



Social Market Economy

The Best of Adam Smith and Karl Marx

TASC-Economist Network



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1. SME- Social Science and Politics

Social Market Economy is a scientifically elaborated concept which had been successfully applied in political practice.

Economic Liberalism

Adam Smith et al.

Vienna Classical School

Josef Schumpeter et al.

Ordo-Liberal Freiburg School

Walter Eucken et al.

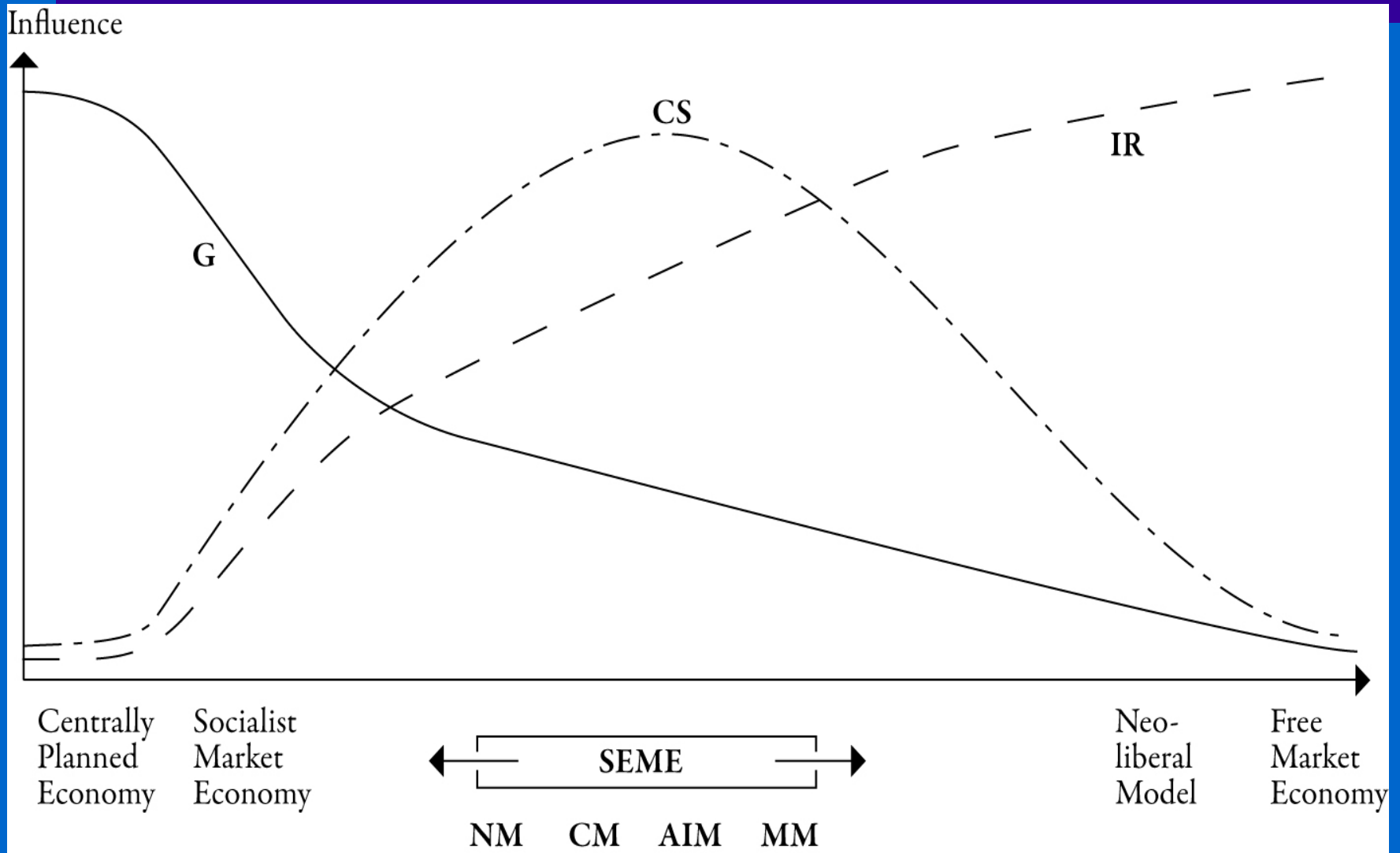
Successful Political Application

Ludwig Erhard et al.

Political Socialism

Karl Marx et al.

2. SME between CPE and FME



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3. Definition of the SME

The SME is an open and flexible socio-economic system, based on *workable competition and in-built social compensation, private property and societal limits.*

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4. Basic Principles of the SME

- Individual achievement spirit and personal responsibility
- Solidarity of economically stronger persons with economically weaker persons
- Subsidiary action of the State

Political 'Art':

How to combine the three elements in order to achieve the goals.

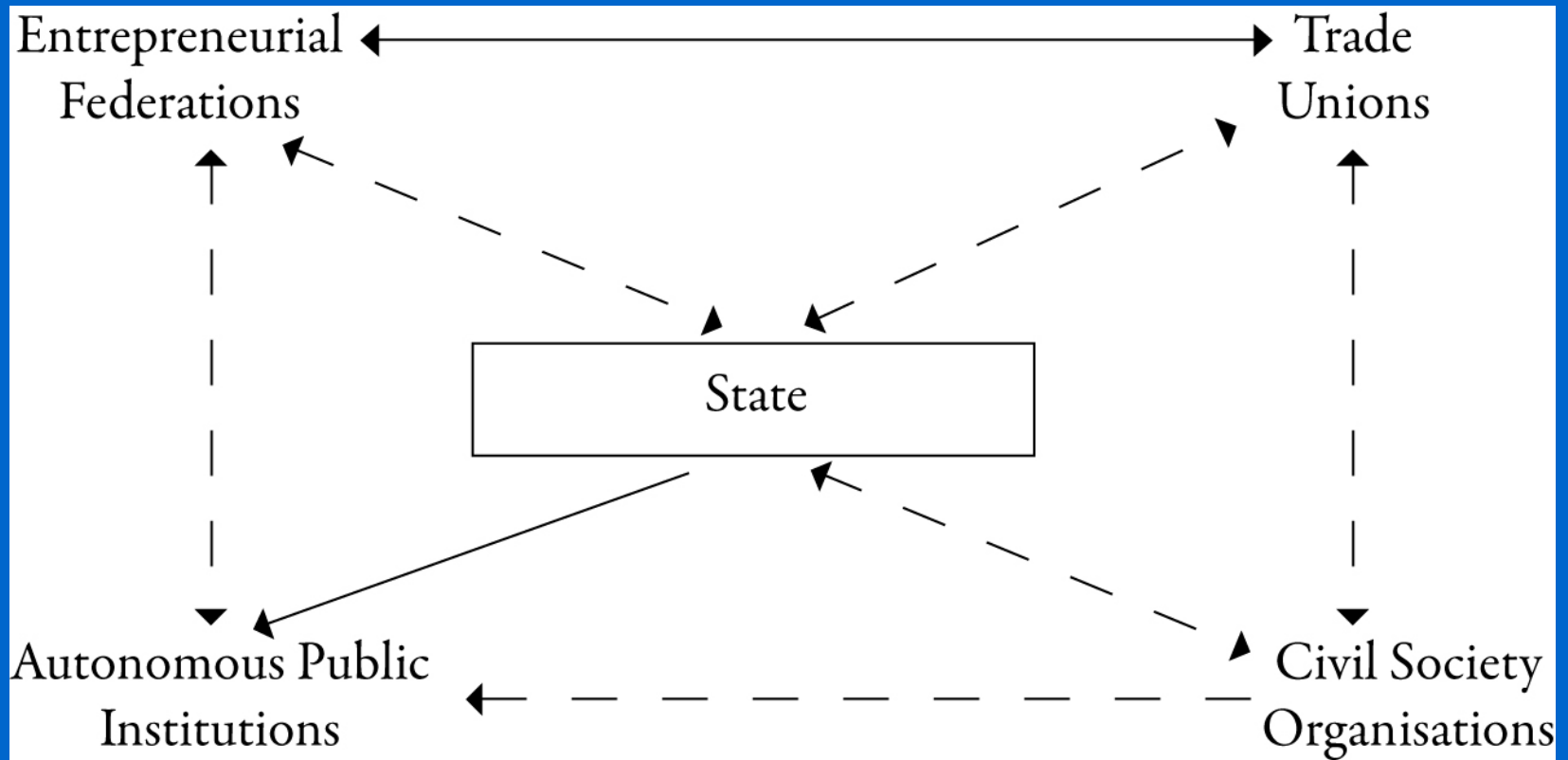
5. Goals of the SME

- *Economic Aim: “Welfare for all” through*
 - Innovation and growth
 - Financial stability
 - Full employment
 - Balanced foreign trade
- *Social/Societal Aim: Social justice through*
 - Open access to education
 - Preventive social policy
 - Social care
 - Ethical behavior
- *Ecological Aim: Sustainable development by*
 - Reduction of emissions
 - Renewable energy, saving energy, recycling

6. Success conditions for the SME

- Democracy
- Reliable political and legal framework
- Strong, regulatory, but subsidiary State
- Independent media
- Social partnership
- Independence and willingness of the actors to compromise
 - Government
 - Entrepreneurs
 - Trade Unions
 - Autonomous Institutions and Civil Society

7. Independence, cooperation and willingness to compromise of the socio-economic and political actors



*State: local and national gvt.

8. Cooperation of the Economic Actors

- ***Government***: Political decision about the framework, control of performance, priorities, protection of competition and consumers, incentives for innovation, production of public goods, subsidiary compensations, delegation of sovereignty functions
- ***Entrepreneurs***: Productivity, competitiveness, invention and innovation, professional training, environmental respect, information, association
- ***Trade Unions***: Work conditions, salary negotiation, professional training, international cooperation
- ***Civil Society***: Information and communication, protection of consumers, environment protection, local interests

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8. Political Application of the SME

- Planning, coordination, monitoring
- Protection of property rights
- Monetary order
- Fiscal system
- Competitive order
- Social policy
- Environment policy
- Educational system

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- Practical Examples of SME-Application

8.1. Fiscal Policy

Aim: Sufficient revenue for ‘public goods’

- Direct and indirect tax-design
- Regional distribution of tax revenue
- Financial compensation
- Balanced budget – EU: 3% of GDP debt limit
- Indebtedness only for investments

Problems: Incentives, equality

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- Practical Examples of SME-Application

8.2. Competitive System

Aim: Workable, not free competition

- Open market access, communication
- Watching competitive power, prohibition of cartels, sanctions against corruption and white collar crime
- Consumer protection
- Foreign trade, regional integration
- Subsidies for innovation and research
- Compliance with ecological needs

Problem: Competitiveness in globalization

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Practical Examples of SME-Application

8.3. Social Policy

Aim: Social Justice

- Preventing social problems through social security systems and investment in education and professional training
- Solidarity contributions
- Subsidiary contributions

Problems: Demographic change and globalization



9. Role of Academia

- Watching the performance of the economy
- Research about alternative models – improvement, adaptation
- International comparison
- Advisory board for the government
- Preparing future decision makers



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10. Current Challenges for the Economic Order

- Globalization
 - International competition and regulation
 - Transfer of investment and employment
 - International agreements (e.g. WTO)
 - Financial speculation
- Environment protection (Kyoto +)
- Demographic changes (aging society, migration)
- Discussion of values

