

A Political Order of Communal Life: Attempting a Self-reflection of the Christian Conscience Facing the Political Calamities of our Times – Appendix 4 "Economic and Social Order"

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Preface

[DS128]² Our work is primarily concerned with the overall order of economic life and less with the duties and commandments which apply to individual economic behavior in economic life according to Christian doctrine. As much as we are convinced that observance of the eternal basic requirements of Christian-based individual economic ethics is of the utmost importance for sound economic and social conditions, we do not think that they should be treated here in detail. The Christian justification of individual economic ethics is made sufficiently clear to us in the commandments of love for God and love for one's neighbor (Matthew 22:40). On the other hand, it is a particularly urgent task to root the foundations of social-economic ethics in the Christian tradition, especially the Protestant understanding. With respect to this task, what has been done so far is insufficient and therefore has not found general approval.

In preparing proposals and requirements for the future economic system, we are guided by:

- I. *Guidelines and prohibitions*, which according to our faith derive from God's Word for the economy and its order, which, thus, the Church can and must represent
- II. *Principles essential to any economic activity* for sheer technical or practical reasons, and which remain perpetually valid for its orderliness;
- III. *A factual appraisal of the present and [post-war] economic realities* – as far as human foresight will allow us.

We do *not* want to try designing an especially Protestant or even a general Christian economic system; for we *cannot*, from the foundations of our faith, derive precise rules for an economic system that could claim inviolable validity. Rather, tangible design requirements of an economic system need to also be informed by the situation at hand; and its cognition is the domain of human reason. These tangible requirements need not depart from [the ethical

aspirations of] serious Catholics or many non-Christians. What must matter to us is this:

Proposing an economic system

- that beyond its practical necessities [DS129] provides for the strongest resistance imaginable against the power of sin;
- that creates the space for Church to attend to its genuine duties; and
- whose design does not make it difficult or downright impossible for economic actors to lead their lives in consonance with their Protestant faith.

I. Foundation in the Church

I.1) The Lord's Commandments are not exclusively directed at individual human beings, which they task with charity, working in a decent profession, respect for foreign property, observing honesty and lawfulness in their business life. They also apply to the communities of life and work, and the orders that govern them. The Church must therefore also comment on the economic system.

I.2) In its economic comments, the Church must bear witness to Christ. She thus serves the liberation from all secular doctrines of salvation. She knows that no economic system can eliminate the power of evil in the world, but must demand of every economic system that it serves the purpose of resisting that power, that it seeks to conform to the divine commandments, namely the Decalogue.

I.3) The Decalogue is not restricted to be a mere legal compilation; rather it is binding for us only in connection with the whole of Holy Scripture. Understood in this way the Decalogue justifies the following requirements for an economic system:

- a) An economic system must be so designed that the first three Commandments are not contravened. In particular, it must not idolize earthly goods and powers, nor promote indifference to the name and the word of God, nor obstruct the sanctification of the holy day and worship.
- b) Every economic system must respect the Fifth Commandment, and thus must not systematically destroy the individual as a moral person or exploit their health.
- c) For the sake of personal morality, an economic system must not withhold from individuals and their natural communities, namely families, the power to dispose of economic goods at their sole discretion. It also follows from the 7th, 9th and 10th commandments that there must be an order in which a person engaged in economic activity can be the neighbor of another, i.e. genuine community is possible.
- d) The economic system must not prevent people from fulfilling the Fourth and Sixth Commandments, but rather it must work to ensure that their inner bonds with their natural and [DS130] proper communities, especially family and society, are preserved and consolidated.

I.4) Regarding the relationship between national economies the Church must demand that this relationship not be dominated by the idolization of one's own people or by the ruthless exploitation of other national economies. The Church must also demand that the existential rights [*Lebensrechte*] of all peoples need to be respected within the realms of their individual economies, including their colonial problems.

I.5) For each specific situation in clauses I.2-4, the Church can only:

- a) Set limits, i.e. announce prohibitions, which must not be exceeded by the economic system;
- b) Give some firm guidelines for the substance of the economic system.

In doing so, it must make the entire world aware of its responsibility for the economic needs of fellow human beings.

I.6) However, the Church has no mandate or power to offer permanently binding solutions for the organization of an economic system. It will always have to emphasize, based on its cognizance of the divine commandments and earthly society, that no economic system carries its own value [by and within itself], or that it ensures beneficial effects of its own accord.

If God's Commandments "thou shalt not kill, thou shalt not steal" etc. also apply to an economic system, then it follows that every economic system might itself degenerate to encourage stealing and murder. Even the economic system with the noblest intentions offers access routes for the power of evil. Selfish pursuit of earthly goods does not exclusively bulge where the individual economic subject is granted a high degree of personal responsibility but [it does so] no less in a collectivist order. One's moral person and soul can suffer if, in free competition, one surrenders to wrestling for earthly possessions without any restraints; but no less so when one is exploited in the service of an idolized collective, let or even [if one] exploits others. The attitude that dominates the execution of an economic system will always be decisive. Any secular claim to totality, especially that of collectivism, violates the First Commandment.

I.7) What the Church as institution is not called to say about the economic system has to be left to the Christian laity. However, the Church can oblige them to strive for a flourishing economic system that lives up to the situation at hand, and that desires to be responsible before God.

II. Objectives of economic life and its order

[DS131] II.1) An economy has to serve the present and future population, helping human beings to fulfill their highest callings. Material forces alone cannot make human life bearable, nor likewise make viable any national economy. A viable economy requires a trusted legal system and a solid moral basis. If [an economic system] lets people wither away inwardly, lets the value of their personality and their dignity perish, the structures created by such dehumanizing machinery will soon collapse again.

II.2) Successful economic activity must build on powerful forces and attitudes. It cannot be based on any quixotic ideas of "soldiers in the battle for food" or some general selflessness. In order to properly determine the purpose of an economic system, people must be taken as they are; the actually existing forces must be used and used properly, above all the aspiration of the people to make life as good as possible for themselves and for their kin. Therein reside both self-interest and the readiness to sacrifice. In the absence of coercion one readily sacrifices only for a small community, especially the family. Both, self-interest and the willingness to work for the benefit of one's own family can be harnessed through an orderly competition to [also] promote the common good.

II.3) All economic activity is a constant struggle against the scarcity of nature; any gifts must be wrestled from her in a persistent tension. Perfected technology must not obscure this. Capital, too, is always available only in limited quantities; its replenishment and increase are important for the sake of overall success. It must not be squandered on boundless projects. Level-headedness, work and thrift are always essential for doing flourishing business. Where there is no clear and orderly budget management, there will be the menace of trepidation and misery.

II.4) Economic policy must promote the economic success of human efforts and obviate improper distribution, in particular unfair distribution. It shall not want to allocate valuable goods to all.³ If individuals or entire professions are constantly pressing for public aid, in the end they will all be disappointed and [they will] obstruct and bury [*verschütten*] each other's tangible opportunities for improving their lives and their situation.

II.5) The following are to be emphasized as special tasks of the modern state whose citizens work in a broad division of labor: [DS132]

a) Monetary policy. Without a trusted monetary system, individual economic actors [*Einzelwirtschaften*] lose their ability to divide and deploy their resources properly.

b) Orderly Finance. In the long run, no state can successfully practice a deficit economy. If the budget constantly remains unbalanced, such deferred claims to taxpayers will have to be made up for later, and more intensely; moreover, the currency will be ruined, and this will provoke the need for heavy and devastating setbacks. Practical experience also tells us that assuring orderly financial management will be hampered by secrecy.

c) Enabling cooperation with foreign countries, that is, international division of labor, is indispensable in overcoming impoverishment.

II.6) Under modern conditions characterized by extensive division of labor the most important task of a state's economic policy, which includes everything that has been said so far, is the systematic establishment of an overall order of economic life. Without a proper overall order, no satisfactory success of economic activity is possible. The state has to decide on one of the [only two] possibilities of the economic system – subordination under a central direction or coordination within a competitive order – and to carry out this decision to its logical conclusions. Individual actions of a state's economic policy must align with this [chosen] overall order of economic life – or else they will impair the functioning of the entire economy: The [policy action's] net effect will do far more damage to the economy as a whole than any possible benefit it might bring to a part. Among other things, the state's constitution must be designed to empower it to fulfill the important tasks of [establishing and maintaining] order with respect to its economic life.

II.7) These tasks of [establishing and maintaining] order concern not only the relations between businessmen or other managers, but also includes labor relations at the workplace, that is to say the position of the "workers," indeed the formation of all social groups, their relations to one another and to the whole [of society]. Societies cannot be governed solely by economic considerations. It was a common misconception in the nineteenth century to suggest that proper economic rules and regulations would by themselves create a meaningful social order. Rather, a social order is part of an overall economic system. An economic system policy [that provides such economic order] [*Wirtschaftsordnungspolitik*] is only one, albeit the most important, indeed an indispensable part of social policy. Here, social policy, in line with its literal meaning, is understood much more broadly than as the mere collective name for the measures taken since 1881 to promote wage laborers, craftsmen or peasants. Social policy, in order to justify its name, must not be limited to incoherent acts of welfare; it must steady the entire society and be consistent with the principles of the [chosen] overall economic system. [DS133]

Otherwise, as shown especially after 1919 and even more so by the experiences made after 1929, economic consequences are triggered which inflict far more harm on the economically weak than the individual measures intended for their benefit can hope to mitigate.

III. Realistic Appraisal of the Situation [in Germany]

III.1) The concrete material situation for which we are considering an economic system is characterized by widespread impoverishment. In almost all areas, available capital has been consumed without adequate replacement. Productive forces have been severely impaired. Fields have diminished crop yields due to insufficient fertilization and [inadequate] processing; livestock has been reduced and made worse off; forests have suffered considerably from years of over-logging. Commercial production facilities serving civilian needs are severely worn out and often completely shut down. Both individual households and business warehouses are largely stripped of indispensable supplies. And the means of transport have lost considerable capacity. By contrast, what has grown during the war and pre-war years in terms of factories and inventory serves almost exclusively the arms industry and cannot easily be used for the reconstruction of a civilian economy. [The difficulty of] reconstruction is compounded by the fact that bloody losses and mutilations have decimated the human labor force precisely in the most important age groups, and that [human labor's] overall performance has suffered as a result of inadequate nutrition and being generally unnerved. Housing conditions are especially distressed. Restrictions on civil construction everywhere have created a great housing shortage, and in quite a few cities entire districts are in ruins.

III.2) The current impoverishment is only partly due to the destruction and deterioration of property and the atrophying of human labor. In addition to the detrimental use of material goods and people, the current economic system and its management have contributed to the current situation of general shortages. The whole war economy with its increasing central control of all economic life, one-sidedly concentrated on military tasks, systematically neglected the rest of the economy and created numerous [DS134] superfluous and inexpedient organizations.

[That war economy] did not build anything completely new, but pushed to extremes what was already there. The central management of this [war] economy is now unable to cover adequately the millions of fragmented, changing needs for the reconstruction of a civilian economy. A return to the conditions prevailing before 1936 (four-year plan) or before 1933 would be equally unsuitable. But a new economic system should not be designed according to doctrines. The existing conditions and the starting points available within them require detailed consideration, although the future economic system is by no means already pre-determined by them.

III.3) The current conditions [in Germany] can only be properly understood and appreciated when their source and development is made clear. Social-economic development can only be properly understood if we are aware that every economic system not only requires certain political and moral presuppositions, but will likewise influence political conditions and moral conceptions [in return].

The ideas that sustained the so-called liberal economic system of the 19th century were developed in the 18th century. At that time, mercantilist policy was already intent on coalescing political borders with the borders that were important for increasing economic integration. Contrary to mercantilist views and practices, the founders and forerunners of classical political economics discovered that a highly efficient system arises from the self-directed competitive activity of individual economic actors impelled by their self-interest and the welfare of their next of kin. Competition between these economic actors co-drives such systems; if scaled up this would also work between entire economies.

In fact, the economic actors regard this order as rational and natural because an "invisible hand" (Adam Smith) would guide people in such a way that, in pursuit of their own benefit in an all-around free competition, they inadvertently and unconsciously would accomplish the well-being of others and the best for the common good. This view, according to which the common good in a given order is best promoted by engaging self-interest, consciously trusted in moral foundations, namely in humanitarian ideas, often with the attempt of a Christian justification. Not least Adam Smith himself created his life's work primarily as a moral philosopher. Politically, the whole system was built on the ambition to establish a rational order of peace between equitable states after the *Pax Christiana* of the Middle Ages had been lost. It also recognized war as a state of emergency but subjected it to fixed rules. [DS135] Its realization was substantially promoted by the peculiar position and embodiment of the British Empire.

The realization of the so-called "liberal" economic system also coincided with the unprecedentedly strong and rapid industrialization that opened up new, sizable countries. Only then it likewise permitted enormous population increases. Under [British] rule, until 1914, the entire world experienced a hitherto unimaginable development of economic forces, even beyond the expectations of liberal reformers, and it experienced a long-lasting period of prevailing peace. However, even before 1914 important weaknesses and dangerous distortions of the liberal order were evident.

Especially the criticism of the occurring damage has naturalized the expression "capitalism" for the economic system realized in the 19th century. As resolutely as we step out against serving mammon and criticize the conditions of that time, we consciously refrain from the use of the catchword "capitalism" because it is burdened with too many and often unclear contents. Through the proliferation of large factories and cities this unrestrained industrialization had converted a considerable part of the population into a proletariat. Their external uprooting was accompanied by an inner personal instability. The expectation that a liberal order would all by itself create the necessary moral foundations had proved erroneous. The Christian heritage had been increasingly used up; it lost its effectiveness. Cravings to exploit from one side, and envy and contempt from the other poisoned [their] living together. Despite gradual improvement of the material situation even for wage-earners, large sections of the population ended up living in inhumane conditions.

Politically, a new type of imperialism emerged towards the end of the 19th century; it strived to gain extra economic advantages by politically dominating large territories through the exercise of political force. An alliance of the great empires led the war between 1914 and 1918, and at the end of the war this alliance issued the *dictates of a Parisian suburb*⁴ that imposed on the losers deliberately unattainable economic burdens. In international relations this dried up whatever remained of ideas from the prior [economic] order. Domestically the principles of an economic system based on competition were hollowed out in the decades leading up to 1914: Economic freedom was interpreted to mean that mergers of any kind should be allowed, including those establishing economic might and monopoly; that is, [mergers aiming to establish] the abolition of economic freedom as well as the conditions for a free competition.

Awareness of the need for a consistent, systematic order went missing, [while] interest groups actively acquired [DS136] special advantages for themselves. Irreconcilable elements acted next to as well as against each other in economic life, not least because state economic policy was not uniformly thought out and not aligned. The war economy of 1914-

1918, which as such had led to the central management of important areas of economic life, left surprisingly few consequences in the immediate aftermath. But the fact that the German economy – along with a few others – was burdened with impossible obligations was detrimental to any focus on the need for clear principles of [economic] order. After the terrible inflation of 1919-1923 had been overcome, monetary policy shied away from a return to inflationary tendencies, and in the crisis years of 1929 fell into the trap of deflationary measures, causing a sustained general decline in prices and thus contributed tremendously to mass unemployment.

Since 1933 this mass unemployment was combated in Germany by means of the creation of credit and it was essentially eliminated by 1936. Critical for this success was the religious [*gläubig*], even fanatical trust the new rulers received from many levels of society. They expected their rulers to lead the German people out of a wretched and degrading situation inflicted upon them post-1918. The disappearance of unemployment served to further increase confidence in the National Socialist politicians and their economic policy.

The dangerousness of this policy and particularly its continuation, which went beyond the state of full employment to serve the purpose of rearmament, was recognized by only a few, and they could not prevail. Central management of all important processes in economic life spread, not least because price increases needed to be prevented despite the strong increase in money [supply]. [Centrally directing the economy] has made significant headway in the war years since 1939. Thus, the centralist tendencies in the order of economic life have been considerably strengthened. As a result, however, private positions of power, at least potentially, formed in unprecedented ways; and as one consequence the independence, in many cases even the existence, of numerous individual small and medium economic actors [*Einzelwirtschaften*] ended. Since 1933 has strongly promoted, even outside the economic sphere, the collectivization of the whole of life in the sense of a crowdification and the violation of the individual [*Vermassung⁵ und Vergewaltigung der Einzelpersönlichkeit*].

III.4) Briefly, the most important traits of the given situation can be summarized as follows:

- a) There is no clearly planned and implemented order of economic life; legal certainty has been destroyed. The moral and political foundations require reconstruction. In particular, it is necessary to overcome the internal decomposition of families, which has been going on for some time now, and which has been considerably aggravated during the war with its need for frequent separation.
- b) The actual rules and regulations had an predominantly collectivistic effect, and the inner attitude of large groups of the population is leaning toward collectivism. [DS137]
- c) Major impoverishment has to be overcome.
- d) Recovery of the currency, settlement of the high public debt and fulfillment of war-time obligations pose further serious challenges.

IV. Principles of A New Order.

IV.1) The existing rules and regulations cannot and must not be continued, as it does not allow for a functioning economy, encourages further moral decay and endangers the rebuilding of healthy international relations.

IV.2) The existing situation does not imply any compulsion to adopt a singular, exclusive direction of economic policy, such as the completion of centralized economic control. In addition, the following possibilities are also conceivable:

- a) Return to the rules and regulations existing before 1933 or before 1914,
- b) A New order.

IV.3) An economic policy aimed at the further advancement of central management and thus resulting in the completion of collectivism must be rejected; because it would neither master the imminent economic tasks nor meet the moral requirements. In the present situation it could only be filled with the spirit of demonized technocracy, and would thus have to most thoroughly destroy all human dignity and the genuine formation of community, [thus] completing the conversion of people into a proletariat and their crowdification [*würde die Vermassung und Proletarisierung vollenden*].

IV.4) Return to the conditions prevailing before 1933 or before 1914 is out of the question, since even then there was no clear and properly arranged overall system. The rules and regulations at that time have proven to be incapable of preventing the evil that has since befallen us. However, we want to retain important principles created in the 19th century.

IV.5)

- a) The new order must – unlike in prior decades – be clearly thought out and vigorously defended against being hollowed out on the inside. Unlike the liberal order 100 years ago, it should not be structured according to a singular scheme, that is, it should use a variety of procedures to implement the principles of organization [*Ordnungsgrundsätze*].
- b) The principles of organization to be implemented shall be those which apply to competition based on merit [*Leistungswettbewerb*], [DS138] i.e. to call competition into the service of the economy as a whole.
- c) In all economic sectors that allow [for this kind of competition], these principles should have an "automatic" effect, i.e., the order is to be based on individual responsibility of the individual economic actors [*Einzelwirtschaften*], and market and price freedom shall prevail. Here the state should not practice *laissez-faire*, but rather enact with accuracy and protect with all strictness the rules according to which the individual economic actors [*Einzelwirtschaften*] may operate. This prevents [the formation of] power concentrations that are particularly dangerous for medium and small businesses. In addition, family businesses should be promoted where necessary and appropriate. In order to render harmless the fluctuations associated with a market economy, self-sufficiency of individual economic actors [*Einzelwirtschaften*] as a general goal shall be maintained and extend; wherever that is appropriate they should obtain part of their revenue outside of markets. Although the conservation and strengthening of family businesses is no cure for the irrefutable challenges modern technological development imposes on the overall economic system [*Gesamtwirtschaftsordnung*], [their special support] nevertheless serves to reduce the economic uncertainty in a competitive system characterized by division of labor, and thus provides an important pillar of support for the social structure [of society].
- d) On the other hand, where true competition with its beneficial effects is not sustainable between numerous autonomous economic actors [*Einzelwirtschaften*], that is, where technical necessities require individual actors of such size as to bring their competitors, suppliers or customers into economic dependence, either
 - aa) the state should, while well-protected against the influence of interested parties, or a local association, act as the owner and director of economic enterprises (e.g. public transport authorities, perhaps also mines, gas and electricity companies and the like), or

bb) large private commercial administrations should, under the supervision of the state, have management authority.

The state must guarantee that the overall order of economic life [in either situation] – where the state or a municipal association is the entrepreneur, or where it oversees private economic management – works without interference through influences from interested parties; that is, the price policy and behavior as a whole are not determined by the self-interest of the monopolist, but should instead be guided by principles that would prevail if there [actually] were competition.

e) Monetary policy must create and maintain the most stable monetary value possible in order to enable a functioning competition-based economic system. It is of utmost importance to eliminate as soon as possible the situation that – as a result of prolonged credit creation – there are far more means of payment than goods tradable at current prices. The money supply has to be constantly adapted to the needs, [DS139] that is, [it has to be kept] not too ample, but not too short, either.

For this purpose free currency manipulation is unlikely to suffice at all times, so that a return to gold is expedient.

f) Making rules and regulations for the huge public debt is a heavy burden and a serious social problem for future economic life. It is not an unattainable task, but it will not work without hardships. Any solution must most strongly support the orderly course of the economy while bondholders are harmed as little as possible. A well thought-out economic system that is based on competition and the corresponding fiscal policy provide the most favorable conditions for this.

IV.6) A national economy based on the principles of a free competition all-round [*allseitiger sauberer Wettbewerb*] also provides a guarantee against mass unemployment. We cannot secure each individual wage-earner's job for all time – even a centrally managed economy does not do that – but we want and must give them the best possible chance of finding a suitable job opportunity. Clean competition is most likely to bring about fair prices and [fair] wages, which, incidentally, the scholastics have emphasized for centuries. Also, wage formation must, to the largest extent possible, be subject to the principles of competition. Unions of workers and [associations of] employers must not be combative organizations that seek monopoly power and [seek to] destroy the awareness that both are joined together in the service of the individual business and of national economics. The state must be able to monitor wage formation everywhere and be called upon by the representatives of the wage-earning staff – preferably by that of every single company – in order to prevent exploitative wages. Where businesses have superiority over workers, the state has to determine wage formation according to the same principles that govern the price policy when it manages large commercial entities (see IV.5c).

IV.7) [From this it should be clear that] the principles of an economic system based on competition should generally apply; only their implementation should differ. That part of the economy where such principles provide free price formation in a market has to be contained as completely as possible. Because any centrally directed economy necessarily restricts family businesses and destroys their independence, their preservation and indeed renewed expansion, as a tool to combat crowdfication [*Vermassung*], becomes contingent on [having] an economic system based on competition. The accumulation of businesses and enterprises, which was often done without compelling technical and economic advantages, must be reversed and undone. As many individual households [*Einzelwirtschaften*] should

be able to rely on a self-sufficiency originating in their own gardens or in a similar way. This is not only called for to contravene the fluctuations of economic conditions [that are characteristic of] any competitive economy [*Wettbewerbsordnung*] using the division of labor [DS140] – which, by the way, any centrally directed economy will also show, likely even more vigorously and yet expressed differently: There are also important ethical considerations involved here.

IV.8) The position taken on family businesses, the regulation of wage formation and the fight against unemployment are a particularly important part of the measures called social policy⁶. But we have to understand the term "social policy" in a broader sense in order to understand correctly its relationship to the policy for an [entire] economic system [*Wirtschaftsordnungspolitik*] (see II.7). In this context, social policy has the general task of helping individuals to unite into real communities and to an all-embracing society. The attitudes necessary for this undertaking cannot be created or ordered by the state. Rather, a wise social policy by the state must primarily create an environment that fosters and enables those moral forces that can form true community. [True community] can only emerge where the right individual ethics permeates all of social and economic life. The behavior of both the managers and the rest of the workforce must be free from reckless egoism, but at the same time it must not turn into an ultimately amoral, unconditional submission to the orders of superiors.

The state, as the main institution of social policy, can and should now work to create conditions under which social communities and groups can form. It needs by no means do everything through its own [governmental] bodies, but will find it beneficial to delegate suitable tasks to ecclesiastical authorities, free associations or to individual companies. But today [a state] cannot generally presuppose an ethos that meets the requirements of the [Christian] altruism. Many of its subjects are inaccessible to Christian ethics and may even reject it consciously. Even such people [will] use the institutions of social policy.

Decisive is here the guiding conception of what state is, what its character and its duties. A "total" state with the economic system to match – one that regulates everything centrally – has no real social policy whatsoever. It contains only organizations which are supposed to ensure the unconditional submission of the people under the order of the central command, [but there are] no social communities or groups. When social policy emerged in the 19th century the prevailing conception of state derived the existence for all its smaller social communities and groups through empowerment by the state. But beyond a naïve belief in some perfect harmony (hardly met in practice anymore) it still seeks to regulate, as a matter of state, the correct classification of individuals into social groups and communities, as well as their relations to each other and to the entire populace. [DS141]

According to a conception of state that recognizes certain relationships between people to exist in their own right (family, profession, etc.), a social policy is especially desirable that secures the existence and flourishing interaction of individual communities.

IV.9) [In this memorandum] we do not have to decide on a particular conception of the state; we only have to explain which socio-political tasks an appropriate economic policy can solve on its own, and which remain to be solved beyond that. Realizing a general economic order that fulfills the principles of competition on the merits means for the solution of social problems:

a) Such order provides in the long run – in contrast to desperate short-term efforts – the most abundant total supply of economic goods, so it can also spare more for purely social tasks.

b) Such order gives the necessary opportunities of life and activity to communities of people, which are indispensable for the establishment of a virtuous society [*rechte Societas*]. Above all, it gives the family its due position as the foundation of all genuine social life. A special consideration of the family business is expressly provided for in our proposals (see IV.5c).

c) Such order combats the formation of positions of [dominating] economic power and thus prevents the actual, genuine opportunities for exploitation of the weak.

[Beyond this, the following] special tasks of social policy remain:

a) The positioning of wage-earners and their organizations. So far, from the perspective of the overall economic system [*Gesamtwirtschaftsordnung*] only the margins could be outlined above (see IV.6). Within these limits there are various candidates for solutions:

aa) Restoration of trade unions and employers' organizations as free associations, but with state supervision of wage formation in exchange for surrendering [their right to] strike and lockout.

bb) Admission of a singleton state-recognized trade union and likewise a singleton state-recognized employers' association.

cc) Creating chambers of labor, which would include representatives of employers and workers.

dd) Committees for employment in chambers of commerce.

Which of these options will be chosen and how its detail will be shaped depends on the [future] structure of domestic policy.

b) Regulation of the relations between entrepreneurs and workers within the individual enterprise. For this, one can consider leaving in place [DS142] the bulk of the provisions of the Law on the Organization of National Labor. That decision hinges on the choice made for the organization of workers and businesspeople.

c) In-depth provisions on worker protection, on claims of the sick, the disabled and the elderly are indispensable. The deterioration of important branches of social security that has taken place makes it necessary to seriously examine the extent to which the traditional principles of insurance should be retained; [it needs to be assessed] to what extent they should be replaced by self-responsible saving, by obliging the corporations, or by providing a state pension (without insurance character).

d) In a competitive economic system with unobstructed competition [*saubere Wettbewerbsordnung*] we won't have to worry about an occurrence of mass unemployment. However, we must plan for providing appropriate support and employment for the unemployed in times of need. This must not pursue the ideal of so-called full employment; because that would result in [creating] disjointed pieces of centrally directed economy and thus to a shock to the overall economic order.

e) Housing requires a specific order of its own. Here also, the activity of self-responsible entrepreneurs is of great value for covering housing needs. But it will scarcely be enough to remedy the particular severity of the housing shortage caused by the war and its destruction. Even in quiet times, finding acceptable and affordable housing for large families remains a problem that cannot be solved by entrepreneurial initiative alone. However, regarding the housing question procurement of land should not be overesti-

mated as dramatically as land reformers have done occasionally, especially as the price of land regularly accounts for only a small proportion of the costs of housing.

f) Cooperative associations, neighborhood associations and professional associations are important components of social order. They receive their vibrant significance far more from the sentiments which permeate their members, the neighbors and the fellow professionals than from their organizational form. Even families can only do justice to their task of serving as the centerpiece of the social order if they are inwardly healthy and vital. Successful social policy therefore must never be limited to just providing organization. Any society ultimately exists on the sentiments actually expressed in her. Social policy must, therefore, afford power and opportunity to the forces capable of serving to consolidate and disseminate suitable sentiments.

IV.10) The new order should generally meet economic requirements in the best possible way and meet ethical requirements. To be sure, as an economic order, it will not create and ensure morality on its own. It can and should, however, strive [DS143] for a minimum of temptations and should release powers and capabilities which are called upon to morally influence the people.

The centrally directed economy, with its currently unavoidable claim to totality, offers the greatest obstacle to the conduct of a Christian life by promoting crowdification [*Vermassung*]. It creates the greatest temptations to violate the commandments of love for God and neighbor. It almost forces [a person] to exploit and disrespect their fellow beings, which is far worse than private slavery: Commissioners running collective economies lack that economic interest which induces the slave owner to treat his slaves no worse than his livestock. A centrally directed economy also lays the ground for widespread corruption. Finally, it not only eliminates legal certainty but also causes the concept of law to decay altogether; because its countless regulations can never be fulfilled completely.

The "free economy", as it emerged in the 19th century, harbored, among other things, the serious temptation to chase after [dominating economic] power, that is, exploitation opportunities. The competitive economy called for here eliminates precisely these [exploitative] opportunities. No economic order avoids the temptation to loveless avarice, to serving Mammon. But neither does a competitive economic order create any coercion that would work in this direction. It is not morally inferior to any other economic system. Above all, it prevents no one from leading a Christian life and gives the best prospects for the forces called upon to educate the human race to act and counteract immoral crowdification [*Vermassung*]. In doing so it will most likely promote the restoration of stability of the law and proving its value. While a centrally directed economy, in its best case, always needs the criminal judge and the executioner to enforce its order, and chastise and exterminate by uncontrollable police action virtually all those who do not comply, in a competitive economic order [by contrast] the bailiff regularly suffices to enforce its operational principles. Creating and maintaining a trustworthy legal system for [the latter] purpose is not a difficult task. Adhering to [such new legal system] offers the best chance to overcome a system that has gone wild and brutish.

IV.11) As protection against the emergence of unrestricted, excessive violence a general economic order based on self-responsible individual economic actors, augmented by cooperative and professional associations, is particularly significant in the present situation. Political institutions alone have proved to be insufficiently resistant, and democratic constitutions in particular have allowed dictatorial powers to succeed. If central leadership of

economic life, which has been introduced during the war, persists and is even expanded to the point of completion, then the [DS144] power it offers over masses that lost their footing is a constant and ultimately insurmountable temptation to commit outrageous abuses. Under such economic conditions no political safeguards can prevent that entire nations are forced to carry out madness and crime against their inner antipathy.

On the other hand, an appropriate combination of political and economic order that counters oppression [serves to] strengthen the sense of responsibility, and prevents nations from succumbing to the use of unrestrained violence. It also promotes the preservation and revitalization of the moral forces that are as crucial for the flourishing life of a nation as they are for international peace.

IV.12) Within such competitive order there is room for cooperative and professional associations, only they may not strive for a domination that puts their interests in control. Sleazy profiteers, who will not usually fall victim to the bailiff, and who also manage to be held legally responsible only on rare occasions, are most likely stopped by fellow professionals that reject them as violators of their professional code of honor. Facilitating professional courts of honor is an aspired goal. But it will be necessary to assure through state supervision and by appeals to state courts that such honor courts and the associations that sponsor them, are neither used to thwart active competitors, nor to act too leniently against unworthy fellow professionals. Moreover, such courts of honor can thrive only in industries with a lively sense of professional honor that is actively enforced. After the devastation [that] recent years have delivered to the concept of honor, it is necessary to proceed very cautiously, precisely so as not to jeopardize the superior goal: Creating a comprehensive order of professions that interconnects well the state and the individual economic operators, so it counteracts the reduction of a population to atomized, [isolated] persons that only too easily fall victim to soulless crowdification [*Vermassung*].

IV.13) We deliberately refrained from making suggestions for the much-discussed *transitional economy*.⁷ We are fully aware that the recommended new economic order cannot be substituted for the present war economy all at once. However, the significance of the transitional economy must not be overestimated. Above all, it is necessary for the correct orientation of such a transitional economy to clearly recognize the long-term objectives and always keep an eye on them. The situation we actually encounter will tell us on what time-scale and in which order the individual regulations of the war economy are to be changed and dismantled. The only thing that is certain: [DS145]

- a) A transitional economy can only accomplish its objective if it is clear into which economic system it will transition.
- b) Any transitional measures are kept as simple as possible and as brief as possible.
- c) A prerequisite for the initiation of the competitive [economic] order is a monetary policy that creates stable monetary value and secures it permanently (see IV.5e). The adjustment of the monetary system is therefore urgent.



Notes

1 Additional historic detail, as well as the facsimile typescript of the German Text of Appendix 4 "Social and Economic Order" are available here: <https://www.aeu-online.de/selbstverstaendnis/denkschrift-des-freiburger-bonhoeffer-kreises.html>. For more background on this Appendix and on the *Denkschrift* it is a part of, see Michael T. Grzonka, *The 75th Anniversary of the "Denkschrift" by the Freiburg Circle*, (Lutheran Quarterly, 2018).

2 Numbers in square brackets provide the page numbers of the reference publications. Numbers "[DSxxx]" refer to page numbers in Helmuth Thielicke, *In der Stunde Null - Die Denkschrift des Freiburger Bonhoeffer-Kreises* (Tübingen: J.C.B. Mohr and Siebeck, 1979). The previous paper as well as most German-language commentary uses these page numbers in their text references.

3 This sentence has a critical word missing in the typescript, which makes it difficult to discern what the authors wanted to say: "*Sie darf nicht an jedes* [word missing here] *nach Belieben wertvolle Güter zuteilen wollen.*"

4 Translator's note on "*Pariser Vorordiktate*": this is a derogatory reference to the peace treaty that ended the First World War: Versailles is a suburb of Paris.

5 *Vermassung*, translated here as *crowdification*, is a concept explained in Michael T. Grzonka, *The 75th Anniversary of the "Denkschrift" by the Freiburg Circle*, (Lutheran Quarterly, 2018).

6 Emphasis in the original.

7 The economic conditions that were expected to characterize the time right after the end of hostilities