Origins and Change in the Concept of Social Market Economy

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1 Introduction

In the social and economic tragedies and chaos in which people found themselves after the two World Wars lay the strong seed of hope and desire to overcome economic systems that had been insufficiently effective up to that point. There was an unconditional will to learn from experience and to avoid past mistakes while at the same time retaining what had been tried and tested. For the social market economy, the clear lesson was firstly to prevent at all costs the so-called really existing socialism with its negative consequences but at the same time to take into account that system's professed goal of distributive justice. Secondly, it was seen as important to enforce the economic efficiency of competition as a principle on the basis of untrammelled private property and a belief in the greatest possible freedom but in particular with the will to effectively regulate extensive power formations.

Before those basic ideas of a social market economy were implemented, there had been a variety of other concepts and "third way" approaches – tending sometimes in one direction, sometimes in the other – to escape the dilemma involved in either enforced socialism or enforced liberalism. This chapter will begin with a particularly thoughtful and valuable overview and assessment of such third courses by ordoliberalism's "first thinker", Walter Eucken. It will then introduce some core aspects of ordoliberalism itself, before going on to discuss some theories mooted in the search for a viable solution. This will be followed by a presentation of the concept of social market economy – the compromise that eventually prevailed.

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However, the social market economy is aging. Considerations that still played a role in its foundation have become outdated. Value concepts have changed – a development particularly evident in the *weltanschauung* adopted by Alfred Müller-Armack (1901–1978) in formulating the central principles of that doctrine. Instead of a strong focus on Christian values of the kind that appears, for example, in Müller-Armack's concept of "social irenics", the challenge today is to expand and generalize value concepts based on humanity as an overriding consensual principle from which the fundamental values of all liberal and democratic societies – freedom, equality and justice – are derived.

2 Third Ways

2.1 Ordoliberalism: The Context

The social market economy is generally understood as the economic and social order introduced in West Germany after World War II. As such, it dates back to Alfred Müller-Armack in particular and is associated with the economic policy of the Federal Republic, above all with its Minister of Economics, Ludwig Erhard (1897–1977), who held that office from 1949 to 1963 and went on from 1963 to 1966 to become the country's second Chancellor – the two offices covering the entire period of Germany's oft-cited "economic miracle". However, the origins of the social market economy go back a good deal further. Its roots are commonly traced to ordoliberalism and its main representative, Walter Eucken (1891–1950), who, together with Franz Böhm (1895–1977) and Hans Grossmann–Doerth (1894–1944), founded the "Freiburg School of National Economics and Law", but also to the representatives of a sociological liberalism, Leonhard Miksch (1901–1950), Wilhelm Röpke (1899–1967) and Alexander Rüstow (1885–1963). Both concepts, ordoliberalism and social market economy, were concerned with answering the problems raised by the "social question": the consequences and grievances of industrialization, the undermining of traditional forms of provision for the public and a growing sense of responsibility in society for those who were not able to provide for themselves and whose hardship was rather the result of social development than of any fault of their own.

Many and varied solutions were offered by diverse economic theories of the nineteenth and the first decades of the twentieth century, all of which, however, failed more or less signally in their attempt to find a third way between the extremes of laissez-faire liberalism and revolutionary socialism. Eucken himself had provided a systematic classification of various existing approaches according to their "useful[ness] in terms of economic policy", his headings ranging from the "policy of laissez-faire" to that of what he called "experiments". He described laissez-faire as the policy in which a legal order is created and thus an overall decision made for the economic order but in which the supervision of this order is not seen as the task of the state. Rather, the shaping of the forms in which economic activity takes place is left to the private sector – an orientation based on the conviction that an adequate

economic order will unfold of its own accord from the innate forces of society (Eucken 1952, 26–27). Hence, this policy can be seen as an attempt to solve the problem of order in a market economy by placing direction and coordination of the economic process squarely in the hands of free economic subjects via the price mechanism (Eucken 1952, 25–26). Laissez-faire, in other words, is based on the expectation of an economically meaningful management of the economic process via competition, in which scarcity is effectively reduced and at the same time all agents are granted a sufficient sphere of freedom.

In fact, Eucken also realized the existence of non-(or anti-)competitive market forms, and he was convinced that both supply and demand sought at all times and at every possible opportunity to avoid competition and acquire monopolistic positions (Eucken 1952, 30–31). He was also well aware of the various implications of failing to meet ideal competitive conditions. In principle, however, he was firmly convinced that the price and competition system was the best and most reliable steering principle of the economic process (Eucken 1952, 55).

Under the heading of "experiments", Eucken understood the economic policies initiated since World War I following the earlier laissez-faire period. These he divided into (1) the policy of "central control of the economic process" and (2) that of "middle ways". He described the policy of central control as directly counter to that of laissez-faire, in that everyday economic processes, as well as the underlying order, are determined by the state. All socialist theories are located there, and the dominant order is the centralized economy (Eucken 1952, 58–59). Eucken recognized the just concern informing the concept of central control: the desire to eliminate the "anarchy of capitalism" and to solve the social question by guaranteeing social justice and security (Eucken 1952, 106). However, this goal, he argued, could not be achieved solely through centralized control. Although it is possible to eliminate persistent mass unemployment, experience shows that central control of the economic process not only reduces the supply of consumer goods to a minimum, but it also prevents a more equitable distribution of income for workers because of the concentration of economic power in central offices and the increased dependence of workers on the authorities. Economic control via central planning ultimately changes the entire social structure, directing it from above and narrowing the spheres of freedom and individual responsibility.

With their combination of freedom and central direction, Eucken's "middle ways" can be understood as his specific perception of the countless attempts made at the time to find a third course between the extremes of liberalism and socialism. Eucken classifies these attempts as (1) "full employment policy" (stimulating investment – also through "deficit policy" – with the goal of creating full employment and in conscious allusion to Keynesian "demand policy"); (2) partially centralized control of the economic process (basic industries are centrally controlled, but further processing is carried out by independently planning companies); and (3) the policy of the estates or classes, where self-governing bodies or professions take over control of the economic process. These "middle ways", he argued, all had their drawbacks: full employment, when faced with unilateral measures in one market, led to imbalances in others; partially centralized control established two opposed

planning and coordination procedures; and the policy of corporative order created monopoly positions and power conflicts. The common feature of all these approaches is that instead of creating an adequate control mechanism, they hinder or even destroy the control mechanism of prices, with the result that economic policy is diverted from its objective – the adequate supply of consumer goods – and that, in addition, a tendency towards central control of the economic process is induced (Eucken 1952, 140–149, 152).

2.2 Ordoliberalism: The Proposal

For ordoliberalism, the solution consisted in the elevation of "order" to the status of a central category underlying the entire economic activity of a society and doing so in such a way that the coordination of economic activity took place "spontaneously" (in the sense of voluntarily) rather than being "planned" in accordance with administrative instructions. The concept was close to Friedrich von Hayek's notion of "order of action" (Hayek 1967, 163), which sought to answer the question of how regularities in the behaviour of individuals could be created "so that the reactions of each individual to the circumstances known to him lead to an order of the whole" (Hayek 1967, 172). In both cases, the "order of spontaneous coordination" entailed the interaction of self-motivating social elements, constituting a meaningful overall context in the sense of an endogenously created balance of individual interests. But even such an order required rules to coordinate individual actions, and in ordoliberal thinking, the concept of order denoted the totality of these rules. Accordingly, Eucken called for an economic policy marked by "thinking in orders" (Eucken 1952, 19), as opposed to both selective theorizing and historical determinism – and, of course, in particular to Marxism. Eucken saw a latent freedom in the shaping of such an order, the crucial task being to create "constellations of conditions", which would achieve the desired goals while avoiding the "disastrous tendencies" – however unintentional – ostensibly endemic to economic policy (Eucken 1952, 217–218).

The regulatory problem – the shaping of the economic order – had two aspects: economic governance and the concentration of economic power. With the aim on the one hand of finding an adequate solution to the problem of economic control and on the other of ensuring individual freedom by limiting both private and state power, Eucken eventually developed general principles for establishing and safeguarding a competitive order. In his thinking, this was an order of freedom without subordination but with coordination of households and enterprises. As such, it matched his idea of a functional and humane modern economic process in which the freedom of the individual was naturally limited by the order itself. In other words, the rules of the game had to be observed: one was not free to shape these rules or the framework in which the economic process took place to suit one's own convenience. The dominant market form in the competitive order was what Eucken called "perfect competition": only this could coordinate individual plans and actions and unleash their

performance potential. For Eucken, the question of the realization of the competitive order was identical with the question of the application of the order's essential "constituent" and "regulating" principles, these being preceded – as an underlying ordering principle – by the establishment of a "functional price system of complete competition": Eucken speaks here of a "basic principle of economic constitutional law" (Eucken 1952, 254–255). Where competition did not work perfectly, special policy measures would be necessary (Eucken 1952, 245–246, 249).

Looked at in greater detail, the "constituent principles" of the competitive order were (1) primacy of monetary policy, (2) open markets, (3) private property, (4) free contracts, (5) liability and (6) constancy of economic policy. The "regulating principles" included (1) monopoly control, (2) correction of income distribution (income control), (3) correction in the economic accounting of planning authorities (correction of externalities) and (4) consideration of anomalous behaviour in labour markets (Eucken 1952, 254–308). Eucken described these constituent and regulating principles as a unity in which each principle only gained its meaning in the "general blueprint" of the competitive order (Eucken 1952, 304). Going beyond the principles, further economic policy measures might be necessary, although this was not considered likely (Eucken 1952, 306–308). "Social policy", however, was seen as indispensable both for "ordering the economy" and in terms of "special social policy". Nevertheless, Eucken firmly assumed functional control of the economy to be the most important condition for the solution of all social problems (Eucken 1952 313–315).

2.3 Further Third Ways in Economic Theory

Over and above the various approaches to the question of economic order conveyed by Eucken's classification, it is worth mentioning a few more examples that were discussed at the time when the foundations of the social market economy were being laid. Many approaches were discarded, others were considered inspiring but deficient, and still others found their way more or less directly into the concept of social market economy. A widely discussed, though barely adopted, proposal was Franz Oppenheimer's (1864–1943) concept of "liberal socialism", based on the idea that under certain political conditions, especially a functioning democracy, socialism could be achieved by creating free competition through liberalism (Grebing 2005, 403). As Oppenheimer already pointed out in 1919 in *Die soziale Frage und der Sozialismus* (The Social Question and Socialism), liberal socialism is based on a law of economics that was undisputed – even by Marx:

> In the long run free competition equalizes all incomes according to qualification, so long as monopolies do not interfere. It cannot equalize the differences in income caused by monopolies for the clear reason that every monopoly is based precisely on the fact that competition cannot intervene.

> Thus, if it is possible to remove from the economic order all monopolies, free competition must equalize all incomes according to qualification – that is, induce a state of rational socialism. This is the whole theory of liberal socialism. (Oppenheimer 1919, 103–104)[1]

For Oppenheimer, the "root of evil" lay in the two class monopolies of public-law state administration and private-law property (Oppenheimer 1910, 601–602), which he saw as originating in conquest and subjugation and as being "imposed as a system of law on the vanquished by the victors" (Oppenheimer 1925, 341). In a "programme of action", he proposed to overcome this situation by creating the conditions for competition: "Let the state buy the big estates and give them to the rural workers!" (Oppenheimer 1910, 603). If no one owned more than self-cultivated land, "full freedom of economic competition and economic self-interest" would regulate market relations, and "socialism [would be] achieved by way of liberalism" (Oppenheimer 1910, XI).

Although Oppenheimer made "the market economy the basis of his economic considerations", as Adolf Weber (1925, 29) pointed out, his theory of value and price lacked generality and could scarcely explain all price phenomena (Amonn 1925, 295–297, 315). Adolph Löwe also observed critically that the business cycle theory of liberal socialism was entirely based on the doctrine of underconsumption and that, consequently, the permanent reserve army of the capitalist labour market prevented an increase in the purchasing power of the masses up to the level of the "natural labour wage". At the same time, it created the technical preconditions for the expansion of production in order to increase total profit even in the case of falling profits, i.e. contrary to the price signals of the market. In contrast to Karl Marx and Rosa Luxemburg, however, Oppenheimer saw the source of the reserve army not in the technical structure of modern machine production but in the residues of the feudal economic order, which could still be found in the liberal property system. The dissolution of the feudal economic order had produced the reserve army of modern capitalism through the flight of the dependent rural population into the industrial urban economy (Löwe 1925, 346–347).

Other approaches of the time were Rudolf Hilferding's (1877–1941) analysis of an organized, hierarchically structured state capitalism, according to which finance capital would be able to overcome the "anarchy" of capitalist production and mitigate critical cyclical fluctuations. Otto Bauer's (1881–1938) fiction of an "integral socialism" had the goal of reuniting in the medium term Bolsheviks and reformist social democrats in an "International". Ernst Fraenkel (1898–1975) drafted what he called a "collective democracy". Hermann Heller (1891–1933) argued for a "social

[1] "Die freie Konkurrenz gleicht auf die Dauer alle Einkommen entsprechend der Qualifikation aus, soweit nicht Monopole einspielen. Die durch Monopole verursachten Unterschiede des Einkommens kann sie aus dem klaren Grunde nicht ausgleichen, weil jedes Monopol gerade darauf beruht, daß die Konkurrenz nicht eingreifen kann.

Wenn es also gelingt, aus der Wirtschaftsordnung alle Monopole zu entfernen, so muß die freie Konkurrenz alle Einkommen entsprechend der Qualifikation ausgleichen – d. h. den Zustand des rationellen Sozialismus herbeiführen. Das ist die ganze Theorie des liberalen Sozialismus" (Oppenheimer 1919, 103–104).

democracy". Max Adler (1873–1937) proposed a concept of socialism with the sober idea of the state as a "public-law form" of class rule and exploitation (Euchner 2005, 297–304). Still other proposals, such as those of Otto Leichter (1897–1973), Erik Nolting (1892–1953), Emil Lederer (1882–1939) or Eduard Heimann (1889–1967), might also be cited, so much, then, for the various "political" approaches set in the continuum between liberalism and socialism – theories and considerations that were above all critically perceived and discussed by the founders of the social market economy.

2.4 The Third Way of the Catholic Church

The situation was quite different, however, with regard to the various influences of Christian social doctrine, especially that of the third way between liberalism and centralized control proposed in the social encyclicals of the Catholic Church. Published in 1891, the first of these, *Rerum Novarum*, broke new ground in setting out the Church's position on social and economic problems. After long years of observation and hesitation, the Catholic Church took sides with the workers and painted a picture of an increasingly disoriented society and economy, where competitive processes were spreading uncontrolled and greed and profit-seeking dominated economic life – processes accompanied by growing social injustice and, at the corporate level, increased concentration tendencies.

These typically capitalist grievances must be counteracted, as also, however, must socialism, which was accused of inciting the unpropertied and propertied against each other and of wanting to restrict private property, a factor whose unassailable necessity was based on natural law (RN 1891, 4, 13). Instead of radical upheaval and the highlighting of opposites, the church pleaded for balance and the weighing of mutual interests in peaceful dialogue, with the primary aim of preserving life. This included fair cooperation of employers and employees in determining a wage level that made a deserving life possible, as well as state protection of the socially weak and disadvantaged (RN 1891, 13, 19–20, 31–33). The church's third way between capitalism and socialism sought to utilize the economic strengths of a capitalist-based economic system built on the idea of competition while correcting the negative sides through regulatory components such as those inherent in socialism. With its ideas, Catholic social teaching influenced political Catholicism and the Catholic workers' movement, as well as various social reform efforts of the time (Frambach and Eissrich 2020, 234–235).

In 1931, a second social encyclical, *Quadragesimo anno*, was published, extending the view of the workers' question to a general consideration of the economic order and, in a plea for private property, discussing not only the incentives for individual performance arising from property but also the responsibilities accompanying it. The survival of the entire social system, it was argued, could depend decisively on private property and the directly linked issue of its distribution, especially if inequalities in this respect became excessive or many people owned so little that

their survival was endangered. The encyclical therefore urged the removal of existing inequalities and blatant social contrasts, with the ultimate goal of a classless society (QA 1931, 44–51). As free competition was not considered capable of controlling the market successfully, regulatory intervention was needed. Overall, this third economic way was marked by a strict focus on social justice (QA 1931, 88).

Subsequent social encyclicals argued that labour should not be regarded as a mere commodity, that wage formation should not be simply left to the law of supply and demand, that economic growth should also be oriented towards social progress and that social justice and solidarity should be taken centrally into account (Frambach and Eissrich 2020, 237). Private property was consistently treated as given by nature, enshrining incentives for the development of performance but also binding people to act responsibly and consider the interests of others. The state was tasked with fostering the common good. To achieve this, it must support the economy while at the same time protecting and providing for the socially weak by granting them the same rights and liberties as the better off. Above all, it must ensure a basic level of material provision that enabled a dignified life. Socialism was rejected because it restricted the exercise of personal freedom and only allowed private property within strict limits. The church saw human greed as the fundamental problem, orienting people towards the pursuit of profit instead of true values. And this line of thought became central to the social market economy, for example, when Müller-Armack called literally for an "evaluative" approach (*wertende Betrachtung*) anchored in fixed values that could only originate from the Christian faith and tradition (Frambach and Eissrich 2020, 238).

3 Core Ideas of Social Market Economy

Before becoming policy head of the Federal Ministry of Economics in 1952 and State Secretary for European Affairs in 1958 – a position he held until 1963 – Alfred Müller-Armack had been a professor of economics at the University of Cologne. The term "social market economy" first appeared in his 1947 paper *Wirtschaftslenkung und Marktwirtschaft* (Economic control and the market economy, Müller-Armack 1947), where it signalled another attempt to find a middle way between a purely liberal market economy and state economic control. Confronted, like all his contemporaries, with the dramatic consequences of two world wars, Müller-Armack was looking for a viable, functioning economic order. At the forefront of his mind was the need to avoid the mistakes of the past and to break with outdated knowledge.

Like the ordoliberalists, Müller-Armack disapproved of socialist approaches, but at the same time, he was aware of the vulnerability of a purely market-based system. He rejected the attempts of both classical national economics and socialism to direct history towards a specific goal and was sceptical about the effectiveness of nationalization of the means of production (Müller-Armack 1968, IX). One should start, he argued, from existing facts, from historical reality, which for him was expressed in fundamental acceptance of the free-market order. Only the market (as an abstract

mechanism) could cope with the complex coordination tasks of consumption and production. Although it could to some (small) extent be influenced, the market must be accepted first and foremost as a given fact, a concrete reality. Experience showed that centralized economic control could never fully equal the achievements of a market economy based on competition: the supposed superiority of a centrally controlled over a market economy was an illusion. Centralized control overestimated the historical weight of the forces it sought to master and underestimated people's desire for freedom (Müller-Armack 1973, 170–171).

Müller-Armack called for the final abandonment of the "idols" of Marxism, socialism, National Socialism and even liberalism, in order to arrive at a new "spiritual form" that he described as a return to "transcendence" and an associated rooting in Christian faith and values:

> The recognition of a genuine transcendence, whose existence, values and goals place earthly existence within that horizon from which alone it can be understood, the commitment of life to unconditional, superior values, is the prerequisite for a world culture in which men and women can live in a truly creative way without falling prey to the idols of this world. Only within such a breeding ground can the deceptions of the past century be fully overcome. (Müller-Armack 1948a, 459)[2]

Only in this light, Müller-Armack argued, could the immediate post-war world be judged in its earthly factuality and the necessary reorganization of economic life after World War II be tackled, for one should at no point forget that an economic programme alone could never fulfil all life's expectations (Müller-Armack 1968, 492–496, 506–507).

Advocates of the social market economy such as Wilhelm Röpke and Alexander Rüstow also emphasized the great importance of a Christian foundation and compatibility with Catholic social teaching for the overall concept of social market economy (Hissler 2014, 163; Zieba 2014, cap. 3). The question of restructuring the economy and society was directly linked by Müller-Armack to his central concept of "social irenics", an idea that aimed to harmoniously unite different worldviews, "finding the element of preservation in dissolution and unity in opposition" (Müller-Armack 1950, 559). Against the post-war background, Müller-Armack perceived four such worldviews, which together could potentially shape the intellectual face of Europe (Müller-Armack 1950, 560):

1. Catholicism in the form of Catholic social doctrine with its idea of *ordo*
2. Protestantism with, in particular, Protestant social ethics and the ideals of professionalism and fraternal support
3. Socialism with its moral will

[2] "Die Anerkennung einer echten Transzendenz, deren Existenz, Werte und Ziele das irdische Dasein erst in jenen Horizont stellen, aus dem es einzig verstanden werden kann, die Verpflichtung des Lebens auf unbedingte, überlegene Werte, ist die Voraussetzung für die Weltkultur, in der der Mensch echt gestaltend leben kann und nicht den Idolen dieser Welt selbst verfällt. Erst auf einem solchen Nährboden dürften die Täuschungen des abgelaufenen Jahrhunderts voll überwunden werden" (Müller-Armack 1948a, 459).

4. Neoliberalism with its insight into new principles of organization, i.e. the efficiency of the market economy

Social irenics required that one search for the common features of the four directions while recognizing and accepting their contrasts (Müller-Armack 1950, 563).

From an economic point of view, Müller-Armack's elaboration of the concept of social market economy as his specific, value-centred third way is of particular interest with reference to the dichotomy between liberalism and socialism. In his thinking, the social market economy is a regulatory political (*ordnungspolitische*) synthesis in which conflicting ideological positions are brought together via the concept of social irenics (Müller-Armack 1950, 575–575). The regulatory concept of the social market economy is thus not only an economic policy scheme but also more of a sociopolitical *plus* economic concept: he calls it "a stylistic form [*Stilform*] of economic and social life" (Müller-Armack 1952, 237; 1966, 11). And – beyond policy solutions simply conserving the past, whether they tend towards social dirigisme suppressing free initiative or to uncontrolled market mechanics – the style of the social market economy was seen to lie in producing "a social solution in which all goals find the most realistic balance possible" (Müller-Armack 1962, 300).

With the social market economy, Müller-Armack developed a conception of order that realistically incorporated the goals and values of society. The market economy could be seen as a particularly appropriate organizational means for restoring personal freedom and human dignity alongside economic prosperity and social justice. Like Eucken, Müller-Armack emphasized constructive competition as the policy core of a socially controlled market economy, since only real competition could unleash the will to perform and legitimize the profits achieved by society. The securing and organization of competition became an explicit task of state economic policy and required legal safeguarding through legislation directed against any form of restrictions on competition (Müller Armack 1947, 116–120). Furthermore, an actively controlled monetary policy was called for in order to establish a permanently stable currency, as well as price policy measures to safeguard and correct the market-economy price mechanism (Müller Armack 1947, 120–125, 159–161).

Like ordoliberalism before him, Müller-Armack advocated state intervention in the price mechanism – e.g. in the form of child allowances and rent or housing subsidies – in the event of socially unacceptable income differentials generated by the market economy. Despite their interventionist character, these leave the variable price and value system untouched. Moreover, beyond income redistribution, state measures should always be dispensed within an integral social policy and implemented wherever possible with the help of market-based management instruments. In general, the main field of activity of a market-based social policy should be economic policy to secure employment. In contrast with ordoliberalism, Müller-Armack also allowed for credit policy and a limited fiscal investment program that did not threaten the budget balance (Müller-Armack 1947, 133, 162–167, 247; 1948b, 100–101).

Thus, in all concrete economic policy measures, Müller-Armack's social market economy was integrated into an overall order directed towards the higher goals and values of society; it was also this that ensured its social character. Müller-Armack emphasized that the market economy was neither an end in itself nor a provider of values, nor could it generate values itself. But, on the basis of values, it was an order capable of raising national economic performance to a level conducive to an acceptable standard of living by means of competition, with social progress occurring "as a by-product of the functions of the market economy". There was always a need, however, for the conscious inclusion of social aims through a social policy in line with the market mechanism that would at least ensure, for example, that wage rates did not fall below a performance-related level (Müller-Armack 1947, 129–131). Yet it could never be the task of the state to actively intervene in the market itself (Goldschmidt and Wolf 2021, 222).

4 New Social Market Economy

From a present-day perspective, the question immediately arises of the contemporary relevance of the different worldviews assumed by Müller-Armack in laying the conceptual foundation for the social market economy. Certainly, secular change has progressed considerably, and the religious world (in Germany) can no longer be simply divided into Catholic and Protestant, as was largely the case during the founding years of the Federal Republic. While at the beginning of the 1950s more than 96 percent of the population still belonged to one of the two major Christian denominations, the share is currently down to less than 50 percent (and still declining). Although Christianity is the world's largest religion, with an estimated 2.1 billion adherents worldwide, Buddhism, Hinduism, Islam and Judaism are similarly widespread, a development that has increased with the advance of globalization, and an increasing number of people profess no religion.

Despite all the differences between the religions, there are also great similarities, at least as far as their basic values are concerned. Thus, similar ethical principles play a role in all religions. Charity, concern for one's fellows, care and assistance to those in need are widely seen as a human duty, and sincerity, renunciation of violence and the practice of leniency and forgiveness describe a path towards a "righteous life" – a life in which peaceful coexistence and the development of real community are possible. If we take the world of atheists into account, similar views on the rules and behaviour required for coexistence in a "good life" can be found here as well. What is needed is ongoing justification and powerful as well as sustained emphasis of such human values, which alone can ensure peaceful mutual coexistence in a constantly growing and differentiating world.

At the more immediately historical level of opposing tendencies such as liberalism and socialism, Müller-Armack's concept of social irenics is certainly still relevant today as a means of highlighting and combining what is common and undisputed in the different approaches and mediating what is practical and

applicable. Thus, the competitive market principle indisputably stimulates individual motivation, performance and efficiency, but its negative effects must be controlled and limited, and socialism – still, in its various forms, humanity's most powerful advocate of a more equitable distribution of income and wealth – needs careful compensation of its limited organizational capacity.

The attempt to expand and modernize the four worldviews adopted by Müller-Armack in his social irenics inevitably leads to the fundamental orientation of all values – individual as well as social – on humanity. Worldwide, the concept of humanity is considered the highest basic consensus ever achieved – an essential component of the value systems of our societies, at least of those that are pluralistic and open in character. At least since the eighteenth century, the concept of humanity has referred to the irreducible demand for recognition of the dignity of the human being; as such it has become a guiding principle of constitutional rights and of procedures for regulating social conflicts. The primary values of freedom, equality and justice are derived from this concept and manifest as such in many fundamental legal texts of states, ranging from the *Virginia Bill of Rights* (1776), the *Déclaration des droits de l'homme et du citoyen* (1789), the *French Constitution* (1791), the *Universal Land Law* of the Prussian States (1794) and the *Universal Declaration of Human Rights* of the United Nations (1948) to the Constitution (the *Grundgesetz* or Basic Law) of the Federal Republic of Germany (1949).

In the Federal Republic of Germany, the idea of humanity has entered legislation via the *Constitution*, whose very first article (Art. 1.(1)) declares the inviolability of human dignity. This is explicitly designated the "supreme value" governing the entire "system of values under basic law"; it is "to be respected and protected" at all times, and its maintenance is the "obligation of all state authority" (ruling of the Federal Constitutional Court of February 24, 1971). The fundamental values of freedom, equality and justice follow directly from this. Article 2 (1) states that everyone "has the right to the free development of their personality, in so far as this does not infringe the rights of others or offend against the constitutional order or moral law". Rights of freedom are guaranteed by the assurance of freedom of belief and conscience (Art. 4), freedom of expression and of the press (Art. 5), freedom of assembly and association (Arts. 8 and 9), freedom of movement (Art. 11) and freedom to choose an occupation (Art. 12) (Föste 2006, 97).

The principle of equality formulated as a fundamental right in the *Constitution*, Art. 3 (1) and Art. 3 (3), according to which all persons are "equal before the law" and no one may be "discriminated against or given preferential treatment because of his or her sex, descent, race, language, homeland and origin, faith, religious or political views", is interpreted as a "prohibition of arbitrariness" according to a decision of the Federal Constitutional Court of October 23, 1951 (Spaemann 1977, 159). As specified, the legislator may not arbitrarily treat the "substantially equal" unequally but may treat the "substantially unequal" – in accordance with existing inequalities – unequally.

The safeguarding of justice in legislation, administration and jurisprudence is regarded as the task of the constitutional state, but the term itself is rarely used in positive law. In the *Constitution* of the Federal Republic of Germany, the

fundamental value of justice as a legal concept is expressed in terms of the rule of law: thus Article 28 (1) states that the constitutional order must conform to the principles of the rule of law as defined in the *Constitution*.

Beyond the *de iure* – i.e. formal legislative – establishment of fundamental values, the development in the understanding of de facto (in German often called "material") rights as a result of the confrontation with the social question since the nineteenth century has been of great importance, inasmuch as the values of freedom, equality and justice represent far-reaching rights of entitlement vis-à-vis the state and society. Herbert Giersch (1921–2010) soberly describes this "material freedom" as:

> The capacity to realize goals set by oneself within the framework of formal freedom and the limits set by custom. For our purposes, we can alternatively use the concept of economic power. The powerless are unfree in spite of all the formal freedoms that may be given to them; only those who have power can take advantage of the opportunity that formal freedom affords. The forms of power are [...] personal power, power of possession, and power of organization. (Giersch 1991, 73–74)[3]

This calls, then, for empowerment to make factual use of the purely formal classical basic rights, just as was intended from the start in the concept of the social market economy. "Personal power", in Giersch's statement, refers to strength of body and mind, will and character and the ability to recognize opportunities and make active use of them. "Power of possession" is based on land, tangible assets and money, as well as on material and monetary claims and rights (i.e. "property in the narrower sense"). "Power of organization" is the result of the combination of the personal and ownership power of several persons under a common will (Giersch 1991, 74).

A life in freedom is hardly conceivable without a minimum of material resources, especially in complex modern societies where self-sufficiency is factually impossible. The complex tasks and challenges of a modern state directly follow from this. The state – especially in the pluralistic open societies of modernity – must be able to enforce both the formal and material aspects of its underlying values; this is an undisputed condition of its stability. One line of reasoning refers here to the social question as it has existed since nineteenth-century industrialization, when traditional forms of subsistence provision declined and society increasingly assumed responsibility for those who, due to their low income, were unable to provide for themselves and whose hardship was not the result of their own fault but the consequence of social development.

Coming to the present day, the idea of the social market economy has long since arrived in the European Union, at the latest with the Treaty of Lisbon (2007), whose Article 2(3) speaks, for example, of the establishment of an internal market that:

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[3] Materiale Freiheit ist "das Vermögen, im Rahmen der formalen Freiheit und der durch die Sitte gezogenen Grenzen selbst gesteckte Ziele zu verwirklichen. Wir können für unsere Zwecke alternativ auch den Begriff der ökonomischen Macht verwenden. Der Ohnmächtige ist unfrei trotz aller formalen Freiheiten, die ihm gegeben sein mögen; nur wer Macht hat, kann die Chance nutzen, die die formale Freiheit gewährt. Die Formen der Macht sind [...] Persönlichkeitsmacht, Besitzmacht und Organisationsmacht" (Giersch 1991, 73–74).

> Shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance. (European Union 2007, C 306/11)

This indicates both the starting point and future direction for shaping the European Union via renewal of the social market economy. Efforts must be directed to updating worldviews and creating a changed awareness of values – not replacing the original, predominantly Christian values entirely but adapting them to the present, to the establishment of a "new social irenics". The main Christian ethical motive of loving one's neighbour has been translated into secular institutions and has thus also found expression in a strongly developed welfare state. Organizations such as Greenpeace and Amnesty International are today almost as ecclesiastical in their activities as the church itself. The decisive factor here is the result of social communities shaped by humanitarian values. The institutional framework of the social market economy must be adapted and restructured along the same lines. In all this, it should be borne in mind that knowledge of economic systems has not yet come to a standstill, nor have the acute problems of human rights, mutual respect and recognition, the pursuit of freedom or the threat to life posed by the destruction of the environment reached a satisfactory solution.

Finally, the social market economy has a contribution to make in dealing with autocratic systems. The opposition between autocratic states and their values and the democratic societies whose value systems form the heart of the social market economy are more than obvious, especially in view of the current martial attempt by Russia to annexe Ukraine. Again, this is about the struggle for freedom, the escape from dictatorship, considerations such as those found in the origins of ordoliberalism and the social market economy; hence, it is significant for the entire development of the social welfare state. The underlying conflict of values calls, however distantly, for a path of social irenics based on the unconditional will to find common ground in the face of existing major differences.

At the same time, the concept of human values must be extended beyond the political and legal to include other important interpersonal and communal values mentioned above such as sincerity, renunciation of violence, leniency, etc. Here, Müller-Armack's guiding idea of reconciliation through social irenics comes to full fruition (Müller-Armack 1950, 559). Persuasion by dialogue and argument rather than force, and the opening of a common, consensual way, can create lasting confidence. Today more than ever, Müller-Armack's basic vision has lost neither meaning nor relevance: "Thus, our hope for unity can only be that of irenics, a reconciliation that takes the fact of division as given, but does not abandon to it the effort to find common ground" (Müller-Armack 1950, 563).[4]

[4] "So kann unsere Hoffnung auf eine mögliche Einheit nur die der Irenik sein, einer Versöhnung, die das Faktum der Gespaltenheit als gegeben nimmt, aber ihm gegenüber die Bemühung um eine gemeinsame Einheit nicht preisgibt" (Müller-Armack 1950, 563).

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