

## 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

1 Since the mid-20th century, Germany's economic policy has been based on the concept  
2 of the Social market economy (or 'Soziale Marktwirtschaft'). The roots of this concept  
3 go back to Ludwig Erhard, who served as the first Minister of Economic Affairs of the  
4 Federal Republic of Germany from 1949 to 1963. The underlying idea of the social  
5 market economy is to protect the freedom of all market participants on both the supply  
6 and demand side, whilst also providing for a strong safety net. [...] The social market  
7 economy forms a pivotal part<sup>1</sup> of our free and open society, which is also characterized  
8 by solidarity. It has proven itself as an economic system that allows for prosperity and  
9 full employment whilst also providing welfare and promoting a strong social fabric<sup>2</sup>.

10 In a social market economy, it is the markets that balance supply and demand via  
11 pricing<sup>3</sup>: when goods are scarce<sup>4</sup> and in high demand, their prices rise. This reduces  
12 demand while at the same time opening up opportunities for additional suppliers<sup>5</sup>  
13 to generate profits. Suppliers will thus attempt to keep production costs as low as possible.  
14 This process ensures that the means of production are used efficiently<sup>6</sup>, keeping  
15 consumer costs low. In order for this system to function effectively<sup>7</sup>, it is crucial to  
16 ensure that there is sufficient competition within a framework of open markets and to  
17 prevent individual players from exercising market dominance. In this way, market  
18 mechanisms lead to greater choice for consumers, motivate suppliers to develop new  
19 innovations and make technological advances, and distribute income and profits in  
20 accordance with individual achievements<sup>8</sup>. It is one of the key responsibilities of  
21 government to establish and maintain a regulatory environment that promotes well-  
22 functioning competition. At the same time, government must foster the willingness and  
23 ability of individuals to assume responsibility and act on their own initiative.

<sup>1</sup> a pivotal part – ein Dreh- und Angelpunkt

<sup>2</sup> a social fabric – ein starkes soziales Netz

<sup>3</sup> it is the markets that balance supply and demand via pricing – durch die Preisbildung auf Märkten werden Angebot und Nachfrage in der Waagschale gehalten

<sup>4</sup> scarce – knapp; das Gegenteil ist abundant – reich und im Überfluss

<sup>5</sup> additional suppliers – weitere Anbieter

<sup>6</sup> efficient – effizient ('input' und 'output' sind im optimalen Verhältnis)

<sup>7</sup> effective – effektiv (es zeigt sich eine Wirkung)

<sup>8</sup> distribute income and profits in accordance with individual achievements – das Einkommen und den Profit gemäß der individuellen Leistung verteilen



24 The second pillar of the social market economy, besides free markets, is a strong welfare  
25 system. This means providing social security for those who are unable to provide for  
26 themselves, due to their age, health problems, or as a result of being unemployed. A  
27 social market economy is characterized not only by a level playing field for businesses  
28 and a positive investment climate, but also by high levels of social participation and by  
29 equality of opportunity. [...]

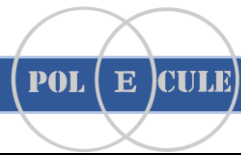
*Source: Federal Ministry for Economic Affairs and Energy (BMWi),  
<https://www.bmwi.de/Redaktion/EN/Dossier/the-social-market-economy.html> [accessed: 05.07.18]*

**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



<p>a safety net</p> <p>prosperity</p> <p>investment climate</p> <p>a framework of open markets</p> <p>social participation</p>	<p>das Marktgestehen beherrschen</p> <p>Produktionsmittel</p> <p>Chancengleichheit</p> <p>Investitionsklima</p> <p>Wohlstand</p>
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*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

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