

Die Soziale Marktwirtschaft / The Social Market Economy

*PLEASE READ THIS TEXT INDEPENDENTLY AND VERY CAREFULLY. IF YOU DON'T UNDERSTAND EVERY WORD: DON'T WORRY!
THERE IS A WORKSHEET INCLUDED TO HELP YOU TO UNDERSTAND KEY EXPRESSIONS.*

The Social Market Economy

Since the mid-20th century, Germany's economic policy has been based on the concept of the Social market economy (or 'Soziale Marktwirtschaft'). The roots of this concept go back to Ludwig Erhard, who served as the first Minister of Economic Affairs of the Federal Republic of Germany from 1949 to 1963. The underlying idea of the social market economy is to protect the freedom of all market participants on both the supply and demand side, whilst also providing for a strong safety net. [...] The social market economy forms a pivotal part¹ of our free and open society, which is also characterized by solidarity. It has proven itself as an economic system that allows for prosperity and full employment whilst also providing welfare and promoting a strong social fabric².

In a social market economy, it is the markets that balance supply and demand via pricing³: when goods are scarce⁴ and in high demand, their prices rise. This reduces demand while at the same time opening up opportunities for additional suppliers⁵ to generate profits. Suppliers will thus attempt to keep production costs as low as possible. This process ensures that the means of production are used efficiently⁶, keeping consumer costs low. In order for this system to function effectively⁷, it is crucial to ensure that there is sufficient competition within a framework of open markets and to prevent individual players from exercising market dominance. In this way, market mechanisms lead to greater choice for consumers, motivate suppliers to develop new innovations and make technological advances, and distribute income and profits in accordance with individual achievements⁸. It is one of the key responsibilities of government to establish and maintain a regulatory environment that promotes well-functioning competition. At the same time, government must foster the willingness and ability of individuals to assume responsibility and act on their own initiative. The second pillar of the social market economy, besides free markets, is a strong welfare system. This means providing social security for those who are unable to provide for themselves, due to their age, health problems, or as a result of being unemployed. A social market economy is characterized not only by a level playing field for businesses and a positive investment climate, but also by high levels of social participation and by equality of opportunity. [...]

*Source: Federal Ministry for Economic Affairs and Energy
(BMWi), <https://www.bmwi.de/Redaktion/EN/Dossier/the-social-market-economy.html> [accessed:
05.07.18]*



Word Cloud

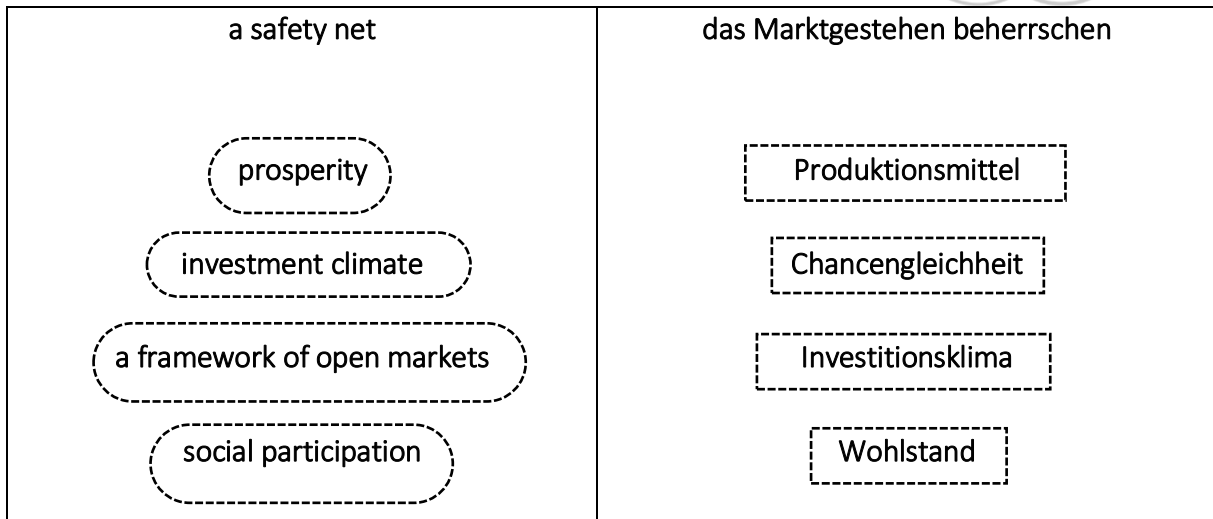
1. a pivotal part – ein Dreh- und Angelpunkt
2. a social fabric – ein starkes soziales Netz
3. it is the markets that balance supply and demand via pricing – durch die Preisbildung auf Märkten werden Angebot und Nachfrage in der Waagschale gehalten
4. scarce – knapp; das Gegenteil ist abundant – reich und im Überfluss
5. additional suppliers – weitere Anbieter
6. efficient – effizient ('input' und 'output' sind im optimalen Verhältnis)
7. effective – effektiv (es zeigt sich eine Wirkung)
8. distribute income and profits in accordance with individual achievements – das Einkommen und den Profit gemäß der individuellen Leistung verteilen

Tasks:

- 1.) Vocabulary work: Cut out and match the key expressions of both languages on the following page with your partner (T1).
- 2.) In German: describe the concept of the Social Market Economy, and give details of the main features. Be detailed.
- 3.) In English: find reasons and explain why social security is seen as necessary for a prosperous economy.
- 4.) In German or English: discuss whether you believe we need more or less state regulation for wealth and prosperity. Use examples you have come across in your life.

T1

Economic Key Expressions – Fachbegriffe der Wirtschaftswissenschaften	
equality of opportunity	Wirtschaftspolitik
market mechanisms	Sozialhilfesystem
welfare system	freie und offene Gesellschaft
production costs	Marktteilnehmer
means of production	Sozialhilfe/Wohlergehen/Fürsorge
solidarity	Produktionskosten
key responsibilities of the government	Marktmechanismen
economic policy	Vollbeschäftigung (=Arbeitslosenquote von 0)
full employment	die Kernaufgaben der Regierung
a regulatory environment	ein soziales Netz
consumer costs	soziale Teilhabe
social security	neue technische Innovationen entwickeln
free and open society	die Kosten für die Konsumentinnen und Konsumenten
exercising market dominance	ein reguliertes Umfeld
welfare	Solidarität
develop new innovations and make technological advances	ein Regelwerk für offene Märkte
market participants	soziale Sicherheit



Lösung

economic policy – Wirtschaftspolitik
market participants – Marktteilnehmer
a safety net – ein soziales Netz
free and open society – freie und offene Gesellschaft
solidarity – Solidarität
prosperity – Wohlstand
full employment – Vollbeschäftigung (=Arbeitslosenquote von 0)
welfare – Sozialhilfe/Wohlergehen/Fürsorge
means of production – Produktionsmittel
production costs – Produktionskosten
consumer costs – die Kosten für die Konsumentinnen und Konsumenten
a framework of open markets – ein Regelwerk für offene Märkte
develop new innovations and make technological advances – neue technische Innovationen entwickeln
key responsibilities of the government – die Kernaufgaben der Regierung
a regulatory environment – ein reguliertes Umfeld
exercising market dominance – das Marktgestehen beherrschen
market mechanisms – Marktmechanismen
welfare system – Sozialhilfesystem
social security – soziale Sicherheit
investment climate – Investitionsklima
social participation – soziale Teilhabe
equality of opportunity – Chancengleichheit