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***Soziale Marktwirtschaft***

**- key to economic success or *contradictio in adiecto*?**

by

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**Point of Departure**

No words can describe the state of destruction or rather annihilation of Germany as a consequence of allied bombing raids until the very last day of World War II. The present author was a boy of three years when the war ended and he clearly remembers the ruins of the city of Hamburg. The fortune his grandfather had earned and invested in USA was gone, as was the case of all other foreign holdings of German citizens. When your author left school (1962) non communist West- Germany had been rebuilt by about 90%. West- Germany had become the biggest economy of the world after USA. Huge balance of payment surpluses had put us in the same position China is in today. 1990 communist German Democratic Republic (GDR) joined the Federal Republic (Wiedervereinigung/ reunification). GDR was a completely run down territory. 20 years later its infrastructure is one of the best in the world. Through all these 20 years the Federal Republic of Germany remained what it had been from the first to the present day: the major financial net- contributor to European Economic Community. In Germany always paid more into the common pot than France, Italy and England together. Obviously there was and still is quite a difference in the economic development of Germany and other like countries.

What is the reason? The answer mostly given is: The German concept of *Soziale Marktwirtschaft* (social market economy, hereinafter). <sup>1</sup> A „system” would never explain everything. *Soziale Marktwirtschaft* therefore does not explain it all. But it is widely believed, that this concept was the biggest single factor for the recovery of Germany after World War II and her performance ever since.

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<sup>1</sup> The term was coined by Alfred Müller-Armack (1901- 1978), *Wirtschaftslenkung und Marktwirtschaft*, Hamburg, 1947,. M.-A. was a economist trying to combine liberalism with Christian – catholic ethics ( christliche Soziallehre).

## **I. Scope of Economy**

The scope of economic systems ranges from unregulated exchange of rude commodities to strictly regulated systems as we had them under soviet style communism. It may be possible to dream out an economic order outside of state and law. In practice this never existed. As far as we know history, economy always operated within a national and legal order. This could be state capitalism as we find it in old China or under Diokletian in ancient Rome, or cooperative structures as were had them in medieval Europe or early capitalism in Northern Italy from the 13<sup>th</sup> century onwards. In the same way as nations began to exist and to develop their legal systems they also organised their economy. There was no time in recorded history without some sort economic policy. Absence of economic policy would be paramount to absence of politics at large. The theory of *laissez faire* was never and nowhere allowed to stand the practical test. World wide consensus therefore is, that the state must set certain rules for the economy - to encourage entrepreneurship as well as to protect the weak. This is done by laws.

This leads to the question what aims and objectives the state should set for the economy and how these can be achieved. The answer given in Germany is *Soziale Marktwirtschaft*. This is understood not only as an economic system but rather as a program or *leitbild* (model, concept) for the society as a whole, comprising all aspects of life in which economy plays a role.

## **II. Invention of *Soziale Marktwirtschaft***

### **1. Laisser faire v. State intervention**

A. Müller-Armack invented the idea or catchword of „Soziale Marktwirtschaft” under the impression of the hopeless state of Germany after World War II. There was no realistic chance that Germany would ever recover, and if there was any hope left recovery was not to be expected from market forces having their *laissez faire*. On the other hand Soviet style socialism was not an option. There was no question that a liberal market system had to be reinstalled after the devastation in Germany, a sense of economic freedom and entrepreneurship had to be rekindled.

That part of Germany which was under the administration of the western powers, which later became West- Germany or the Federal Republic had to integrate some 11 Million Germans who had been removed from their homes in the eastern provinces (East Silesia, Pommerania etc.). The present author was 10 years old and remembers well: We West -Germans had little, but these refugees had nothing. Market economy can work only, if seller has at least something to sell and the buyer at least something to pay with. But this was, bar for some cigarettes stolen from or given by allied military, not the case. In this situation economy had to be *social* in the meaning of caring and doing justice to those who were reduced to zero. A label was found which would later be attached to the stunning economic success of Germany

(Wirtschaftswunder = economic miracle). 2 What exactly was meant with this, however, was by no means clear, apparently not even to the author himself.

## 2. Soziale Marktwirtschaft as Political Label

The term *Soziale Marktwirtschaft* had and still has a strong political connotation.. It was successfully used to win elections for the Christian Democratic Party of the first chancellor, Konrad Adenauer and Ludwig Erhard, his minister of economics, later his successor as chancellor. It was both unclear and inspiring. The word „sozial“ (Engl/French: *social*) today has become a household word in all areas of politics. It was, however, hardly known to economists and politicians until about 1850. Friedrich Hayek wrote back in 1957 that this adjective for its vagueness takes away the clear sense of everything to which it is attached. The term *soziale Marktwirtschaft* has therefore been labelled as a *contradictio in adiecto*, a contradiction in itself. L. Erhardt, called this a pleonasm, because market economy/Marktwirtschaft is „social“ by itself. 3 Therefore the argument goes: *soziale Marktwirtschaft* cannot not social because it somehow distorts the concept of market economy.

## III. Historic Background

It may be helpful to give a short overview on how the state interfered with economy at certain times. Greek and Roman writers left some books on agriculture<sup>4</sup>, but nothing on the economic process as such. Economy just happened. We vaguely feel that up to the time of Diocletian (284 – 305) there was what could be called a „liberal“ system with little direct interference of the state. For reasons not to be discussed here, things deteriorated thereafter. Costs of the military went up, the huge build up of the imperial bureaucracy added „unproductive“ persons to the emperor`s payroll. Productivity both in agriculture and industry declined, inflation went up. The state gradually gained control on every level of the economic process.<sup>5</sup> The liberal system transformed into what has been called state capitalism or, depending on the point of view, state socialism.<sup>6</sup>

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2 E.g. Wikipedia in English: The social market economy (German: *Soziale Marktwirtschaft*) is the main economic model used in West Germany after World War II; French: *En Allemagne, ce modèle a été institué par Ludwig Erhard.*, Spanish: La economía social de mercado fue el principal modelo económico...implementado originalmente en la Republica Federal Alemana ... *Soziale Marktwirtschaft. Etc.*

3 Alfred C. Mierzejewski: *Ludwig Erhard : der Wegbereiter der Sozialen Marktwirtschaft*. München, Siedler, 2005, p. 59. *Der Markt an sich sozial – the market is social by itself.*

4 E.g. Marcus Terentius Varro ( 116 – 27 B..C.) *Rerum rusticarum libri tres* ( 3 books on agriculture)

5 E.g. the famous price edict of Diocletian 301.

6 Demanth, *Die Spätantike*, Munich, 1989, p. 322 ss

In the European Middle Ages there was little theorizing about economy.<sup>7</sup> Some type of mercantilism can be seen in Sicily, the first modern state under the German emperor Friedrich II (13<sup>th</sup> century).<sup>8</sup> Exports were encouraged and imports discouraged. Economy was monopolized by the state.<sup>9</sup> Commodities were sold at prices fixed by the state. Market forces, supply and demand, were not yet seen as decisive for price building.

By and large this was the state of things during the following centuries. Economic thinking was influenced by upcoming ideas of political or philosophical liberalism. French economist Turgot 1759 coined the famous phrase: *laissez faire, laissez passer* (= let them do, let it go), which became the motto against mercantilistic state control of the economy. Economic liberalism was the word. Theories began to define the economic process without reference to the state and devised models with no or little reference to the actual environment in which economy operates (Max Weber: *Idealtyp*). So economic theories often interwoven or tainted with religious doctrines lost touch with the real world. Progress in medicine and health care had reduced infant mortality and increased life expectancy. This led to a virtual explosion of the population in all advanced European countries as of 1800.<sup>10</sup>

These masses entered the already crowded labour market. The *social* issues came up. Pauperisation of the working class ensued. Karl Marx` great work *Das Kapital* does really move every reader with its heartbreaking examples of the working class lives in mid 19<sup>th</sup> century England as opposed to the luxurious life style of plant owners. Dickens` novel *David Copperfield* (1850), French author Emile Zola`s *Germinal* (1885) describe the social situation in England and France and which were the basis of socialism or communism. Apparently the situation of working classes could not be improved simply by *laissez faire*. Socialists called not only for state control of the economy but for laws to expropriating the capitalists. It took only hundred years from Adam Smith`s *Wealth of Nations* (1776) to Karl Marx` *Das Kapital* (1867; postum completed 1883). Since then attempts have been made under various names to flavour economic liberalism with some sort of socialism in the sense of taking from the wealthy and giving to the poor. German invention of a social insurance system may be the most prominent example. Its worldwide success is obviously founded in the idea of not just redistributing wealth but by forcing the worker to insure himself against risks of life (social insurance).

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<sup>7</sup> The present author only speaks about European developments. He does not overlook, however, accomplishments of the Muslim world of those times, e.g. the outstanding work *EL Muqqadima* of Ibn Khaldun ( 13132 – 1406), which among many other topics deals with economic questions. See: Book II , 4<sup>th</sup> section: On prices.

<sup>8</sup> The Kingdom of Sicily was a rare blend of nordic, latin and arabic cultural influences.

<sup>9</sup> Kantorowicz, Ernst, Kaiser Friedrich der Zweite, reprint 1964 of 4th ed. 1936, p. 259 ss

<sup>10</sup> Population in Germany more than doubled from 26 Mio in 1800 to 54 Mio in 1900

Controversies between social democrats, radical socialists and communists dominated the political scene after World War I not only in Germany. England saw its first Labour Government, Italy went fascist and France almost succumbed to this ideology. Each of these had their own ideas on how the state should take control of economy. All these ideologies were expressly based on some concept of socialism, i.e. state interference with economic process in order to improved or to mitigate the to improve the situation of the working classes. Hitler`s party was called national - *sozialistische Arbeiterpartei* – socialist workers` party; national – as opposed to communism which pretended to be *inter*-national.

The big depression of 1930 brought fascism to Germany. Without even knowing the name of Keynes, Hitler by building autobahns and cars (Volkswagen) put into practice what Keynes was about to publish some years later: causing the state to create demand for jobs by deficit spending. It seemed to work. But what followed was a state capitalism or, depending on the point of view, state socialism, in the government became the major and by and by almost the sole player. *11*

#### **IV. Three steps to Soziale Marktwirtschaft**

*Maslow`s Hierarchy of Needs* tells us that human needs develop bottom up. From basic needs to preserve our physical life, to social needs such as friendship and family, then to more sublime wants such as morality and search for philosophical truth. The same principle seems to apply to the objectives of economy and hence to human attitudes or economic theories going with it.

**The first step** on this hierarchical ladder of objectives of economy is obviously the supply of food and shelter. These needs are imperative and cannot be delayed. Instructions on how to grow certain crops, to raise cattle and how to build a house are of necessity. Theories on the economic process as such are of no avail at this stage.

**The next step** on the ladder comes with the new developments and the advancement of general culture. The scope of economic activities becomes wider. Economy which for centuries had been dealing only with a handful of commodities became more complex. Scholars started to question where wealth came from (French physiocrats, English A. Smith, German v. Thünen) and as of 1850 they developed theories how wealth could be created. Economy was somehow seen as a machine turning out wealth at will of its master, if he only had the right instructions manual. Since then economic theory basically was about writing the perfect manual for creating wealth<sup>12</sup> The culmination of this was Keynes and his theory. Based on the magic of creating and discreating money through central banks methods, invariably connected with the name of Keynes, are engaged to achieve this. Creating wealth by creating money. This is the realm of the presently ruling economic theories.

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*11* F. v. Hayek very rightly spells out, what is somehow has become politically incorrect to say today: *National -sozialismus* was in its essence Sozialismus.

*12* In the history of ideas ( *geistesgeschichtlich* ), the parallel to gold making imposes itself to the mind.

**Third** and last step on the imagined ladder. Keynes has not found the magic pill. The creation of artificial money is not older than central banks, which made their appearances by the end of the 19<sup>th</sup> century. Creating growth by artificially stimulating demand and thereby artificially stimulating supply can well lead to growth, which is artificial. The financial crisis of 2008/9 has shown this. The vast majority of Nobel Prizes in Economy has been won by Americans. The ultimate worth of their accomplishments remains however doubtful. Their theories did not prevent the USA government to go almost bust in 2011. Shortage of resources, spoilage of the environment, destruction of the social texture etc again lead to wider views. What is economy fundamentally, really about? Does money have any worth if there is no real economy, producing things which can be seen, used and maybe eaten? The present state of the English economy shows the dangers of neglecting real economy in favour of financial services. Is there something beyond feeding and housing and enjoying luxury? Taking resources from somewhere to serve ever increasing needs and exotic wishes elsewhere – can this go on forever? Does it bring *life, liberty and happiness*?<sup>13</sup> The pursuit of these, or in modern words, quality of life, is the objective of economy under the concept of *soziale* Marktwirtschaft.

Two World Wars have brought the peoples of the world together. Since the outbreak of World War in 1914 we all share at least one historical date. Rich countries cannot turn their eyes when the less lucky submerge in their calamities. Economy today is for good or bad, World Economy. The concept of *Soziale Marktwirtschaft* takes also this into consideration. An economy which cannot properly feed and house its citizens is neither social nor anything else. A world in which the majority is not properly fed or housed is, to say the least, imperfect. *Soziale Marktwirtschaft* purports to change this by the same recipe which Adam Smith prescribed to his time: Try to become rich and an invisible hand will give your neighbour his share.

## V. ***Stabilitätsgesetz* and the Magic Square**

Parliament cannot decree price stability, growth etc. What can however be done is to make it mandatory for government and bureaucracy at all levels to have certain objectives constantly before them. German *Law to promote stability and growth of the economy* of 8<sup>th</sup> June 1967 (*Stabilitätsgesetz*) postulates economic equilibrium (Art. 109 para 2 GG, German Constitution) as national objective. This law tables the so called Magic Square of aims to be achieved in *Soziale Marktwirtschaft* (see below).

The term magic implies that it is well understood, that no all goals can be achieved simultaneously. The real message of this law is therefore the following: Price stability, growth etc are no absolute economic aims, but are only considered to be supportive of the ultimate objective of economy: Harmony without stagnation! This ultimate objective in fact coincides with the national objective of any state. The four objectives of Magic Square are important in all countries, they are by no means special to Germany. But based on its history in the 20<sup>th</sup> century Germany feels that it has more

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<sup>13</sup> See: US -Declaration of Independence

than other countries experienced their impact not only on economy but on the whole society. These four objectives are the following:

**1. Price stability:** Twice in a generation Germany suffered the effects of inflation. After World War I the big inflation of 1923 wiped out all money holdings thus causing social havoc of unheard dimensions. After World War II again German money claims were devalued by 10 to 1. Ever since Germans are particularly sensitive about tampering with the currency and inflating money volume.

**2. High level of employment:** Mass unemployment in the 1930ies met with a German population already impoverished by inflation of 1923. Some 6 million unemployed have been the major argument for Hitler and his party in 1933.

**3. Balance of payment equilibrium:** Export is core and bone of German economy. It has, bar for coal which is losing importance, almost no natural resources, and must import (e.g. energy and raw material) in order to export refined machinery etc. When the Stability Law was passed the Bretton Woods system<sup>14</sup> of fixed exchange rates was still in force. Germany, more than other countries, was dependent on an equilibrium of import and exports. Too high a export surpluses would kindle inflation (imported inflation). Floating exchange rates have diminished this danger, but high surpluses can, irrespective of official friendship, be politically incorrect and may cause frowning of mighty USA <sup>15</sup>.

**4. Adequate growth:** Economic success is almost synonymous with economic growth. It may be allowed to give Gossen's law of diminishing marginal utility <sup>16</sup> a universal meaning: The costs of whatever growth increase in disproportion to the incremental utility of such growth. Damages to environment and societies can already be seen and felt worldwide. On the other hand it is also true: *Stillstand ist Rückschritt – standstill means falling back!* Stabilitätsgesetz is therefore not against growth, but advocates „adequate” growth in conformity with environmental and other issues. In this context the green mass movement must be mentioned, which has more or less

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<sup>14</sup> In 1973 the USA discontinued her obligation under the Agreement to sell gold at the price fixed therein ( \$35/ounce). This brought the system of fixed exchanges rates to its end.

<sup>15</sup> Cf. The US president Obama, US- Secretary Th. Geitner, Nobelprize winner P. Krugman at the G – 20 - Summit Toronto in June 2010.

<sup>16</sup> At this point your author may be allowed to say the following: Americans seem to be under the impression that economy is basically an English, if not American affair. This is not so! English speaking scholars are generally not in the habit of giving much credit to non-English speaking scholars. This attitude translates into American study books on economy, as they are used in Pakistan. American authors therefore usually cannot find one single German or French economist worth mentioning. The name of Hermann Heinrich Gossen ( 1810 – 1858 ) remains therefore unknown to most students. Gossen was the first ( 1854) in his work " *Entwicklung der Gesetze des menschlichen Verkehrs und der daraus fließenden Regeln für menschliches Handeln* ( development of the laws of human intercourse and the resulting flow of rules for human action) to describe the universal law of “diminishing marginal utility”, which in Gwrmany is known “1. Gossenschens gesetz.

spread out to the world. This probably originated in Germany and goes back to romantic and environmental movements at the turn of the 19th to 20th century.

## **VI. The term *sozial* in Soziale Marktwirtschaft**

### **1. Meaning of Equality**

*Sozial*/social in *Soziale Marktwirtschaft* obviously cannot mean equality in a formal, technical sense. If we compare men with animals, the greatest differences between men disappear. There are almost none between e.g. a composer of sublime music like Mozart and a heinous criminal if compared to an almost human like orang-utan. On this basis the principle of equal rights is very simple. All human beings are indeed very equal. So why not should all have the same rights? It is sometimes the impression, that socialists when discussing „social” are stuck with this orang-utan-comparison. But not the jungle is the yardstick, it is the environment in which humans live, ie human society. And then it is quite evident that all people are not so equal.

There is an undisputable difference not only between Mozart and the criminal, but also between a Nobel prize winner and dumb pub patron, between a bus driver and a doctor, a blind man and a man with sound eyes etc. Fundamental differences impose themselves. If the coveted commodity is the job of a conductor in an opera house, we would prefer Mozart (or his contemporary colleague) without even looking at his competitor, who may be a good bus driver but has no idea of music, even if this man desperately needs a job and Mozart is rich enough to live from his money. If however the coveted commodity is a piece of bread we would probably not make a difference based on education or social standing but on who is more in need of food.

### **2. Social = Equal Chances**

**Objective differences:** Laws and constitutions cannot make men equal. But they can try to level out inequalities by giving everybody an equal chance to whatever is in store. After World War II chances for an average German for a good standard of living were not good. In comparison to the 10 million refugees from former East Germany, who had lost everything to the Polish etc, the prospects of West Germans, however, were somewhat brighter. The German authorities could have left it that way. The war could not be undone. Everybody has to live his destiny! If there is anything in Germany to glory about, it is the way, how inequalities caused by the war were dealt with. Equal chances for those, who apparently had none, were created by taking from those who had some worth left.

*Soziale Marktwirtschaft* in Germany therefore began with a series of laws in which „sozial” was understood in a very typical sense: Not just taking from rich and giving to the poor for consumption, but creating equal chances by helping them to help themselves. The *Lastenausgleichsgesetze* (laws on the distribution of losses suffered from the war) basically took from West - Germans and gave to the refugees. But in a quite sophisticated way. Example may be the *Hypothekensicherungsgesetz* of 2. 9. 1948

(*Restatement of mortgages Act*), which is an almost genial law.<sup>17</sup> This law and ensuing laws put a newly created type of first ranking mortgage on all immovable property in favour of defined state banks as mortgagees. The annuities to be paid the owners under this mortgage were used to refinance loans to refugees – provided that these invested in capital goods, mainly in the construction of new houses, which in turn generated labour and wages.

**Subjective differences :** The same understanding of *sozial* as equal chances (*Chancengleichheit*) occurs with individual, maybe inborn differences between men.

It is not the aim of Soziale Marktwirtschaft to confer in the Mozart/ bus driver - example the conductorship to the bus driver. The public is not well served with a conductor who may enjoy his salary but does not live up to his job. The law cannot make Mozarts or conductors. The law can however try to give equal chances to everybody to develop his individual potential and ultimately become a conductor. This is most conspicuously done through the educational system, which is open for all and has been designed to level out social differences which usually arise from rich/poor father. Germany is well known for its long standing educational system. Schools, vocational schools are compulsory; incentives are given to continuous training and further studies etc. Universities have long been opened to all. In the 1970ies newly invented *Fachhochschulen* (University of Applied Sciences) have been established in dozens of cities. These are a type of tertiary education institution, sometimes specialized in certain typical areas (e.g. technology or business). *Fachhochschulen* were invented in Germany and later adopted by other countries. *Fachhochschulen* do not award doctoral degrees. Universities of Applied Sciences focus on teaching professional skills on high level.

## **VII. Freedom**

### **1. Caring and Paternalism (*Bevormundung*)**

*Sozial* is often understood as caring for the poor and disabled. This sounds good policy. But it is not always as good as it sounds. It is a human right, to be and to remain free. This means that men should not be hindered by the state but rather encouraged to develop their own personality and potential and to live according to their own designs. Caring is too often just another word for paternalism (*Bevormundung*). Latter days colonialism in India and Indonesia was legitimized by moral vocation of the colonialist to teach the coloured people „*half – devil and half child*” (as R. Kipling was wont to say).

This is a disincentive to find your own way , a denial of freedom in the first place. In an economic sense it is even counterproductive. Literally - it diminishes productivity.

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<sup>17</sup> This law was based on the idea that owners of immovable mortgaged property had gained as debtors by the devaluation of the Reichsmark. These windfall profits were somehow restated as debts in the form of a new mortgage. Present author ventures to give the advice to Pakistan: Would this not be also good idea for Pakistan? First rank mortgages on defined immovable in order refinance small investors?

## 2. *Subsidiarität* - subsidiarity

Although not in the German constitution *Subsidiaritätsgrundsatz* is an unwritten principle of German law. Against the resistance of her partners Germany brought this principle into the European law. Unfortunately it is there still like *Dornröschen* of the Grimm brothers, a sleeping beauty, to be raised to full life and (what she really would deserve) to be loved. It is fact of live that every holder of power or influence (state, authority, individual) wants to keep his power and wants more of this. If *sozial* is understood as creating and preserving equal chances to everybody, to find his own way, *sozial* also implicates the meaning: protecting your individual potential and freedom against *Bevormundung*. One countermeasure against *Bevormundung* is the principle of *Subsidiarität* (*subsidiarity*). The meaning of this unwieldy word is twofold:

- Each person/authority must have his sphere of competence. Within this sphere he enjoys freedom and autonomy *vis-a-vis* its superiors
- The higher ranking person/ authority is (by law!) not permitted to interfere with the sphere of competence of the lower ranks, as long these stay within the limitations of their competence and the law.

This *Subsidiaritätsgrundsatz* –*principle of subsidiarity* may be explained by a true anecdote. Present writer discussed with a French military officer how it had been possible, that so few German troops could so forcefully resist so many allied forces. The reason, I said, can be made clear by imagined situation:

French/English/American captain to lieutenant: Hill Nr. 123 must be captured. You take 250 men, 300 machine guns in case some fail, 5 heavy, 2 light cannons. Here is the map: 120 men go up right, 100 go up left; 30 you post there. Beware of this, beware of that etc. *Oui, oui mon capitain!* German captain to lieutenant: Capture Hill Nr 123. When you have it or run into difficulties you report to me. *Jawohl, Herr Hauptmann!*

The former French captain agreed, as do allied military writers. What is nowadays taught in Business schools as *management by objectives* is in fact a very old tool in the German or Prussian army. Today it is seen as one explanation for the success of German companies. Still, this principle of echeloned hierarchical *Selbstverantwortung* (personal responsibility for the outcome of one`s act) is not easily understood in other countries, let alone copied. Example: If the CEO of an American, English, French etc concern gives the order: No more Business Class flights - it is done, although the affected companies are legally independent. It is difficult for an American etc to understand, that this is not so in Germany. The German CEO of course can give an order, which class (not) to fly. However, he would be very reluctant to do so. Do I know, he would ask himself, how the customers of my subsidiary in e.g. Thailand, Ruanda etc would look at this? Let the director of the local company decide and justify the extra expense by his results.

## VIII. Socialists and their concept of *sozial/* social

## 1. Meanings of social

The word *social* is derived from *Latin socius = person having the same interest*; hence. *Partner, friend, comrade, assistant*. Basically there are three different meanings of this word in all languages:

**a. Socialist:** In economy the term *sozial /social* (Sozialismus/socialism) is understood as describing a system or activity which is fully or somehow under the control of the state and its bureaucracy. This usually goes with redistribution of commodities and resources by state interference and correspondingly suppression of private enterprise and freedom.

**b. Quasi –Religious:** There is a second meaning to this word, and insofar there may be a certain shift in the meaning between German and other languages. *sozial = caring, having regard for others, being socially responsible*. The combination of *sozial* and *Marktwirtschaft* changes the meaning of *Marktwirtschaft* as well as it changes the meaning of *sozial*. The primary objective of economy to earn my bread, is complemented by responsibility for my fellow men. *Soziale Marktwirtschaft* is combining two apparently contradictory positions which in fact, however, are complementary, namely profit seeking and giving assistance to the needy. St. Pauls says in Ephesian 4, 28: *Work with your hands, so that you may give to the poor*.

**c. Socio - Political:** Thirdly, as a political term *social* describes aspects which arise when people live together in the same state, community, factory etc. In this sense *sozial/social* is neutral and would stand for „justice, equitable, equal treatment” etc. From this arise social services, which are not contrivances of leftists but useful things like garbage collection.

## 2. Mixture of meanings

Politicians and law makers usually don't pay much attention to linguistic or semantic problems. Much of the confusion and even political bitterness which goes with the word „social” is a consequence of the different meanings being mixed or even messed up.

Leftists emphasize meaning a (socialist). When speaking with religious people, who understand meaning b (quasi-religious) , and politicians, thinking of meaning c (socio-political), *babelisation*<sup>18</sup> is the normal consequence, without people even noticing, that they don't understand each other. All use the same good word „social”, but mean different things. Those who understand „social” as meaning a, which would be the majority, would fiercely proclaim, what many in fact already do: Germany is not social any more! Pensions should be higher, the rich are not taxed as they should, bankers draw huge bonuses while the unemployed receive only a pittance etc. etc. Most politicians would, however, insist on Germany adhering to the concept of *Soziale*

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<sup>18</sup> Referring to the Old Testament Genesis 11: German: babylonische Sprachverwirrung: God confounded the languages of those who wanted to build the Babylonian tower.. - *babelisation* is here taken from the French.

Marktwirtschaft. Whenever they dream up a new goody for the electorate (which in many cases is a „bady” for the so called rich) they are wont to spice their verbious pronouncements with the ornament of „sozial” , meaning thereby something along meaning b.

Today Germany is a modern welfare state. This may be good (or as he feels) bad. In any case this is not what *sozial* originally meant, when Germany rose from ashes. Far from this. Social goodies of all kinds, socialist ideas have brought today`s Germany far off the right path. Germany does not any more follow the concept of *Soziale Marktwirtschaft* – as described here. The Federal Republic of Germany has entered the shiny fields of socialism. Many seem to like this. The present writer does not. He feels himself being in line with Ludwig Erhardt, who already as early as 1974 said that the modern state is „socially overloaded”.

### **Conclusion**

*Soziale Marktwirtschaft* has been described as a political concept rather than an economic system by which Germany after World War II rose from ashes. It is a concept in which economy is guided to created not equality but equal chances. *Sozial* in this sense does not mean anything like *social* in the socialist world.

M.A.

22.8.11