy of property rights, and a general *laissez-faire* approach to economic policy.

We are decades into that dominance now: Many today have the impression that neoliberalism *is* liberalism, for it is the only form of liberalism they have ever known. The neoliberal faith has been guiding our policies since the late 1970s. More recently, the consequences of the sharp inequality that neoliberalism breeds have been fueling antiliberal

movements around the world. Wealthy interests divert much of this anger onto government itself, questioning the principles of social inclusion and taxpayer-financed public goods. Such interests sponsor antidemocratic politicians who seek to avert the

danger of sweeping wealth redistribution by inveighing against imagined threats to traditional values.

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Despite neoliberalism's faults, however, few of its critics offer a coherent alternative philosophy. Most people recognize that state socialism failed, not just in the USSR and the Soviet bloc, but in the People's Republic of China as well. The right's reflexive response—get government out of the economy at all costs—would only further reinforce the deep existing inequalities in society. As for the left, its conviction that an enlightened social-

ism can replace capitalism with a just and public-minded system rests more on faith than evidence.

For this reason, it is worth taking a closer look at the conception of liberalism behind one of the most successful cases of economic liberalization in history—that of the Federal Republic of Germany after the Second World War. This portion of Germany, liberated by the Western Allies, replaced the totalitarian, centralized, and planned economy of the defeated Third Reich with a model known as the *soziale Marktwirtschaft* or “social market economy.” This system was consciously designed as an alternative to the other economic models on offer—French-style *dirigisme* and regulation, social democracy, Keynesian demand-side economic management, and the Soviet-style state socialism that Joseph Stalin had imposed on East Germany. West German liberals such as Walter Eucken and Ludwig Erhard sought to use the competitive forces of the market economy to stimulate growth with fairness, and to achieve a lasting prosperity that would benefit all sections of society—“Wohlstand für alle,” as Erhard liked to say when he was variously the economy minister, vice-chancellor, and chancellor of West Germany between 1949 and 1966.

The German system's achievements over the past 75 years have been remarkable. It absorbed the social and economic strains of reunification after the Berlin Wall was torn down in 1989; it has preserved a largely consensual and democratic system of government; and it has kept Germany's structure of income distribution significantly more equal than that of the United States.

Germany has problems, of course. It has been slow to shift from

manufacturing to newer technologies; it allowed itself to become too dependent on Russian oil and natural gas; it has difficulty integrating immigrants and refugees; and forces of the antidemocratic far right are strong, especially in the states of the old East Germany. Germans still struggle to come to terms with the Nazi past, and their democracy—like others in the West—faces strains from antidemocratic populist movements. But the middle-class consensus has held alongside a sturdy elite commitment to what might be called “liberal democracy with German characteristics.”

The distinctiveness of Germany’s version of liberalism, like that version’s role in the postwar German *Wirtschaftswunder* (economic miracle), has generally been forgotten. Many assume that West Germany’s growth is fully explained by the U.S.-funded Marshall Plan (1948–51) or policies imposed after 1945 by the Allied occupation under the U.S. military governor, General Lucius D. Clay. Some put it down to the adoption of free-market principles, others to the adoption of Keynesianism, and still others to historical circumstances that were unique and which no longer apply.

In order to appreciate the lessons of the German case for liberalism, we need to take a closer look at the historical record. What was the distinctive German version of liberalism, and how did it influence the postwar economic system?

## Foundations

The social market economy rests on foundations embedded in German history, including the weak legacy of liberalism dating to the mid-nineteenth century as well as the established patterns of labor-capital cooperation in the industrial monopolies of the coal and iron industries of Imperial Germany (1871–1918). Other sources include the *Mittelstand*, the sector of smaller, family-owned businesses that the Nazi regime and its mandatory industrial cartels had squeezed, as well as ethical and philosophical traditions inherited from the German Enlightenment and Catholic social thought. Well before Hitler’s regime was destroyed in May 1945, some thoughtful intellectuals had begun synthesizing these intellectual and institutional legacies in order to help rebuild Germany after the war. Some of the policy principles laid down in these necessarily *sub rosa* discussions before the Third Reich’s end would begin shaping German economic policy as soon as peace returned.

Pragmatic concessions to the occupying Allied powers played a role as well, as did the demands of potent domestic lobbies (mining, iron, and steel cartels, for example). There were also collective bargains struck between owners and employees, electoral pressures, and compromises between competing wings of the Christian Democratic Party–Christian Social Union coalition. Stalin’s March 1948 exit from the four-power

Allied Control Council split Germany into Soviet- and Western-occupied zones, with the latter becoming Bizonia and then Trizonia after first the British and U.S. and then the French zones were merged into a single common governance structure in 1947 and 1948. All these events affected the early institutional design.

The construction of a socialist economy in the Soviet-occupied zone to the east meant that fledgling West Germany would grow up with an alternative economic model next door. The desperate shortages of basic consumer goods and raw materials in the first few years, and external stimuli such as the June 1950 outbreak of war in Korea, also compelled policy adjustments. In fact, from the late 1940s to the present, the system has changed continually as it has adapted to new circumstances.

Another major source of guidance for the transition was a body of thought originating with a group of economists and legal scholars at the University of Freiburg, among them Walter Eucken and Franz Böhm. Their views began to gel in the late 1920s and continued to develop through the 1930s and 1940s. *Kristallnacht*, the pogrom that the Nazis launched against Jewish shops, businesses, schools, synagogues, hospitals, and homes in November 1938, spurred to action Eucken, Böhm, and like-minded colleagues scattered throughout the country. The theologian Dietrich Bonhoeffer, founder of the anti-Nazi Confessing Church, took part in this movement as well. Another leading figure was Erwin von Beckerath, an economist who taught at the University of Cologne and would later chair the postwar government's economic advisory board.

Laboring in secret and in overlapping working groups, these scholars debated policy statements that they hoped would guide the reconstruction of a Germany freed from Nazi tyranny. Some members of this movement were exposed, arrested, and sent to camps, especially after the crackdown following the 20 July 1944 attempt on Hitler's life. Bonhoeffer was hanged at the Flossenburg concentration camp in Bavaria on 9 April 1945.

## Basic Principles of German Liberalism

Members of the Freiburg school were not of one mind on all issues. They differed as to the desirability of collective bargaining between business and organized labor, for instance, and had varying ideas about the proper role that government should play in the economy. All the Freiburg thinkers agreed that the market economy must be embedded in a constitutional order that ensured maximum competition in economy and society; that the government must step in where needed to ensure competition and block concentrations of power; that an economy and political system are inextricably connected; and that an economy exists to serve the good of society, not the other way around. The question was not "state versus market," but rather how well the state would perform

the duties that it needed to perform if free and fair market competition were to be preserved.

Moreover, the Freiburgers stressed that market concentrations confer political power and are usually masked by an ideology. Throughout history, Eucken argued, rival interests bent on market dominance had often fought—from behind masks of ideology—to decide who would control scarce resources. An ideology prizing property rights and freedom of contract above all might lead to abuses of that freedom which could undermine freedom in the fuller sense.

Similarly, Böhm argued that protecting property rights simply as a means of advancing efficiency would end up strengthening “the power of the mightier, a commercial right of the fist.” Since an economy is an arena of power struggles, only under full competition do the actors have to accept that the market, rather than political power, determines the play of supply, demand, and prices. For the liberals, therefore, a market economy where the state protected individual freedom by ensuring competition and preventing the rise of concentrated market power was the only guarantee of both economic prosperity and social justice.

Third, the Freiburgers believed that economy, society, and polity are inextricably connected in a single order. For that reason, the government’s obligation to ensure a competitive market order demanded a constitution and laws to provide the groundwork of that order. The order’s ultimate purpose should be to maximize individual freedom. For Eucken, steeped in the philosophy of Immanuel Kant, individual freedom is the autonomy to act as a moral being. Power is the antithesis of freedom, which—following Kant—Eucken argued should be the moral foundation of society; freedom is not a goal in itself but a means to serve “free self-responsible people.” It followed that the economy must serve society, and not the other way around.

Eucken asked how a “modern industrialized society could be organized in a humane and efficient way.” Neither humaneness nor efficiency took precedence. He linked individual autonomy in making choices regarding the use of resources to the problem every society must face of how to coordinate the actions of its many members. If the market mechanism is to work in a way that is both humane and efficient, the price system must be free of distortion—a point which neoliberals would of course accept—but this requires constant vigilance against market players’ tendency to seek political power so that they can suppress competition.

Finally, the Freiburg liberals rejected the notion that monopolies, trusts, and cartels allocate resources more efficiently than a system in which prices accurately reflect relative costs. In turn, if prices are to serve as informative signals regarding relative costs, the currency must be stable. It is easy to forget how contrarian a view this was in the early part of the twentieth century, and even today. Many conser-

vatives still assume that high concentrations of market power reflect technological innovation, superior efficiency, or managerial talent, just as many left-wing thinkers suppose that the efficient machinery of giant corporations can be expropriated and turned to the benefit of the society. The German liberals recognized the fallacy of these ideas. In their minds, monopolies and oligopolies use the same techniques of control as the government in a centrally planned economy. Such tenets of their thinking set them apart from the neoliberal ideas of Friedrich Hayek or the Chicago school of Milton Friedman and George Stigler. The Freiburg school did not call for policies of austerity or a strict monetarist policy. Perhaps surprisingly, they had little to say about the role of a central bank in protecting the value of the currency. They emphasized that a policy of ensuring fair competition, robustly applied, would help to ensure price stability.

The term *soziale Marktwirtschaft* was coined after the war by Alfred Müller-Armack, who was influenced by Catholic social teaching. Müller-Armack's ideas represented a difference in emphasis rather than in basic philosophy from thinkers such as Eucken. Müller-Armack saw no contradiction among the basic principles of the liberals, holding that "the ideals of freedom and social justice can indeed be linked together on the foundation of the market economy."

His claim has been the watchword of an aspiration to combine two competing vectors of policy, liberal and redistributive.

The degree to which Germany's economic system should or does lean one way or the other has been fiercely debated from the earliest days of the Federal Republic. It is reasonable to say that the tension between these two principles underlies the continual movement back and forth between them in German policymaking. And it is also fair to say—as British historian Kenneth Dyson puts it—that the liberalism of the Freiburg school became part of the "operational code of decision-makers" in Germany, embedded in the rules-oriented "administrative culture" of the state.

## The Social Market Economy in Practice

How much influence the Freiburg liberals had in shaping the social market economy continues to be debated. Nonetheless, it is unquestionable that some of their major ideas shaped the early Federal Republic's policies. Ludwig Erhard, the first economy minister, was broadly aligned with liberal thinking, but drew on it selectively. He was forceful and determined, but acted under constraints set by the U.S. occupation, the political interests of his own Christian Democratic Union, and economic realities. He was not simply a servant of U.S. dictates. When John J. McCloy, the civilian who had succeeded General Clay as U.S. high commissioner for Germany in 1949, pressed Erhard to drop liberal poli-

cies in favor of industrial concentration to assist the UN military effort in Korea, Erhard conceded as little as he could.

The most dramatic of Erhard's immediate moves came on 20 June 1948, two months after the Bizonal Economic Council (the U.S.-British economic-administration body) had chosen him as its economics director. On that June Sunday, he lifted rationing and price controls that had been in place since the Nazis had decreed them in 1936. There were Allied qualms regarding Erhard's *fait accompli*—he had deliberately announced it on a weekend because he knew Allied authorities would be away from their offices—but it was keyed to the U.S.-British introduction of a new currency, the Deutsche Mark (DM), at the rate of one DM to every ten units of the old and much-inflated Reichsmark. With this currency renewal and stabilization, a key step toward the social market economy had been taken. In October 1948, Erhard abolished wage controls. On a less immediate timetable, but with definite inspiration from Freiburg thought, was the drafting of a law against cartels. Passing it took seven years and major concessions to big industry, but it was and is landmark legislation that has had a significant impact on both German and EU competition law.

Less immediately flowing from liberalization, however, but consistent with social equity, were other policies. Among them was a sizeable wealth tax, imposed as part of the “equalization of burdens” policy. This move imposed a flat 50 percent tax on the assets of households whose fortunes had survived or grown during the war in order to provide compensation to those who had lost their fortunes due to the war. Another was the 1952 law on “investment help,” which required each enterprise above a certain size to contribute a billion DM to help restore basic infrastructural industries. Business challenged the law, but the Constitutional Court dismissed the complaints.

Germany adopted other measures as well that are normally considered incompatible with liberalization, such as labor-management co-determination in corporate governance, initially in the coal and steel industry, and later extended throughout the economy. The country likewise maintained the employment-based social-insurance system that Imperial Chancellor Otto von Bismarck had introduced in 1883, expanding it only gradually. The 1949 Basic Law incorporated the provision from Article 153 of the 1919 Weimar Constitution, which stipulates that “property imposes obligations. Its use by its owner shall at the same time serve the public good.”

Liberalism remained at the heart of Germany's economic and social institutions long after the immediate post-1945 period. When the Social Democrats (SPD) entered government under Chancellor Willy Brandt in 1969, they promised to build on the foundation of the social market economy rather than to renounce it. Their goal was, as Finance Minister Karl Schiller put it, to achieve a “synthesis



of Freiburg imperative and Keynesian message [*Botschaft*]” with “as much competition as possible and as much planning as necessary.”

In 1976, the SPD’s campaign platform promised to “work further on *Modell Deutschland*,” meaning, among other things, widening the employment-based system of social protection and extending the labor-management social-partnership principle. Rather than turning away from the ideal of the social market economy, Germany adapted it incrementally. The theoretical ideas developed by the Freiburgers directly contributed to the success of Germany’s postwar economic model.

The extension of the social-partnership principle to such institutions as labor courts, shop-floor enterprise councils, and collective bargaining and codetermination, contradicts Germany’s adherence to core liberal principles no more than do the country’s maintenance of a stable currency and a vigorous antimonopoly policy. These coordinating institutions serve liberal ends by seeking to align private interests with the public good. Market mechanisms are used, for example, to encourage the linking of contributions to benefits in the social-insurance system, but are complemented by budget transfers to ensure that there is a “floor” of social protection below which not even the most vulnerable will be allowed to fall. Institutions induce shared public and private investment in education and skill formation, which in turn yields both public and private benefits. By linking earnings to productivity, labor relations generally tend to balance wage demands against the profits sought by employers.

All these institutional features of the German system mitigate rent-seeking on the part of those with market power, whether this means big businesses versus small firms, the financial sector versus the real economy, or capital in relation to labor. In a world where knowledge increasingly serves as a crucial productive factor, institutional arrangements such as Germany’s serve to maximize both the returns to knowledge and their equitable distribution across society. In turn, shared prosperity reinforces broad public commitment to democratic principles.

Germany has by and large maintained an open and competitive economy in a pluralistic society where the burdens and benefits of growth are widely shared across society. Economic inequality and social conflicts have not been absent, but the distribution of income and wealth is much more equal than in the United States, and, so far at least, German democracy has proved more resistant to the threat of extremism than that of the United States. Crucially, none of Germany’s major parties has succumbed to antidemocratic extremism. No equivalent to January 6 has yet occurred in Berlin.

A consistent base of support for the social market economy has been the *Mittelstand*, or broadly, small and medium-sized businesses. These firms are key to the economy, producing more than 60 percent of total net value added. They employ 54 percent of the German workforce, or

more than nineteen-million people. In 2019, they accounted for almost 16 percent of the export turnover produced by all German companies. They manage the great majority of apprenticeships in Germany's "dual" education system that includes both classroom schooling and on-the-job training.<sup>1</sup> Large producers often rely on *Mittelstand* firms for parts, and these firms sometimes even compete directly with big business both at home and abroad. They support liberal policies and the goal of keeping competition fair and open.

Beyond the economic role of the *Mittelstand* are its social and political roles and its importance as a symbol and embodiment of an ethos of personal responsibility and independence.<sup>2</sup> Erhard saw this sector as crucial to both the CDU's political prospects and the success of his competition-oriented economic policies. As he well understood, the *Mittelstand* has historically been socially conservative and family-oriented, with strong local ties. It has been a bulwark of the social market economy—backing price stability and a sound currency, strong enforcement of the rules of market competition, and a state that ensures basic fairness in how the sacrifices and gains of growth are distributed.

Going all the way back to the Marshall Plan, state policy has consistently favored *Mittelstand* firms. Whatever disadvantages they may face when competing with larger firms, small and medium-sized businesses in Germany have long enjoyed favorable treatment by governments of all political complexions. Advantages include specialized credit facilities and even dedicated research-and-development institutions. The idea is not to ensure that every *Mittelstand* firm is always a winner, but to give the *Mittelstand* as a whole enough help to maintain the sector's overall ability to compete. The *Mittelstand* performs the stabilizing social and political role that a middle class typically plays in a democracy.

### Three Lessons

Does Germany's Freiburg-school liberalism offer us anything of value today? Let us recall three of its major points—each of which echoes a classic theme of liberal and pluralist thought.

A core principle for all the Freiburg liberals was that an economy should serve moral ends such as social justice and social peace. All would have agreed with Harvard political theorist Michael Sandel's notion that what we want is a market economy, not a market society.<sup>3</sup> Their view was that an economic order should provide equal opportunities for individuals to develop their own capacities.

Second, their insistence that competition protects individual political and economic freedom complements classic pluralist theories of democracy which argue that multiple dispersed power centers, competing for influence but constrained from suppressing one another, together prevent tyranny.

Finally, the Freiburg liberals' conviction that a country's economic, social, and political systems form a single integrated order has a long pedigree. The framers of the U.S. constitution often observed that extreme economic inequality will tend to prevent political equality. James Madison was pointing out the danger that high economic inequality could pose to the young United States when in 1792 he observed that:

The great object should be to combat the evil [of political division from extreme inequality of wealth]: 1. By establishing a political equality among all. 2. By withholding *unnecessary* opportunities from a few, to increase the inequality of property, by an immoderate, and especially an unmerited, accumulation of riches. 3. By the silent operation of laws, which, without violating the rights of property, reduce extreme wealth towards a state of mediocrity, and raise extreme indigence towards a state of comfort. 4. By abstaining from measures which operate differently on different interests, and particularly such as favor one interest at the expence [*sic*] of another. 5. By making one party a check on the other, so far as the existence of parties cannot be prevented, nor their views accommodated. If this is not the language of reason, it is that of republicanism.<sup>4</sup>

The great twentieth-century student of democracy, Robert A. Dahl, found Madison's constitutional ("parchment") guarantees of equality in political rights inadequate in the face of the dangers that a tyrannical majority or minority could pose. Dahl sought answers by examining those real-world polities that approximated what we mean by democracy. For him the key was how power was distributed across social collectivities. He argued that political equality and freedom of individuals are maximized to the extent social groups can compete freely without controlling the resources of others.<sup>5</sup> For Dahl, pluralism does not eliminate inequality; all it can do is disperse inequalities among groups.<sup>6</sup> Dahl devised the term "polyarchy" to represent such an approximation of a liberal democracy, recognizing that no society fully meets the exacting criteria that define democracy as an ideal type. Dahl's polyarchy was the best answer we have to reconciling the tension between liberty and equality.<sup>7</sup>

Today, many on both the right and left hold that capitalism is fundamentally incompatible with democracy; that we cannot reconcile market freedom with political equality. Certainly, there is tension. Both libertarians and socialists recognize that since successful capitalists typically want to capture government power to thwart competition, capitalism has to be protected from the capitalists. Allied with government, the well-positioned can exchange income rents for policy benefits such as the privatization of public services, reductions in marginal tax rates, and relaxations of rules meant to govern financial markets, maintain the bargaining power of labor, or protect the natural environment.

Hiding behind self-serving appeals to "the free market," rent-seeking players pile up private wealth at the expense of the public weal, creating a vicious cycle of plutocratic government. Economic inequality mounts,

and with it the antidemocratic backlash that is eating away at the foundations of constitutional democracy. Prospects for finding a way out of this predicament can only benefit from a recovery of appreciation for the possibility of a different kind of liberalism, one guided by an awareness of economic activity's social mission as well as a concern for the public good. Indeed, one could even say that the recovery of such a liberalism is a necessary condition for the success of hopes that market competition's dynamic power can be made to serve the goal of achieving full political equality.

What are the practical implications for the United States today? Consistent with the conception of liberalism that I have outlined here, I do not propose a large-scale redistributive program as the solution to the problem of rising inequality. To reduce the tension generated by high inequality, the economy must grow, and grow in a way that benefits the broad middle of society and avoids depleting exhaustible resources. As the German case shows, it is possible to reconcile the goal of greater equality with that of higher productivity by addressing social and economic policy as a single multidimensional policy space.

Several points seem fundamental. To expand equality of opportunity, we would need to base social policy on a common commitment to improving opportunities for meaningful jobs and careers, treating labor as a resource rather than a cost, and converting the nominal belief in the equal worth and dignity of all individuals into actual social and economic practice. We would enforce labor rights and level the playing field between employers and labor.

Second, we would need to expand the provision of public goods—reducing those “unnecessary opportunities” that Madison said were enjoyed by those with excessive power, and instead expanding real opportunities for individuals to exercise their rights as citizens and economic actors. Among other things, this would rule out the pernicious “money equals speech” doctrine in regulating election-campaign finance. We would reverse the ever-widening privatization of public goods such as education, healthcare, public safety, and market regulation, doing away with what Heather McGhee calls the “drained-pool” politics that deliberately hollows out the public provision of basic services.<sup>8</sup>

Third, we would need to broaden and deepen the system of social insurance for healthcare, old-age income, unemployment, and disability. Fourth, we would need an adequate program of social assistance for those unable to support themselves through labor.

Finally, we would work to create a tax system that discourages financialization and encourages investment in productive activity. This program would be informed by Freiburg liberalism but would not attempt to replicate the German social market economy. It would find the resources to rebuild our public philosophy from within our own legacy of liberal and pluralist thought.

## NOTES

1. See <https://wid.world/country/usa>.

2. See <https://data.oecd.org/inequality/poverty-rate.htm>.

3. According to the OECD, Germany's Gini index in 2019 was 0.296, while that of the United States was 0.395, nearly ten points higher. A score of zero would signify a perfectly equal income distribution while a score of 1 would mean a perfectly unequal one. See <https://data.oecd.org/inequality/income-inequality.htm>. Germany, moreover, may appear to have a higher poverty rate (15.8 percent in 2021 versus an 11.4 percent U.S. rate in 2020), but Germany takes a family income below 60 percent of the median as the benchmark of poverty, while in the United States that figure is 35 percent—in other words, a U.S. family must be considerably poorer than the median in order to count as “poor” than is the case in Germany.

4. Werner Abelshauser, *Deutsche Wirtschaftsgeschichte seit 1945* (Munich: C.H. Beck, 2004).

5. Walter Eucken, *Die Grundlagen der Nationalökonomie* (Godesberg: Helmut Küpper, 1947), 305–6, 312–13.

6. Franz Böhm, “Das Problem der privaten Macht—Ein Beitrag zur Monopolfrage” (1928), in Nils Goldschmidt and Michael Wohlgemuth, eds., *Grundtexte zur Freiburger Tradition der Ordnungsökonomik* (Tübingen: Mohr Siebeck, 2008), 66.

7. Walter Eucken, *Grundsätze der Wirtschaftspolitik*, orig. publ. 1952 (Tübingen: Mohr Siebeck, 2004), 178.

8. Walter Eucken, *This Unsuccessful Age; or, The Pains of Economic Progress* (Edinburgh: William Hodge, 1951).

9. Franz Böhm, Walter Eucken, and Hans Grossmann-Doerth, “Die Ordnung der Wirtschaft als Allgemein-Politisches Problem: Einordnung Einer Dynamischen Wirtschaft in die Gesamtordnung des Nationalen Lebens,” in Franz Böhm, ed., *Ordnung der Wirtschaft: Schriftenreihe. Heft 1: Die Ordnung der Wirtschaft als Geschichtliche Aufgabe und Rechtsschöpferische Leitung* (Stuttgart: W. Kohlhammer, 1937), 47–48.

10. Alfred Müller-Armack, “The Social Aspect of the Economic System,” in Wolfgang Stützel et al., eds., *Standard Texts on the Social Market Economy: Two Centuries of Discussion*, trans. Derek Rutter (New York: Gustav Fischer, 1982), 21.

11. Kenneth Dyson, “Ordoliberalism as Tradition and as Ideology,” in Josef Hien and Christian Joerges, eds., *Ordoliberalism, Law and the Rule of Economics* (Oxford: Hart, 2017), 89.

12. According to a famous anecdote, General Clay called Erhard in and told him that Allied advisors had said the lifting of price controls would prove a bad move. “Do not listen to them, General,” Erhard replied, “My advisors told me the same thing.”

13. James C. Van Hook, *Rebuilding Germany: The Creation of the Social Market Economy, 1945–1957* (Cambridge: Cambridge University Press, 2004), 139.

14. Lisa Murach-Brand, *Antitrust auf deutsch: Der Einfluß der amerikanischen Alliierten auf das Gesetz gegen Wettbewerbsbeschränkungen (GWB) nach 1945* (Tübingen: Mohr Siebeck, 2004); David J. Gerber, *Law and Competition in Twentieth-Century Europe: Protecting Prometheus* (Oxford: Oxford University Press, 2001).

15. Quoted in Abelshauser, *Deutsche Wirtschaftsgeschichte*, 413.

16. IfM-Bonn, "Firsthand Information on the German *Mittelstand*," August 2022, [www.ifm-bonn.org/fileadmin/data/redaktion/ueber\\_uns/ifm-flyer/IfM-Flyer-2022-EN.pdf](http://www.ifm-bonn.org/fileadmin/data/redaktion/ueber_uns/ifm-flyer/IfM-Flyer-2022-EN.pdf).
17. Michael Frenkel and Ralf Fendel, "How Important Is the *Mittelstand* for the German Economy?" in Christian Homburg, ed., *Structure and Dynamics of the German Mittelstand* (Heidelberg: Physica, 1999), 21.
18. Michael J. Sandel, *What Money Can't Buy: The Moral Limits of Markets* (New York: Farrar, Straus and Giroux, 2012).
19. James Madison, "Parties," *National Gazette* (Philadelphia), 23 January 1792, <https://founders.archives.gov/documents/Madison/01-14-02-0176>.
20. Robert A. Dahl, *A Preface to Democratic Theory* (Chicago: University of Chicago Press, 1956), 79.
21. Robert A. Dahl, *Who Governs? Democracy and Power in an American City* (New Haven: Yale University Press, 1961).
22. Dahl, *Preface to Democratic Theory*, 83, 135.
23. Heather McGhee, *The Sum of Us: What Racism Costs Everyone and How We Can Prosper Together* (New York: One World, 2021). See also John Blake, "A Drained Swimming Pool Shows How Racism Harms White People Too," CNN, 6 March 2021, [www.cnn.com/2021/03/05/us/heather-mcghee-racism-white-people-blake/index.html](http://www.cnn.com/2021/03/05/us/heather-mcghee-racism-white-people-blake/index.html).