

Social Market Economy for the 21st century: An International Peace Project

by Christopher Gohl, Nils Goldschmidt, Ulrich Hemel and Jeffrey Sachs

Our inner peace is increasingly strained. How we deal with climate change, digital transformation and migration, and whether we generate and distribute prosperity sustainably, will be decisive for a prosperous, peaceful coexistence. We propose that the economic order of Germany, the Social Market Economy, might be best suited for securing social peace and sustainable development in the 21st century - not only in Germany across all party lines, but everywhere in the world. As a form of responsibly regulated capitalism, it has a proven track record of ensuring that people live well.

Social peace can only be achieved in the long run when most people feel that economic conditions are fundamentally just and ecologically sustainable. The Social Market Economy has been designed from the outset for reconciliation: between capital and labor, city and country, poor and rich, young and old, growth and environment. It does not serve the interests and privileges of individuals but gives all people the opportunity to flourish. It combines entrepreneurial freedom, stable framework conditions, social cohesion, and environmental sustainability. By ensuring prosperity, innovation and progress, it creates the economic basis for people to meet their potential through education and healthcare, and to receive support in situations of increased vulnerability such as illness, disability, and unemployment. Its supporting pillars include a liberal understanding of the constitutional state, an opportunity-oriented social policy, the so-called „Social Partnership" between unions and employers' associations, and democratic ways of life. The aim is to find a balance within the community between personal responsibility and solidarity, between the development of freedom and fair, reliably enforced rules of the game. Neither paternalism nor boundlessness is fundamentally the right way forward.

The Social Market Economy is not only a German model of order, and it must certainly not be equated with a hard-hearted austerity policy. It is an ethos of balance that extends from center-right to center-left. Indeed, it has long since arrived in Europe: With Article 3 of the Lisbon Treaty of 2009, the member states of the European Union committed themselves to a "competitive social market economy" with social and ecological goals. Beyond Europe, ways can and should be sought to put its principles into practice while respecting the respective historical experiences, cultural traditions and economic customs of different countries. Nowhere in the world should economic power be so concentrated as to shut down market competition, control politics, dictate working conditions to employees, or gobble resources without restraint. Nowhere in the world should the poor be left to suffer, or the environment left to ruin by private interests. Rather, we ought to ensure an equitable and sustainable sharing of wealth and development – true inclusive progress through responsible innovations.

A balance between the development of freedom and fair rules of the game is particularly necessary in dealing with digital transformation and with financial markets, which have been increasingly decoupled from the real economy for some time now. The Social Market Economy as a humane economic order is just as capable of protecting against complete digital commercialization as it is of protecting against the digital surveillance state. All people must be empowered to preserve their digital sovereignty through the rule of law, adequate

digital infrastructure, and education. The Social Market Economy also provided the framework for a financial economy in service of social peace. Those who are committed to the its model will not shy away from asking how to best address inequalities in wealth and income without ideological fixations. Excessive social inequality creates social stress.

The social market economy is not only an economic order. At its core, it has always been a moral order of responsible freedom and solidarity. In that sense, it is also always a cultural project. It is animated by the democratic ethos of dialogue, compromise, moderation, tolerance and respect for different ways of thinking. The objectives of good coexistence, to which it must now be oriented in the 21st century, include human rights and minority rights, the fight against racism and the degradation of others, and environmental sustainability. The Manifesto for a Global Economic Ethic, presented ten years ago at the United Nations, lists ethical and religious values that are accepted throughout the world and that also serve as the basis for a European and global Social Market Economy: the principles of humanity and the Golden Rule, non-violence and respect for life, justice and solidarity, truthfulness and tolerance, mutual respect and partnership. The 17 Sustainable Development Goals adopted by all 193 member states of the United Nations, including good education, combating poverty, justice between the sexes, fair work and stable, peace-building institutions, are a contemporary expression of these values. Wherever we succeed in aligning the exercise of economic freedom with global responsibility, we prepare the ground for the innovations and learning processes that we so urgently need for social peace and sustainable development in today and tomorrow.