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Asian Institute of Management  
Konrad-Adenauer-Foundation

# Social Market Economy



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# Content

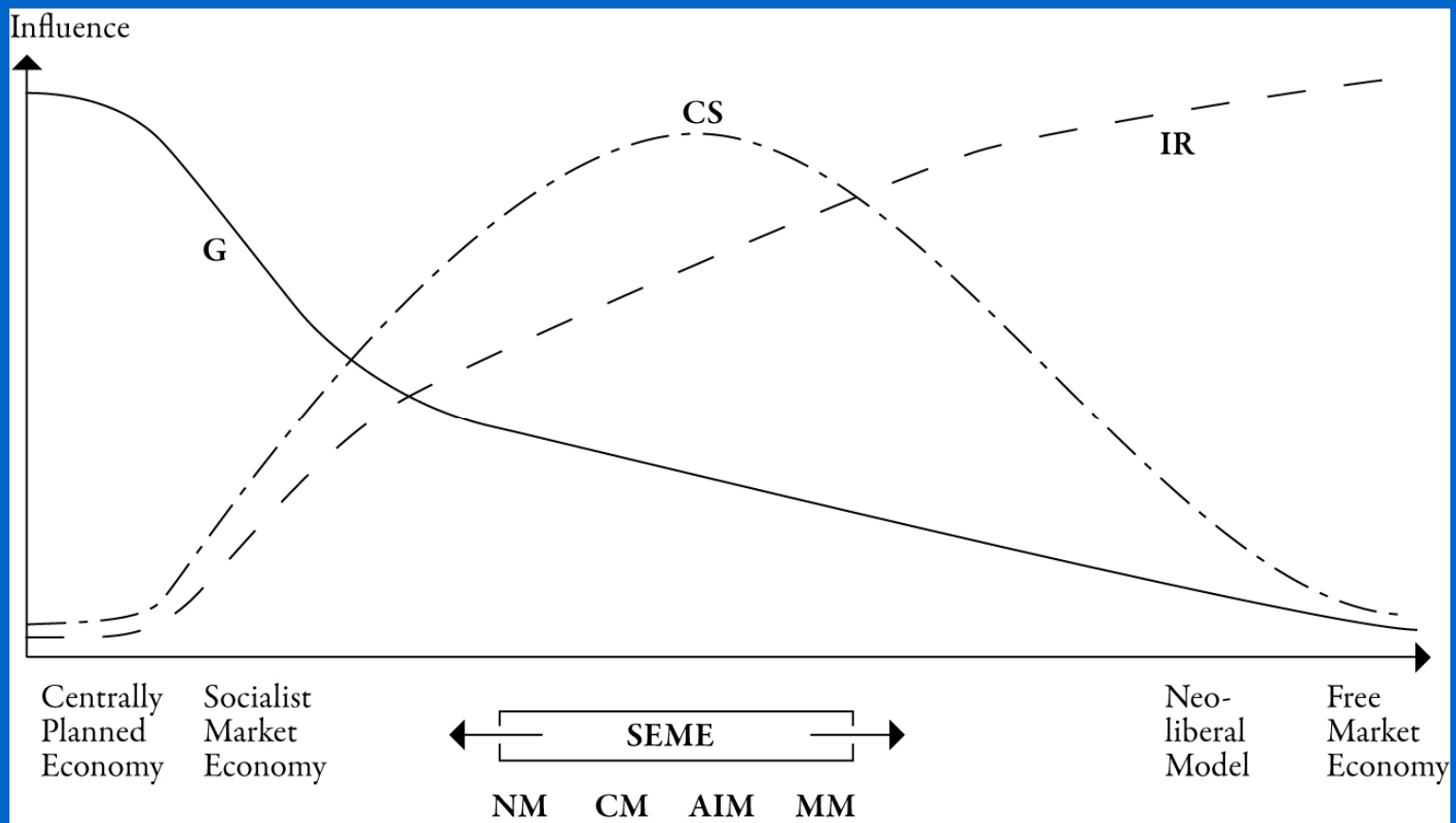
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# I. Introduction- Changing World

- Sub-Prime mortgages and financial crisis, poisoned products, widening gap between Rich and Poor, greed and ethical values, success instead of achievement principle
- International awareness, IMF, ASEM
- Financial and economic crisis
- Globalization, regional integration
- Wealth, education, social justice, ecological sustainability
- Variety of models, between Neo-Liberalism and Central Planning: Social and Ecological Market Economy

# I. Introduction- Changing World



G: government

CS: civil society

IR: individual responsibility

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## II. Aims of the Social Market Economy

- *Economic Aim: “Welfare for all” through*
  - Innovation and growth
  - Financial stability
  - Full employment
  - Balanced foreign trade
- *Social/Societal Aim: Social justice through*
  - Inclusive Growth
  - Open access to education
  - Preventive social policy
  - Social care
  - Ethical behavior
- *Ecological Aim:*
  - Kyoto-Agreement, EU-Target 20-20-2020
  - Renewable energy, saving energy, recycling

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## III. Intellectual Sources of the Social Market Economy

- Scientific research and practical experience in the 19<sup>th</sup> and 20<sup>th</sup> century
- Ordo-Liberal School of Freiburg
- Religious ethics
- Political approach - Ludwig Erhard
- Interests of entrepreneurs, trade unions, consumer organizations

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## IV. Definition of the Social Market Economy

- Basic Principles
  - Individual achievement spirit and personal responsibility
  - Solidarity of the Society
  - Subsidiarity of the State
- Definition: *Competition and in-built social compensation, private property and societal limits, open and flexible system*

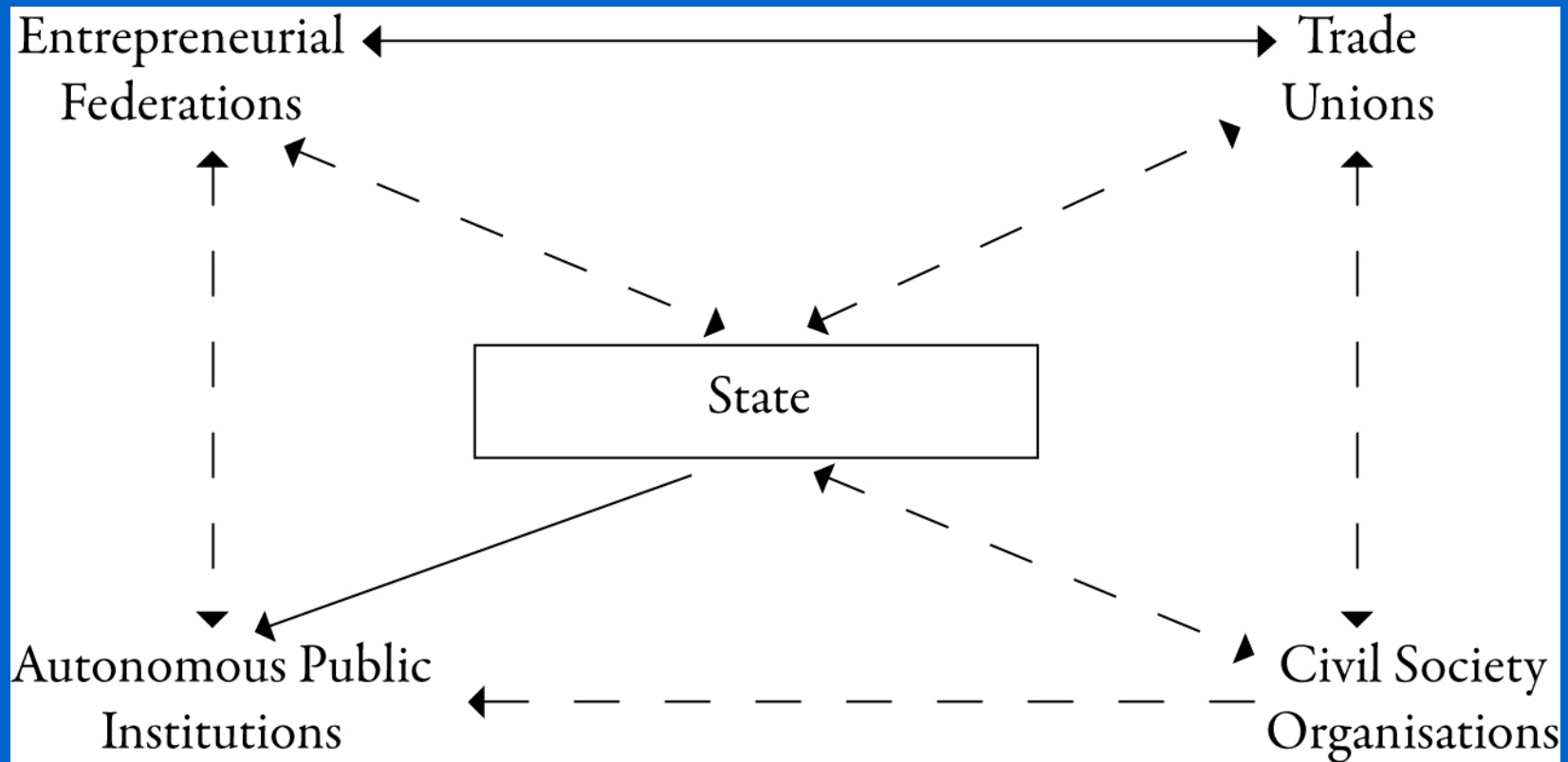
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## V. Success Conditions for the Social Market Economy

- Reliable framework
- Strong, but subsidiary State
- Independent media
- Independence and willingness of the economic actors to compromise
  - Government
  - Entrepreneurs
  - Trade Unions
  - Autonomous Institutions and Civil Society



# V. Success Conditions for the Social Market Economy



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## VI. Political Application of the Social Market Economy

- Planning and coordination
- Property rights
- Monetary order
- Fiscal system
- Diversity of enterprise shapes
- Competitive order
- Social policy
- Environment policy

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- **Via. Practical Examples of SME-Application**

## 1. Fiscal Policy

- **Direct and indirect tax** – in times of global crisis: increasing tax or reducing tax?
- **Regional distribution of tax revenue**
- **Financial compensation**
- **Balanced budget** – EU: 3% of GDP debt limit, is it sustainable in times of financial crisis?
- **Indebtedness only for investments**
- **Tax design** – incentives and social compensations

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- VIa. Practical Examples of SME-Application

## 2. Competitive System

### Aim: Functional, not free competition

- Competitive order and intensity of competition
- Market access, communication
- Watching competitive power, prohibition of cartels, sanctions against corruption
- Consumer protection
- Foreign trade, regional integration
- Subsidies for innovation and research
- Compliance with ecological needs

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## Via. Practical Examples of SME-Application

### 3.Social Policy

#### Aim: Social Justice

- Inclusive growth
- Preventing social problems through social security systems and investment in education and professional training
- Solidarity contributions
- Subsidiary contributions
- Demographic change and globalization

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## VII. 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 (ILO)
- *Civil Society*: Information and communication, protection of consumers, environment protection, local interests

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## VIII. Role of Science

- 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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## IX. Current Challenges for the National Economic Order

- Globalization
  - Global financial and economic crisis
  - 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



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## X. Social Market Economy – A Model for the Philippines?

- Correspondence of aims?
- Acceptance of the basic principles by the political parties, the civil society and the military ?
- Private property, competition, environment?
- Regulation, deregulation and subsidiary role of State?
- Acceptance of the functional conditions?
- Communication between economic actors?
- Political will of the governing parties ?
- Role of Civil Society?
- Scientific research, analysis, advice?



Thank you very much for your attention!  
Good luck for the future development  
of the Philippines



Dr. Dieter W. Benecke

