

# The Social Market Economy stands for...

## ...solid public finances.

” Any experiment in the character of supposed welfare of charitable attitude to spend more money than the Treasury’s revenues, breaches good and proved principles. (Ludwig Erhard) ”

## ...a commitment to social partnership and collective bargaining. Employees and employers can organise their labour relations better than the state.

” Everything must be done to relocate the focal point of life’s responsibility from the governmental centre to the position, which reasonable thinking and historical experience naturally demand, [...] to the decentralised non-governmental organisations. ” (Wilhelm Röpke)

## ...a functioning competition between companies preferably without distortive subsidies. Competition is a guarantor for innovation.

” If there is no or insufficient competition, there will be an interference on the constitutionally desired driving forces of market prices. The production of goods and the distribution will be steered in an undesired direction. This misdirected economic cooperation, however, is not even the crucial point. More importantly, the substance of social justice in the free market system is disrupted. ” (Franz Böhm)

## ... equal participation in a meritocracy. This concerns the opportunities on the labour market, the possibility for economic mobility by education and social integration assistance for immigrants.

” It is an essential part of a positive family policy to offer equal living conditions and opportunities for advancement by providing equal educational opportunities on the various levels according to affinity and aptitude of our youth regardless the income and the assets of their parents. ” (Ludwig Erhard)

## ... the appreciation of family and civic engagement.

” We firmly believe that there is an infinite number of things more important than the economy: family, community, the state, all forms of social integration in general [...]. ” (Alexander Rüstow)

## ...open markets in a globalised world not regulated by tariffs and trade restrictions.

” We strive for the greatest possible freedom in foreign trade in order to emphasize the principle of the international division of labour and its benefit for all peoples. ” (Ludwig Erhard)

## ...an independent monetary policy focussing on maintaining price stability.

” All efforts to achieve a competitive system are in vain unless a certain monetary stability is assured. Thus, there is a primacy of monetary policy in a competition order. ” (Walter Eucken)

## ...a ‘strong’ state providing guidelines without intervening in all areas of life.

” A strong state is not one interfering in and attracting everything. On the contrary, the truly strong state is not characterised by the complexity but by the independence of interest groups and it is identified by the rigid enforcement of its authority and its dignity as representative of the public. ” (Wilhelm Röpke)

## ...the solidary assurance of life risks whilst ensuring the principle of subsidiarity.

” Economic freedom and social compulsory insurance are incompatible. Thus, it is necessary to recognise the principle of subsidiarity as one of the most crucial organising principles for the social assurance and to give priority to self-help and individual responsibility. Accordingly, the government shall halt protection wherever the individual and his family are still able to make independent and responsible preparations. ” (Ludwig Erhard)

## ... the acceptance of differences in income, as long as the gap between poor and rich is not too wide. Precisely here, government policy of distribution steps in.

” It was demonstrated that the distribution of the national product by the price mechanism [...] is better than the distribution based on arbitrary decisions by private or public corporations. [...] Also with this distribution mechanism, however, questions remain unanswered and it requires adjustment. [...] The income inequality leads to a situation where the production of luxury goods already takes place although the urgent needs of low-income households remain unmet. Thus, this is, where the distribution in a competitive order requires adjustment. ” (Walter Eucken)

## ...the protection of livelihoods and sustainable, resource-efficient economic activity.

” The protection of the people against damages caused to the environment requires the economy to recognise and realise its social responsibility in taking adequate measures in the development of technology preventing damage to humanity. ” (Ludwig Erhard)

## ...a fair system of taxation requiring the individual to contribute to the community according to his ability.

” For instance, it is extremely contradictory if the citizen complains about the unbearable tax burden and, at the same time, expects state aid, which, in turn, give the government the moral right to levy even higher taxes. ” (Ludwig Erhard)

## ... flexible thinking not interpreting freedom and social balance as opponents.

” The market economy is the most docile, digestive and vital economic order, which can be imagined. As long as only a minimum of core conditions are met, it is remarkable how long it can deal with poisons, contaminants and heavy burdens – perfect and upright. [...] And I hereby add: even this digestive power of this [...] system is not infinite. The longer the exposure, the more visible the damages, the more critical the test of endurance, which also this system could eventually not withstand. ” (Wilhelm Röpke)

## ...core regulatory beliefs, which should be enforced on European and international level in the interest of economic stability.

” The Social Market Economy as a regulative policy aims to combine, on the basis of a competitive economy, free initiative and social progress. ” (Alfred Müller-Armack)

## ...an ethical foundation for the economic and social order.

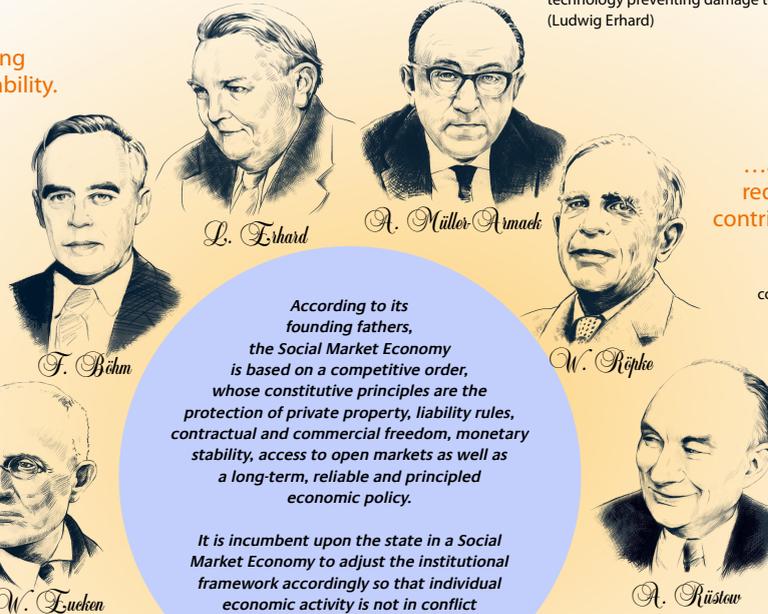
” Self-discipline, a sense of justice, honesty, fairness, chivalry, moderation, public spirit, respect for human dignity of others, firm moral standards – all these things people must internalise when entering the market and competing with each other. ” (Wilhelm Röpke)

## ...a strong entrepreneurship and the commitment to small and medium-sized businesses. Accepting responsibility and risk-taking are important pillars of social progress.

” The transfer of responsibilities [...] imply a system in which the entrepreneur fulfills an economic role in addition to securing his own economic existence, even though this is not always apparent and evident to the individual. He may not be aware of his economic task; nevertheless, he performs this role if in this system of a market economy the free formation of prices and the engine of the competition remain protected and vivid. ” (Ludwig Erhard)

## ...confidence in people’s talents and skills, i.e. their talent for freedom. It relies on the principles of personal responsibility, the protection of property, freedom of contract and decentralised decision-making.

” Civic freedom is an illusion as long as it is not based on the fundamental economic liberties of the free movement of capital and labour, the right to private property and the ability to secure an honest profit. ” (Alfred Müller-Armack)



According to its founding fathers, the Social Market Economy is based on a competitive order, whose constitutive principles are the protection of private property, liability rules, contractual and commercial freedom, monetary stability, access to open markets as well as a long-term, reliable and principled economic policy.

It is incumbent upon the state in a Social Market Economy to adjust the institutional framework accordingly so that individual economic activity is not in conflict with societal purpose and the freedom of others.