

Addressing The Marketing Problem of the Social Market Economy

Prepared for:

KAS-Conference on 60 Years of Social Market
Economy

Sankt Augustin, November 30, 2009

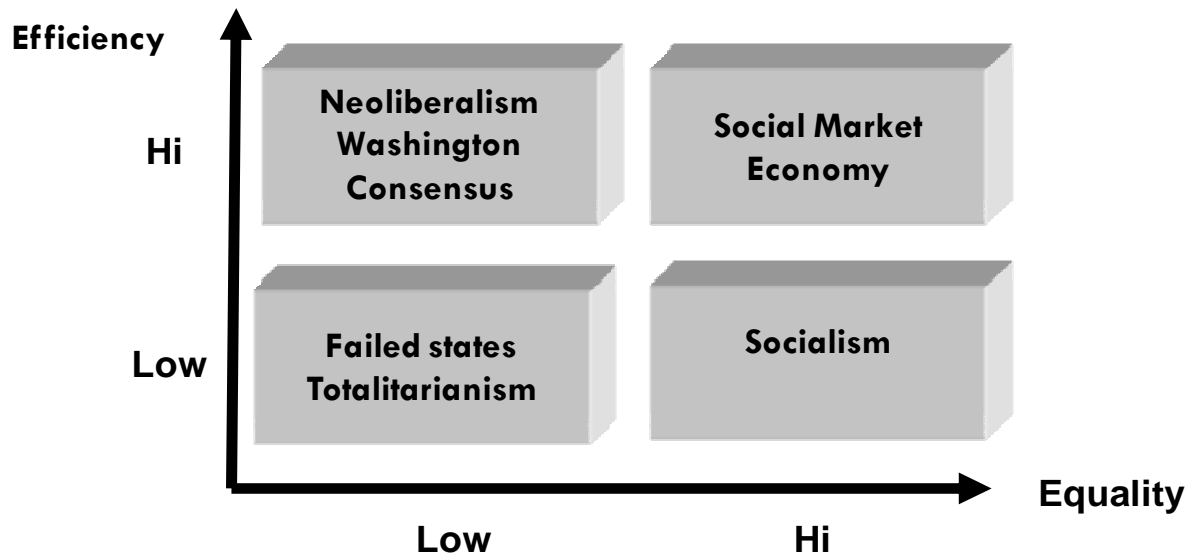
Marcus Marktanner, American University of Beirut

Addressing the Marketing Problem of the Social Market Economy

- Outline
- Social Market Economy – Social, Not Socialist!
- Ordoliberalism – Law and Order for Economic Freedom and Equitable Social Development
- Social Market Economics – Microeconomic Foundations and Limits
- Social Market Economics – Macroeconomic Sympathies and Limits
- Social Market Economics – Is there Empirical Evidence?
- Conclusions

Addressing the Marketing Problem of the Social Market Economy

- Social Market Economy – Social, Not Socialist!
- A third way
- Difference between socialism and unfettered capitalism
- Normative foundations

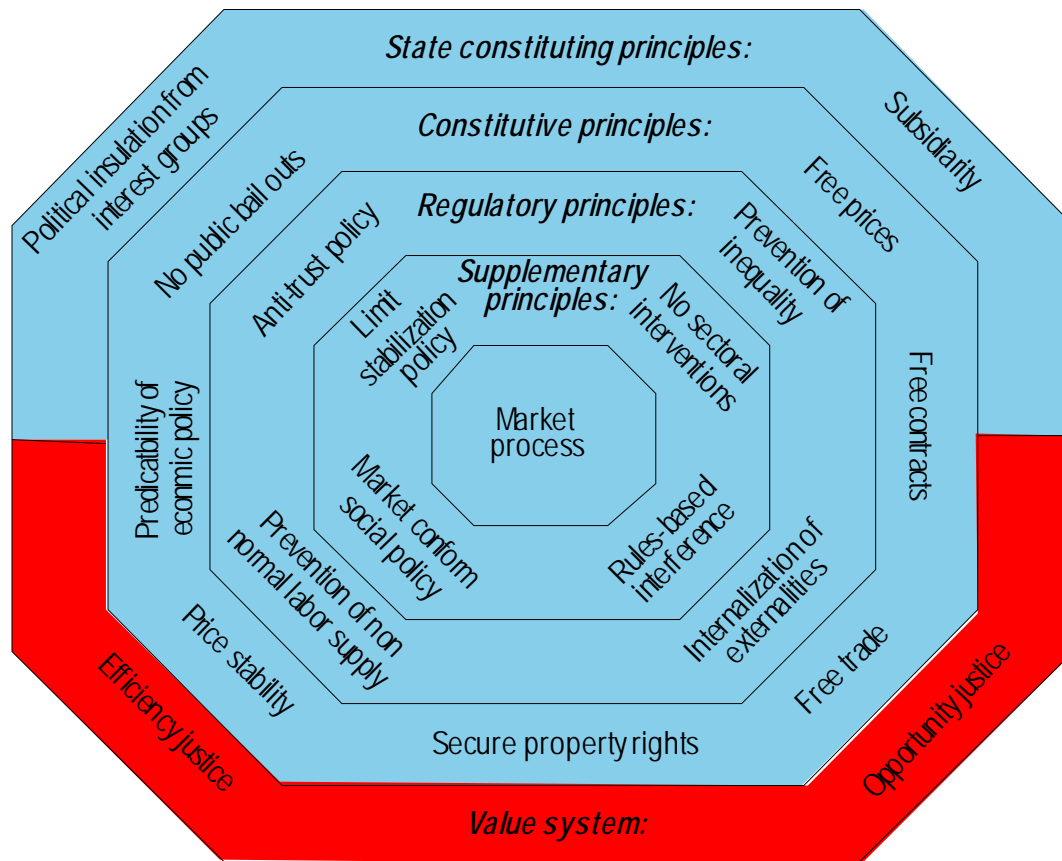


Addressing the Marketing Problem of the Social Market Economy

- Ordoliberalism – Law and Order for Economic Freedom and Equitable Social Development
- Five questions:
 1. What is the normative value system of the Social Market Economy?
 2. What are the state-constituting principles?
 3. What are market fundamental principles that are untouchable by the state?
 4. When is the state supposed to interfere?
 5. If the state is supposed to interfere, how is it supposed to so?

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- The Order of Social Market Economics in a Nutshell



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□ Social Market Economics - Microeconomic Foundations and Limits

□ Microeconomic theoretical support:

□ Diminishing marginal products: $y_i = f(k_i)$ with $y' > 0$ and $y'' < 0$

□ Utility function with preferences

for equality

□ Welfare of two person economy:

□ Equilibrium condition:

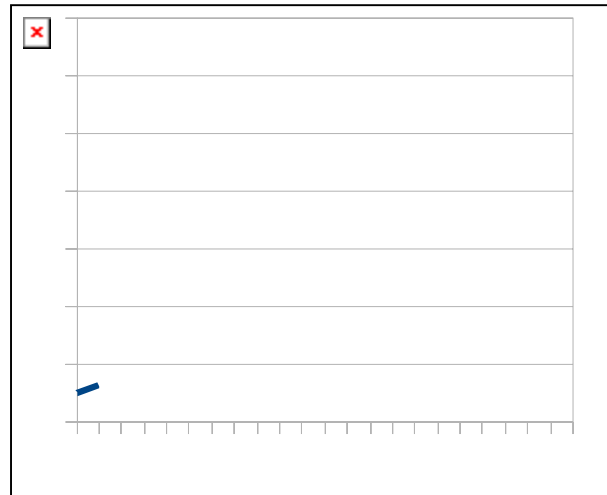
$$U(C_i) = \frac{C_i^{1-e} - 1}{1-e}$$

$$Welfare = U_1 + U_2 = \frac{(k^\alpha)^{1-e} + ((1-k)^\alpha)^{1-e} - 2}{1-e}$$

$$k^e = (1-k)^e$$

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- Social Market Economics – Macroeconomic Sympathies and Limits
- Social Market Economics and current crisis
- Great Depression vs. current crisis
- The decoupling of the financial from the real sector



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- Social Market Economics – Is there Empirical Evidence?

- A proposal for an index

$$\text{Market Efficiency} = \frac{\text{Manufacturing Export Share (\% GDP)}}{\text{Gross Capital Formation (\% GDP)}}$$

- Social Market Economy Index

$$\text{Social Market Economy Index} = \frac{\text{Market Efficiency}}{\text{Inequality}}$$

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□ Social Market Economics – Is there Empirical Evidence?

Top 10?

Rank	Country	MANU	GCF	EOM	INEQ	SMEX	ycapgr
1	Macao, China	70.03	0.26	264.92	24.29	10.91	3.79
2	Hong Kong, China	63.45	0.26	240.4	25.97	9.26	6.35
3	Belgium	35.26	0.24	148.7	34.91	4.26	3.09
4	Singapore	53.65	0.34	156.11	40.26	3.88	6.52
5	Malta	28.6	0.27	106.11	35.2	3.01	6.17
6	Netherlands	22.1	0.22	98.87	32.85	3.01	2.51
7	Germany	20.61	0.24	87.27	31.62	2.76	2.44
8	Sweden	16.9	0.23	73.55	27.92	2.63	2.48
9	Mauritius	27.82	0.25	109.29	43.9	2.49	4.91
10	United Kingdom	13.44	0.2	68.41	31.38	2.18	2.17

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- Social Market Economics – Is there Empirical Evidence?

ycapgr vs LOG10(SMEX)

