

The social market economy (SOME; German: soziale Marktwirtschaft), also called Rhine capitalism, is a socioeconomic model combining a free market capitalist economic system alongside social policies that establish both fair competition within the market and a welfare state.

What is a Social Market Economy? Its election manifesto referred to a knowledge-based, highly competitive social market economy. It blends a free market economy with government intervention to protect vulnerable people and the environment. These are vague political slogans, of course. Which begs the question: What is it in theory? What does it look like in practice? As a graduate student, and then as a young professor, I spent much time in Germany reading about and discussing these ideas. I would like to take Daily FT readers on a little intellectual-historical excursion to give a sense of what these ideas mean – who came up with them, how they spread in the context of their time and place, what policies materialised, and what difference they made. Philosophically, its lineage goes back to Aristotle, and forward to the Harvard philosopher John Rawls. His conception of the market economy owes more to mechanical physics than biology: He allows for a range of government intervention, including subsidies for small businesses, worker participation in the management of companies, and Keynesian counter-cyclical policies to ensure full employment. Mill, rather schizophrenically, believed that systems of production and distribution were separate and could operate under different laws. Government intervention in the wealth-creation process should be minimal – the *laissez-faire* principle; but it should be much more active to distribute the wealth created. It has a long tradition in German thought, from Cameralism in the Middle Ages to the Historical School in the nineteenth and early twentieth centuries. And its roots are deep in German practice, before and after the Second World War. This view of Social Market Economy became popular in West Germany from the late 1950s, when the Social Democratic Party entered government for the first time after the war. But the Christian Democrats, the main centre-right party, came to accept it as well. So Germany had – and still has – a strong political consensus supporting this version of Social Market Economy. And from Germany it spread elsewhere in Europe. The alternative meaning But there is no single version of Social Market Economy. He had a distinctive view of Social Market Economy; and surrounding him were economists, lawyers and sociologists who provided intellectual ballast. It gestated in the turbulence of the 1930s and then wartime apocalypse. They saw the progressive concentration of power as the fundamental problem. From the late nineteenth century to the 1930s, governments and big corporations colluded to cartellise the economy; monopolies and oligopolies came to dominate it. That paved the way for Hitler to turn Germany into a full-blown command economy. Fused, centralised economic and political power destroyed the market economy and the rule of law. Individual freedom was smashed; a behemoth, the all-powerful state machine, crushed the individual into a pulp. Here there are echoes of F. Out of wartime ashes, Ordoliberalism wanted to see a new order rise in Germany – one that would lift people out of extreme deprivation and set them on the path to prosperity, and establish individual freedom under the rule of law. For both objectives, limited – but not minimal – government and free markets were indispensable. Power, including economic power, had to be decentralised radically; and that was impossible without a truly competitive market economy. But one intervention might contradict another, and a pile-up of ad hoc interventions has perverse consequences for the economic order as a whole. So all policy acts should be judged in terms of how they relate to the total economic process, i. The essential thing is to recognise the difference between form and process, and to act accordingly. Monetary and exchange-rate policies should guarantee price stability. The state should uphold the freedom of contract and the freedom to trade; and it should avoid discriminatory interventions to favour particular sectors and firms. Eucken also favours strong competition rules to prevent public and private restraints on trade. Without it market society would wither. Private law, unlike public administrative law, has general rules of conduct that protect the individual against the tyranny of both majorities and minority interests. What are the political, social and moral crutches of a market order? What are the sociological preconditions for successful market reforms? These social microstructures, they believed, were best suited to combine individual freedom with decentralised citizen

politics and the warmth of community. But that aside, their social views resonate with the classical-liberal tradition. These foster bourgeois virtues of self-responsibility, self-help and civic-mindedness – the moral framework conditions that sustain a successful market economy. Social policy is first and foremost Ordnungspolitik, integrating as many people as possible into market society, with a basic safety net for those who fall by the wayside. They must go together. Freedom without order leads to anarchy and libertinism. But freedom can easily be smothered in the name of preserving order. This, then, is a conservative-liberal view of Social Market Economy, not a social-democratic one. Should Sri Lanka opt for the social-democratic or liberal-conservative version of Social Market Economy? Politically, the former is more appealing. A Third Way between extremes, a blend of market efficiency and social protection, social justice for all: Reforms in the early 80s to make the labour market more flexible gave the economy an extra boost. It is worse in most other European countries, and in the European Union collectively. But common policies on agriculture and heavy industry were collectivist from the start, rigging the market with subsidies, price controls, production targets and protection against imports. In the last decade the EU has drifted away from Ordnungspolitik, and European competitiveness has declined significantly. A semi-permanent Euro crisis is the result. Germany lost its prized Ordnungspolitik in monetary and exchange-rate policy. The European Central Bank has torn Ordnungspolitik to shreds with open-ended bailouts to sick banks and sick governments. Meanwhile, costly EU and member-state regulations pile up in other areas. Higher taxes, more regulation and a bigger welfare state are not the cure for Sri Lanka either. It has had too much of this medicine since independence. It suffers from chronic fiscal and monetary incontinence, unsustainable public debt, perennial balance-of-payments crises, a huge, unproductive public sector, a private sector choked in red tape, a rigid labour market, and welfare expenditure that goes to political vote banks rather than targeting those in desperate need. There are valuable lessons from Erhard-style Ordnungspolitik: And Sri Lanka needs different institutions to support such policies: If policies and institutions move in this direction, the economy will grow faster, productivity will improve, and more Sri Lankans outside the elite will be integrated into market society. They will have better life choices and chances. Share This Article

1. Comments that are abusive, obscene, incendiary, defamatory or irrelevant will not be published. We may remove hyperlinks within comments. Kindly use a genuine email ID and provide your name. Spamming the comments section under different user names may result in being blacklisted.

Chapter 2 : Social market economy - Infogalactic: the planetary knowledge core

Germany Table of Contents. The Germans proudly label their economy a "soziale Marktwirtschaft," or "social market economy," to show that the system as it has developed after World War II has both a material and a social--or human--dimension.

Description[edit] The economic reform toward a socialist market economy is underpinned by the Marxist framework of historical materialism. In the late s, then-Chairman Deng Xiaoping and the Communist Party leadership rejected the prior Maoist emphasis on culture and political agency as the driving forces behind economic progress and started to place a greater emphasis on advancing the material productive forces as the fundamental and necessary prerequisite for building an advanced socialist society. This aligned Chinese policy with a more traditional Marxist perspective where a fully developed socialist planned economy can only come into existence after a market economy has exhausted its historical role and gradually transforms itself into a planned economy, nudged by technological advances that make economic planning possible and therefore market relations less necessary. The Communist Party of China maintains that despite the co-existence of private capitalists and entrepreneurs with public and collective enterprise, China is not a capitalist country because the party retains control over the direction of the country, maintaining its course of socialist development. Recent Chinese leaders including Xi Jinping General Secretary of the Party from November have described the building of the "socialist market economy with Chinese characteristics" as the goal without any reference to a post-market socialist economy. Whoever denies this is not a materialist. However, in doing so he remained committed to the Leninist model of centralized political control and a one-party state. Our planned economy is in the primary position; it integrates with the market economy, but this is a socialist market economy". The transition to a socialist market economy began in when Deng Xiaoping introduced his program of socialism with Chinese characteristics. Initial reforms in decollectivising agriculture and opening the economy to foreign investment in the late s and early s later led to large-scale radical reforms, including corporatization of the state sector, partial privatisation of some enterprises, liberalisation of trade and prices and dismantling of the " iron rice bowl " system of job security in the late s. This makes the rationale for widespread public ownership questionable as well as the applicability of the descriptor "socialist" and has led to concern and debate regarding the distribution of state profits. Other reforms have transferred state-owned assets to social security funds to help finance pensions and the Shenzhen municipal government has proposed using their state-owned enterprises to finance a social dividend-type of system for its residents. The benefits of this model are that the state would have a source of income independent of taxation and debt, enabling a reduction of the tax burden on individual incomes and the private sector while promoting greater equality. Cui points to the Chongqing experience with municipal state-owned enterprises enabling high social expenditure alongside low taxes and extremely high rates of growth as validation of the socialist market economy model. They concluded that China is not a market socialist economy, but it is an unstable form of capitalism. The Chinese economy also does not constitute socialism in the sense of widespread self-management or workplace democracy. They note that Chinese state-owned enterprises and privately owned enterprises share many similarities with respect to state subsidies, proximity to state power and execution of government policy objectives. Within the state sector, the emphasis is more on government control than on the ownership of assets. The reforms are justified through the belief that changing conditions necessitate new strategies for socialist development. The influence and control capacity of SOEs have further increased. Other Marxist analyses point out that because the Chinese economic system is based on commodity production, has a role for private capital and disempowers the working class, it represents a capitalist economy. Other socialists believe the Chinese have embraced many elements of market capitalism, specifically commodity production and privatisation, resulting in a full-blown capitalist economic system. Characteristics[edit] Enterprise and ownership types[edit] Public ownership in the socialist market economy consists of state-owned assets, collectively owned enterprises and the publicly owned shares of mixed enterprises. These various forms of public ownership play a dominant role in the socialist market economy alongside substantial private and

foreign enterprises. This category only includes wholly state-funded and managed firms. Most state-owned enterprises are not entities of the central government. These include firms that receive foreign direct investment. State sector[edit] The socialist market economy consists of a wide range of state-owned enterprises SOE that represent one form of public ownership. Beginning with the reforms, in the s during the industrial reforms state enterprises were gradually corporatised and transformed into joint-stock corporations with the state retaining either full or majority ownership of their shares. The result has been a highly diffuse form of public ownership where state-owned enterprises are owned by various different government entities, agencies and other state-owned enterprises. This makes gauging the true size and scope of the state sector difficult, particularly when SOEs with mixed ownership structures are taken into account. These reforms involved closing unprofitable state enterprises, merging smaller enterprises and privatization of other small-to-medium enterprises. Centrally owned SOEs were reformed into joint-stock companies with the aim of delegating more authority to SOE managers. SOEs at all levels shifted their primary focus to profitability and shedded their social welfare function of providing social services and benefits to their workers in what was known as the " Iron Rice Bowl " system. SOEs are much larger in size and fewer in number, with central government-owned SOEs clustered in "strategic sectors" including banking, finance, mining, energy, transportation, telecommunications and public utilities. By comparison, provincial and municipal level SOEs number in the thousands and are involved in almost every industry including information technology and automobiles design and production. State sector reform is an ongoing process in China. In particular, China maintains that centrally owned SOEs also pursue national and industrial policy objectives. Private sector[edit] Privately owned enterprises POEs are recognized as one of the components of the socialist market economy alongside state, collective and individually owned enterprises. The private sector has played an increasingly large role since the adoption of the Company Law. Additionally, the boundary between public and private enterprises have blurred in China as many publicly listed firms are under mixed ownership by various state and non-state entities. Additionally, private sector firms that operate in industries targeted for growth often receive favorable loans and preferential government treatment while SOEs in non-strategic sectors might be exempt from subsidies. As an example, ZTE Corporation is a majority state-owned enterprise that was forced to rely on equity markets whereas its employee-owned private sector competitor Huawei is viewed as a "national champion" and therefore received major state funding from state banks. As of , state control and state-directed development in both public and private sectors is the overriding feature of the Chinese economic system that plays a more substantial role than the public ownership of assets. The exact size of the private sector is difficult determine in part because private enterprises may have a minority of their stock owned by state entities and because of different classification standards used for classifying enterprises. Indicative planning and industrial policies have substituted material balance planning and play a substantial role in guiding the market economy for both the state and private sectors. The planning system consists of three layers, with each layer using a different planning mechanism. Compulsory planning is limited to state-owned enterprises operating in strategic sectors, including research, education and infrastructure development plans. Compulsory planning outlines targeted outcomes and the supply of raw materials and financial resources needed. Contractual planning sets objectives and the overall means of achieving these goals and then negotiates with enterprises and local governments to establish detailed objectives and how resources are to be allocated to the targeted sectors. Indicative planning operates at the lowest level of the planning system, where the government outlines industrial targets and then uses market instruments tax exemptions, subsidies and favorable bank loans to induce firms in the targeted industry to meet these targets.

Chapter 3 : Germany - The Social Market Economy

[T]he supporters of the most recent variety of interventionism, the German "soziale Marktwirtschaft" [social market economy], stress that they consider the market economy to be the best possible and most desirable system of society's economic organization.

This dual principle also appeared in the name of the model. Although the adjective "social" often attracted criticism as a decorative fig leaf or conversely, as a gateway for antiliberal interventionism, [26] it meant more than simply distinguishing the concept from that of laissez-faire capitalism on the one side and of ordo-liberal conceptions on the other. Therefore, the Social Market Economy as an extension of neo-liberal thought was not a defined economic order, but a holistic conception pursuing a complete humanistic societal order as a synthesis of seemingly conflicting objectives, namely economic freedom and social security. The concept of the social market economy received fundamental impulses from reflection and critique of historical economic and social orders, namely Smithian laissez-faire liberalism on the one hand and Marxian socialism on the other. Furthermore, various "Third Way" conceptions prepared the ground for the socio-economic concept. Der dritte Weg [Neither thus, not thus. He vehemently and consistently argued against the view that models were converging. Early protagonists had close contacts to the oppositional church-movement "Bekennende Kirche" and Dietrich Bonhoeffer and emphasized the reference of their concept to Catholic and Protestant social ethics. He compared the so-called "neo-American model" of a capitalistic market economy, introduced by the administrations of Ronald Reagan and Margaret Thatcher with what he called "Rhine capitalism", present in Germany, France and in some of the Northern European economies. While the neo-American model builds largely on the ideas of Friedrich von Hayek and Milton Friedman, Rhine capitalism, according to Albert, has its foundations on publicly organized social security. Albert analyzes the Rhenish model as the more equitable, efficient, and less violent one. However, according to Albert, complex psychological phenomena and the functioning of the press lets the American model appear more attractive and dynamic to the general public. In contrast to the situation in a free market economy, the state is not passive and actively implements regulative measures. These insurances are funded by a combination of employee contributions, employer contributions and government subsidies. The social policy objectives include employment, housing and education policies, as well as a socio-politically motivated balancing of the distribution of income growth. In addition, there are provisions to restrain the free market e. These elements help to diminish many of the occurring problems of a free market economy. Its conceptual architecture was set by particular historical experiences and political prerequisites: These led to the eventual development of the social market economy as a viable socio-political and economic alternative between the extremes of laissez-faire capitalism and the collectivist planned economy not as a compromise, but as a combination of seemingly conflicting objectives namely greater state provision for social security and the preservation of individual freedom. Chancellor Otto von Bismarck developed a program in which industry and state work closely to stimulate economic growth by giving workers greater security. To trump the militant socialists, Bismarck gave workers a corporate status in the legal and political structures of the German Empire. The real grievance of the worker is the insecurity of his existence; he is not sure that he will always have work, he is not sure that he will always be healthy, and he foresees that he will one day be old and unfit to work. If he falls into poverty, even if only through a prolonged illness, he is then completely helpless, left to his own devices, and society does not currently recognize any real obligation towards him beyond the usual help for the poor, even if he has been working all the time ever so faithfully and diligently. The usual help for the poor, however, leaves a lot to be desired, especially in large cities, where it is very much worse than in the country. The program included universal healthcare, compulsory education, sickness insurance, accident insurance, disability insurance, and a retirement pension, none of which were then in existence to any great degree anywhere else in the world. After the collapse of the totalitarian Third Reich with its statist, corporatist economic policy, economists and academics at the University of Freiburg im Breisgau in Germany advocated a neo-liberal or new liberal and socio-economic order. In this context, it is important to distinguish between the ordoliberal Freiburg School, or Freiburg

School of Law and Economics, and the Freiburg Circles. Both schools of economic thought considered that a certain form of planning was necessary for a transitional period following the war. However, the Social Market Economy as an extension of neo-liberal thought was deliberately not a defined economic order, but an adjustable holistic conception pursuing a complete humanistic societal order as a synthesis of seemingly conflicting objectives, namely economic freedom and social security. The eventual implementation, however, required not only communication, but also political backup. Soon after, on 21 April, Erhard informed the parliament about his economic policy and introduced the concept of the Social Market Economy. In a visionary and stirring speech, entitled *Marktwirtschaft im Streit der Meinungen* Market Economy in Dispute, [68] Ludwig Erhard defended his concept of the Social Market Economy alluding to the dualism between a controlled economy and a market economy. Konrad Adenauer, a proponent of the Social Market Economy. Chancellor Konrad Adenauer of the ruling Christian Democratic Union implemented a new novel economic order amalgamating the promotion of free competition with the responsibility of the social government. Genuine performance-based competition exists when the rules of competition ensure that, under conditions of fair competition and equal opportunity, the better performance is rewarded. Market-driven prices regulate the interaction between all market participants. While eventually the union of the two recently established political parties, i. This not only complicated the parliamentary work of the party in the Economic Council, but also limited the public relations of the party as a whole especially in times of campaigning where the partially complex political programmes were simplified and popularised. Eventually, on Sunday 14 August, around 31 million Germans were called to cast a vote for the first German Bundestag and to decide between the Social Market Economy and a controlled economy advocated by the SPD. Of those eligible to vote 25 million or Although the SPD, gaining However, in fact both Volksparteien had suffered large percentage losses over their previous Land election totals by failing to capture a comparable share of the enlarged electorate. The most remarkable advance by winning over a million extra votes and achieving The economically liberal Free Democrats were in fact the only political party consistently gaining percentage of votes between and While these results affirmed the then general pro-market trend in public opinion, eventually, the electorate made its decision contingent on the satisfaction of its practical needs rather than on any particular theoretical economic system. The advantage of the CDU and the CSU lay precisely in the fact that they were quasi-governing across the Bizone and thus increasingly identified with the economic recovery and the improving economic conditions. The concept of the social market economy is still the common economic basis of most political parties in Germany [80] [81] [82] and a commitment to some form of social market economy is present in Article 3 of the Treaty on European Union. Criticism Critics identify the social market model with the notions of the welfare state and sometimes mistakenly identify it as being socialistic.

Chapter 4 : Social market economy - RationalWiki

'The social market economy can be contrasted with the free market economy.' 'Moreover, the post-war economic recovery seemed to back the claim that the social market economy was a successful alternative to socialism.'

By Sumanasiri Liyanage

Sumanasiri Liyanage I think it is for the first time that the idea of social market economy is introduced into the Sri Lankan election discourse. Harsha de Silva used it as it was his invention for the purpose of portraying the economic policy framework of the future UNFGG government for the next five years. As far as I know, the concept of social market economy has never been discussed in serious manner in Sri Lanka. In the early 80s, a seminar was held at the Colombo Hilton in which a German professor had outlined the concept SME as it had been practiced in Germany especially in the post World War 2 period. What is social market economy? What are the main characteristics of the SME? How does it differ from Anglo-American notion of market economy? What the exact role the state plays in the SME? These are the sort of issues I intend to address in this article. A brief history would not be out of order in contextualizing the concept of SME. Although the concept was theoretically advanced in the 19th century, one may even suggest that some of the features of SME were put into practice during the Bismarck regime in Germany in the late 19th century. Bismarck introduced a universal social insurance scheme in response to the increasing popularity and influence of the social democratic party in Germany. Effectively combining monetary, credit, trade, tax, customs, investment, and social policies, as well as other measures, this type of economic policy creates an economy that serves the welfare and needs of the entire population, thereby fulfilling its ultimate goal. Similarly, SME may be distinguished from social democracy and Soviet-type socialism, as it refuses to enter into the sphere of production as an agent of production. Hence, it is a synthesis of seemingly conflicting objectives, namely economic freedom and social security. West Germany was able to achieve a remarkable growth rate during the 1950s and 1960s when economy was steered by the Minister of Economics, Ludwig Erhard if my memory is correct he later became the Chancellor. However, the amalgam of factors contributed for Germany to achieve high rate of growth. It received substantial impetus through US Marshall program. The victorious countries became magnanimous towards Germany following the advice given by J M Keynes. In Germany although the factors of production were destroyed relations, structures and culture of production remained basically intact. Under SME, social justice was achieved primarily through two processes, namely, 1 ensuring job security through government regulations making the termination of employment rather difficult; 2 using public money to finance housing, education and other social program. Therefore, the tax rate for highest bracket of individual income was kept at 95 percent. It applied only to income above the level of DM, annually. Of course, we may see, even Germany has been now moving away from SME because of the pressure from the process of globalization. In 2010, average tax rate in Germany exists between 57 per cent. On the issue job security, although German situation is much better when compared with the USA, situation seems to be gradually changing. However, it is interesting to note that stronger job security in Germany has been accomplished by an unemployment insurance system that deters layoffs. On the other hand, In the U. German attitude towards SME may be seen clearly not in respect of its domestic economic policies but in respect to policies it has imposed on poor EU countries. Recently, Germany imposed heaviest neoliberal policy package on Greece. They Syriza, the left government in Greece, to reduce income tax rate and to cut down pensions, wages and social welfare expenditure. When capitalism moved from its late capitalist phase to neoliberalist phase, it means that capitalism has now moved away from high tax policies as well as security of employment policies. First, it does not say anything about the job security and never offers an answer to growing phenomenon of manpower agencies that makes employment status undefined. What will it do in power to this issue? How is it going to tackle the issue of the growing casual and contract labor in relation to permanent employment in the private sector? This silence indicates that the both parties are planning to move to more flexible labor market. What we have witnessed in the past 10 years is that many attempts were taken to rob the EPF, but fortunately all failed. EPF is the largest capital fund owned by the workers in Sri Lanka. Some time ago, Swedish economist, Meidner, suggested that moving towards socialism may be achieved by using this

capital for social production and welfare. However, there are no acceptable and rational proposal as to how these goodies would be financed. In Sri Lanka, tax income is around 11 per cent. Is this tax revenue adequate to finance many programs included in manifestos? SME and neoliberalism are gross incompatibilities. There is no way to link the first with the second. Those who propose that they would go for SME or social democratic policies today are either making a big mistake or trying to throw sands into the eyes of the Sri Lankan voters.

Chapter 5 : The social market economy

years he applied his "social market system" to the problems of economic renewal with phenomenal results, achieving what has often been called the German "economic miracle." Based on free-market capitalism, his system included special provisions for housing, farming, and social programs.

By Edward Hadas January 25, Capitalism is the name people give to the way the modern economy is arranged. Now that Communism has been discredited as an economic system, there seems to be no real alternative. But the word is misleading. A capitalist analysis of any economic issue starts with capital, both physical capital – factories and land – and financial – shares and bonds. It is associated with free and competitive markets for goods and labour. That perspective is too narrow. Capital and markets are only two parts of the complex modern economic system. And governments over the years have become regulators and keepers of the monetary order. Moreover, the economy is so closely integrated with modern society that no clear border separates the two. A limited analysis often leads to unnecessarily grim prognoses. Think back to the 1970s, when environmental pollution was first identified as a serious problem. Economic disruptions were predicted. But changes in the law, technology, corporate priorities and cultural values combined to bring about a remarkable success in reducing noxious emissions, without noticeable harm to prosperity or profits. The system found a way to price externalities without endangering itself. Now they cite the long financial crisis, or issues such as the exorbitant privileges of the very rich. They are not wrong to be concerned. If the economy were simply or primarily capitalist, either of these problems could well be lethal. After all, neither factory nor financial capital can be expected to allocate income and wealth justly. And the financial system could be too wounded to heal itself. At bottom, it is a sign of inadequate social solidarity. The solutions – new rules, taxes, and behavior – will have little to do with the functioning of the core capitalist system. Similarly, the financial disorder may look like a crisis of capitalism, but its causes and cures are political and moral. No solution limited to the technical operations of the financial system can work for long, unless it is a reflection of changed political and moral attitudes. But the capitalist obsession also limits the insight of economists friendlier to government intervention and more skeptical about free markets. They tend to downplay social values and ethical analysis. A new name for the modern economy might encourage a broader approach. I prefer a title that has a bit of spin on it. Acronyms are fashionable; perhaps it is time to introduce the BCRINCF economy – bureaucratic, competitive, regulated, innovative, collaborative and financial. The term was coined in Germany after the Second World War to show that capitalism could be combined with a strong government presence, workers participation in company boards and an extended social safety net. The combination is still apt, as each of the two words captures something essential. It is appropriate that social comes first in the title, because the modern economy is a largely a construction by and for the whole community. If it had been merely capitalist, it would not have lasted this long.

Chapter 6 : Social Market Economy by Petra SmutnÃ¡ on Prezi

The social market economy is essentially the economic system that most liberals today aspire to and it consists of two components: the central elements of a free market (i.e. private property, free foreign trade, exchange of goods and free formation of prices) and universal health care, old-age pension and unemployment insurance as part of an extensive social security system to help eliminate.

After all, a market economy cannot be socialist at the same time. And the term "Chinese characteristics" is more than vague. In fact, the Chinese Communist Party has shown great skill in repeatedly reinventing, making cosmetic changes to and even chiseling away at its construct of ideas. As flexible as a bamboo grove in the wind, the Communist Party is constantly replacing the content of its propagandist slogans. Today, their objective is to build a great and strong China, a nation that can no longer be humiliated abroad and plays an important role on the international stage. Instead of the class struggle, the official vocabulary is filled with words like "democracy, equality, justice, earnestness, friendship and vitality," and with phrases like the "rule of law. It governs one-fifth of humanity and yet it remains a secretive organization comprised of countless "leadership groups," commissions, research centers, central offices -- and even a "Central Committee for Protecting Secrets. Important functionaries even bear the title "minister. In a party that insists on its sole claim to power and staunchly upholds its dogma of "democratic centralism," career changes from the private sector are generally frowned upon. Hu consistently maintains that China is and remains a "democratic dictatorship of the people. But precisely the opposite is true in China, a country consumed by a kind of gold rush mentality reminiscent of the pioneer days in the United States. After all, continued growth virtually guarantees the party a stranglehold on power. And economic growth, be it in Beijing or elsewhere in the country, is what counts in this land of myriad contradictions. He has been a member throughout his working life -- first as a simple laborer and now as head of SVA, a state-owned electronics manufacturer. Dressed in a blue suit and red tie, Xu talks like a Western business executive. But he tires of his stiff outfit within a few minutes, removing his tie and tossing his jacket onto a chair. Stripped down to his plain blue shirt, he now looks more like a normal party official -- which is exactly what he is, because he fills two positions within the company, that of CEO and the important post of party secretary. Xu has been performing this patriotic duty as head of his company since the mids, when SVA was created out of a merger of several state-owned businesses. In those days the Chinese were still producing bulky television sets for a market in which they were practically the only player. In order to arm the company against the competition, SVA entered into a partnership with Japanese electronics manufacturer NEC to produce high-quality, flat-screen TVs. Xu chooses to ignore the question, instead focusing on what he and his party consider to be more important: Reclaiming lost ground China is on the rise, intent on reclaiming a position to which it believes it is entitled. For centuries the former empire, the birthplace of printing and gunpowder, was a leading power -- both politically and economically. The West forcibly put an end to that self-imposed isolation in . Since then various groups have tried to revitalize China, beginning with Qing Dynasty reformers loyal to the emperor, followed by Republicans and finally the Maoists. But Deng Xiaoping, the legendary reformer who died in , was the first to embrace pragmatism to bring about a Chinese rebirth. But the main outcome of his ludicrous mass campaign was that millions of Chinese starved to death. But instead of thanking him for his efforts, during the course of the Cultural Revolution Mao banished Deng to the eastern Chinese city of Nanchang in , where he was forced to work in a tractor factory. The building is a museum today. The workbench where Deng used rudimentary tools to file parts is on display in the museum. From his workspace, he could read Cultural Revolution slogans covering the walls, like: Putting enough food on the tables of Chinese families was his first priority. China also abandoned the model of the Soviet Union, its former ideological counterpart. Using the Stalinist model, Soviet advisors were sent to China to develop steel combines and factories to manufacture trucks and machinery. But when Mao sent the Russians home in the late s, the former allies became bitter ideological foes. Their paths also diverged when it came to the economy. The Chinese had one decisive advantage over the Soviets: Their agriculture had not been collectivized for as long as that of the Soviet Union. When Beijing loosened the reins

on its rigid planned economy, ordinary Chinese were already capable of taking the initiative needed to produce abundant harvests. At first the party permitted only small private businesses in villages and rural centers, providing much-needed employment for a surplus of farmers.

Chapter 7 : What is a Social Market Economy? | FT Online

Social market economy synonyms, Social market economy pronunciation, Social market economy translation, English dictionary definition of Social market economy. n a. an economic system in which industry and commerce are run by private enterprise within limits set by the government to ensure equality of opportunity.

This dual principle also appeared in the name of the model. Although the adjective "social" often attracted criticism as a decorative fig leaf or conversely as a gateway for antiliberal interventionism, [26] it meant more than simply distinguishing the concept from that of laissez-faire capitalism on the one side and of ordoliberal conceptions on the other. Therefore, the social market economy as an extension of neoliberal thought was not a defined economic order, but a holistic conception pursuing a complete humanistic societal order as a synthesis of seemingly conflicting objectives, namely economic freedom and social security. The concept of the social market economy received fundamental impulses from reflection and critique of historical economic and social orders, namely Smithian laissez-faire liberalism on the one hand and Marxian socialism on the other. Furthermore, various Third Way conceptions prepared the ground for the socio-economic concept. Der dritte Weg Neither thus, nor thus. He vehemently and consistently argued against the view that models were converging. Soon after, at the second party congress of the Christian Democratic Union in the British zone in Recklinghausen on 28 August, Erhard circumscribed the concept as a "socially committed market economy". Early protagonists had close contacts to the oppositional church-movement Bekennende Kirche and Dietrich Bonhoeffer and emphasized the reference of their concept to Catholic and Protestant social ethics. He compared the so-called "neo-American model" of a capitalistic market economy introduced by the administrations of Ronald Reagan and Margaret Thatcher with what he called Rhine capitalism, present in Germany, France and in some of the Northern European economies. While the neo-American model builds largely on the ideas of Friedrich von Hayek and Milton Friedman, Rhine capitalism according to Albert has its foundations on publicly organized social security. Albert analyzes the Rhenish model as the more equitable, efficient and less violent one. However, according to Albert complex psychological phenomena and the functioning of the press lets the American model appear more attractive and dynamic to the general public. Social market economies posit that a strong social support network for the less affluent enhances capital output. By decreasing poverty and broadening prosperity to a large middle class, capital market participation is enlarged. Social market economies also posit that government regulation and even sponsorship of markets can lead to superior economic outcomes as evidenced in government sponsorship of the Internet or basic securities regulation. Main elements[edit] The main elements of the social market economy in Germany are the following: In contrast to the situation in a free market economy, the state is not passive and actively implements regulative measures. These insurances are funded by a combination of employee contributions, employer contributions and government subsidies. The social policy objectives include employment, housing and education policies as well as a socio-politically motivated balancing of the distribution of income growth. In addition, there are provisions to restrain the free market e. These elements help to diminish many of the occurring problems of a free market economy. Its conceptual architecture was set by particular historical experiences and political prerequisites: These led to the eventual development of the social market economy as a viable socio-political and economic alternative between the extremes of laissez-faire capitalism and the collectivist planned economy not as a compromise, but as a combination of seemingly conflicting objectives namely greater state provision for social security and the preservation of individual freedom. Chancellor Otto von Bismarck developed a program in which industry and state work closely to stimulate economic growth by giving workers greater security. To trump the militant socialists, Bismarck gave workers a corporate status in the legal and political structures of the German Empire. The real grievance of the worker is the insecurity of his existence; he is not sure that he will always have work, he is not sure that he will always be healthy, and he foresees that he will one day be old and unfit to work. If he falls into poverty, even if only through a prolonged illness, he is then completely helpless, left to his own devices, and society does not currently recognize any real obligation towards him beyond the usual help for the poor, even if he has been working all the time ever

so faithfully and diligently. The usual help for the poor, however, leaves a lot to be desired, especially in large cities, where it is very much worse than in the country. The program included universal healthcare, compulsory education, sickness insurance, accident insurance, disability insurance and a retirement pension, none of which were then in existence to any great degree anywhere else in the world. After the collapse of the totalitarian Third Reich with its statist and corporatist economic policy, economists and academics at the University of Freiburg im Breisgau in Germany advocated a neoliberal or new liberal and socio-economic order. In this context, it is important to distinguish between the ordoliberal Freiburg School or Freiburg School of Law and Economics and the Freiburg Circles. Both schools of economic thought considered that a certain form of planning was necessary for a transitional period following the war. However, whereas the pivotal members of the Freiburg Circles, Erwin von Beckerath, Adolf Lampe and Jens Jessen, favoured productive governmental intervention, i. Thus, the paramount means by which economic policy can seek to improve the economy is by improving the institutional framework or "ordo". However, the social market economy as an extension of neoliberal thought was deliberately not a defined economic order, but an adjustable holistic conception pursuing a complete humanistic societal order as a synthesis of seemingly conflicting objectives, namely economic freedom and social security. However, the eventual implementation required not only communication, but also political backup. Soon after on 21 April, Erhard informed the parliament about his economic policy and introduced the concept of the social market economy. In a visionary and stirring speech, entitled *Marktwirtschaft im Streit der Meinungen* "Market Economy in Dispute", [68] Erhard defended his concept of the social market economy alluding to the dualism between a controlled economy and a market economy. Konrad Adenauer, a proponent of the social market economy Chancellor Konrad Adenauer of the ruling CDU implemented a new novel economic order amalgamating the promotion of free competition with the responsibility of the social government. The *Wirtschaftswunder* or "economic miracle" of West Germany could not have been brought about without secure social peace in the country. The "social market economy" is the socially anchored law for the industrial economy, according to which the achievements of free and able individuals are integrated into a system that produces the highest level of economic benefit and social justice for all. This system is created by freedom and responsibility, which find expression in the "social market economy" through genuine performance-based competition and the independent control of monopolies. Genuine performance-based competition exists when the rules of competition ensure that, under conditions of fair competition and equal opportunity, the better performance is rewarded. Market-driven prices regulate the interaction between all market participants. While eventually the union of the two recently established political parties i. This not only complicated the parliamentary work of the party in the Economic Council, but also limited the public relations of the party as a whole especially in times of campaigning where the partially complex political programmes were simplified and popularised. Eventually, on Sunday 14 August around 31 million Germans were called to cast a vote for the first German Bundestag and to decide between the social market economy and a controlled economy advocated by the SPD. Of those eligible to vote, 25 million or Although the SPD turned out to be the most successful single party by gaining However, in fact both Volksparteien had suffered large percentage losses over their previous Land election totals by failing to capture a comparable share of the enlarged electorate. The most remarkable advance by winning over a million extra votes and achieving The economically liberal FDP were in fact the only political party consistently gaining percentage of votes between and While these results affirmed the then general pro-market trend in public opinion, eventually, the electorate made its decision contingent on the satisfaction of its practical needs rather than on any particular theoretical economic system. The advantage of the CDU and the CSU lay precisely in the fact that they were quasi-governing across the Bizone and thus increasingly identified with the economic recovery and the improving economic conditions. The concept of the social market economy is still the common economic basis of most political parties in Germany [80] and a commitment to some form of social market economy is present in Article 3 of the Treaty on European Union. United Kingdom[edit] In the United Kingdom, the concept of the social market economy was first introduced by the Conservative politician Keith Joseph. In the s, Joseph introduced the idea as an alternative to the post-war consensus allowing free markets.

Chapter 8 : social market economy | Definition of social market economy in English by Oxford Dictionaries

Social market economy is an economy with assured social insurance combined with a market economy. Social insurance can be in the form of insurance, pensions, scholarships, food subsidies, etc., to the poor.

Chapter 9 : Social market economy | racedaydvl.com

The UNP has appropriated "Social Market Economy" as the label for its economic programme. Its election manifesto referred to a knowledge-based, highly competitive social market economy. This is a "third way" between extreme capitalism and extreme socialism. It blends a free market economy.