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The System of a Social Market Economy - Good News to the Poor?

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Introduction

Poverty hurts, poverty can be lethal, poverty should not exist, according to God's will - this is what the reports from the poor countries in Latin America and Africa right now confront us with very impressively.

When I put this in relation to the theme of our Institute, it strikes me immediately that during the time of the Wesley brothers the situation was just as bad, even here in beautiful Oxford, as soon as one left the neat and closed world of the colleges; and even more so in Bristol, Kingswood, London and everywhere in the whole country. Here, too, was a population explosion - Susanna Wesley had 19 children! - the majority of newborns died during infancy or childhood, the workers were exploited, even the children had to work, most of them stayed uneducated, many escaped into alcoholism, the majority of people was without any rights, a toffee-nosed upperclass dominated the country. That was not unusual, it is and was rather the usual situation for all countries of this world at any given time.

In some countries today, though, the situation has changed: less children are being born and they are medically well cared for, well fed and brought up, educated and schooled for about 20 years; their wages allow the workers a satisfactory standard of living, people can make the essential decisions of their lives themselves and can be elect or not reelect their political governments. Only the comparison with other countries and other times shows the big difference and the great misery existing over there. I do not want to stop at describing the misery and the sin therein. I rather want to search for something positive, those factors and structures which can help to get out of poverty. In this sense a word about the situation in Europe and the economic system of the Federal Republic of Germany with the slightly provocative title:
The System of a Social Market Economy - Good News to the Poor?

1.) The present economic situation in Europe

For more than 40 years the general situation in Europe seemed to be almost frozen, unmoveable, dominated by the antagonism of two hostile systems. Then the Soviet empire collapsed. Its ideological, military, political and economic power vanished. Why did it collapse? Its ideology was still taught and believed in many parts of the world, its military equipment was at least the second best - that is terribly dangerous and of disastrous power - among all armies, its political influence was still important. The collapse mainly was caused by economic reasons. Although he failed, Michael Gorbachew was right in his analysis: the economy of the country and of its allies could no longer produce enough wealth to feed the oversize high-tech military machine and to satisfy the vast bureaucracy and at least the basic needs of the population. A "perestroika" was necessary. The system of "real existing socialism" had failed. When the COMECON, the economic forma-
tion of the Warsaw-Pact-countries was dissolved, people who had believed to be part of one of the leading powers of the world found themselves in poverty, sometimes without the necessary fundamental means of life, sometimes in danger of starvation.

Two weeks ago we met in Hollabrunn, near Vienna, for the third European Methodist Faith Conference. In a small group discussion a Methodist from Sofia, Bulgaria told us: "I am a scientist. I have been working at University institutes all my life, I have published some well acknowledged books, but next year I will be 60 years old and am forced to retire. I will get a pension of 400 Lewa, that is less than the minimum for survival. I will be forced to go and try to make some additional money on the black market, like some of my older colleagues".

People are desperate. They look to the rich countries in Western Europe, in the European Community, and ask if they could go there, or if our economic system and at least a small part of our wealth could come to them. Their scientists and politicians try to introduce some kind of market economy. From a German aspect the question arises: the system of a Social Market Economy - good news to the poor in the Eastern European countries?

Do we as Christian theologians have any opinion about the hopes and aspirations of millions of our fellow-Europeans or are we not interested in their fate and in the development of our part of the world and are we content with some private or church-organized charity?

2.) Market-economy - a short introduction for theologians

What do we mean by market-economy? Let us first get our definitions clear! I am not talking about "capitalism". This expression has got a bad smell as something evil, despite of the fact, that you are working with money, i.e. "capital", in each system of economy. The word is misleading, too, as the accumulation of too much capital in one hand, which is thought to be typical for capitalism, could destroy a market-orientated system. On the contrary I am not talking of or against socialism - which can have many different meanings - or of planned economy, which would be misleading as well: you have to make plans in each system of economy. The two opposite systems in general are the centralized-administration-economy and the market-orientated economy.

The foundations of each kind of market economy are:
- Decentralized planning, producing, selling, buying and consuming. There is no master-plan, each individual subject decides himself or herself about its economic actions, and they themselves coordinate their actions by meeting on a "market" and trading there according to their desire, ability and necessity.
- Profit orientation. People are willing to work, to save some money, to risk and invest their property in order to receive something from it, to make some profit, to have some kind of success.
- Private ownership. It has not to be private in the sense of "individual", ownership can be with a family, a group, a number of persons, even a big number of shareholders for instance, but ownership can be defined to certain persons. The means of production are not in the hands of the state.
- Coming together on a market with different goods and interests means competition. Competition is the way of finding an adequate price for everything that is offered in the market, which may be the ability to work, special knowledge, money, all kinds of products, real estate. The experience is, that this kind of decentralized competitive trade helps to allocate everything to the best interest of the whole society.
3.) Moral reflections on economy

It is not easy to gauge the value of this system. The bible, of course, does not recommend a certain economic system for our complicated times. Theology, at least in German language and tradition, and Christian ethics are more occupied with the drives and aims of the individual, with the 10 commandments and with love, with standards and ideals, with personal relations and even politics, but scarcely with such a dirty thing as money and moneymaking. How could we see any value in a system, that is founded on profit orientation, that is, plainly spoken, promoting egotism and greed? How could we say anything in favour of a system, that enforces competition, which we may interpret as rivalry and aggression? Are we not to preach love and peace? Should we not think better about the human being? What a pity, what a shame, that we owe our high standard of living to a system like this!

Well, which image of humankind do we have? Our protestant fathers have taught us to understand, that the human being is fallen from good, fallen from God, is sinful, self-centered, inclined to evil thoughts and deeds. This is a central point. Each system of economy, that demands too much of the human being, that builds on high ideals, will fail and has failed. Market economy takes the human being realistically, just as he is. It starts with his individual interests. And it judges and acknowledges, that he himself will know best, what he needs and wants, and therefore can decide best himself, how much he is going to give or to pay for it. In each modern economy with its division of labour, everybody has to do many things, and has to produce goods, which he does not need and want himself. Why? Can we rely only on his pure selflessness, his unselfish willingness to serve, his abundant love? Better not! We better make sure, that he can get what he needs and wants and therefore is willing to bear the difficulty and the burden and the pain of labour, so that others, too, will get what they need and want.

Adam Smith already said: "Not from the good will of the butcher, the brewer and the baker do we expect, what we need as our food, but from them following their own interest". And further: Earning and saving private property is nothing bad in itself. It helps to secure the material conditions of life, it gives a space for liberty and responsibility for oneself and a chance for self-development. In these ways the market system gives elements of liberty to everyone, they are "subjects" in the economic process, they are in a balance of self-determination and foreign powers, everyone is treated as an individual, as a single creation of God. This is a decisive point: the person, who is interested, decides himself and is responsible for his decision. Therefore this person will feel able to respond to the challenge, to be productive and efficient and creative, to be industrious and thrifty, to take risks and to be competitive. Competition is not against the human nature, we can observe that on television during these days of the Olympic games, it can enhance one's abilities and so give satisfaction and happiness. This competition increases the amount of goods and of service available, it increases the public property. The stimulation of the individual interests leads to the profit of common interest - this was the discovery of Adam Smith. More than that: competition on the market educates people. Highest reward will not be given to somebody, who shortsightedly only pursues his own interest; most success will be achieved by somebody, who tries to understand other people and their demands, who offers solutions for their problems, who does the best service. Reason builds a bridge from the pursuit of one's own interest to the pursuit of other interests and of common interest. In those diversified markets, even the inter-
ests of minorities can be fulfilled.

A market economy allows a division of power between politics and economy, whereas a government which owns and reigns and controls the whole economy by this very potential is a totalitarian government. Market economy helps to share the power and the duties, the government is not asked to decide on each investment, place of work, price, income. This again allows room for freedom. There is a correspondence between democracy and market economy. Both are based on the conviction, that the individual citizen has to make the fundamental decisions. Both are obliged to the ideal of freedom. Both are developing best if combined. North America, Western Europe and Japan have proven it, and have been able to provide a high standard of living (including culture, education, medical care and welfare) to the broad masses of their populations, which is unique in history.

4.) The failures of a free market

Obviously there are several moral or ethical advantages in favour of a market economy. But there are disadvantages and limitations to this system as such as well. There is a menace to the whole system, a self-destroying tendency: if somebody has too much success, is getting superior to his competitors, he in the end may buy them out, will block the competition and dominate the market: a monopoly is borne, a dangerous concentration of economic power. On the other hand there are loosers. Competition creates inequality, which in the end can be injustice and poverty. The market does not have a conscience, competition has no heart, it can be a cold and cruel mechanism, punishing the not so smart, the handicapped, the weaker persons of all kind. Competitors look for short-term profit, according to the present situation, they do not care for future effects and for effects far away, for instance on the natural environment. A pure market system will only provide public goods as far as unavoidable, far its production, for instance education, security, traffic-systems of poor quality, if nobody wants to pay for it. Therefore a pure market system never did exist. It is dependent on a framework of fundamental conditions, which cannot be created by economy itself.

5.) The German System of a Social Market Economy

In the first years after the 2. World War the Federal Republic of Germany got the task and the chance to choose and to establish a new political and a new economic system. The political system was no question: it had to be a federal and a representative democracy with a good balance of the various legislative, executive and judicial powers. But which economic system would be most helpful to rebuild the almost completely destroyed country, whose wealth had been consumed by the war, and which was overcrowded with refugees from the East, who had not saved anything except their lives? Any system comparable to that in the Soviet Union was excluded for political reasons. A pure market economy was impossible in view of the enormous social problems. Therefore the "Social Market Economy" was invented as a third way, which attempts to combine the idea of liberty on the market with the aim of social balance by the government. It is a dynamic system, flexible, demanding compromise, a system of checks and balances, open to good or bad developments. It tries to integrate the main elements of market economy, as mentioned above, into a policy of steering and controlling the economic powers for the sake of common and social interest. This policy protects free competition, decentralisation, the chance to make profit and to gain private property. It prevents monopolies. It promotes economic booming. It tries to limit bureaucracy, nepotism, bribery - not always successfully, unfortunately. It pro-
vides a framework of common law against fraud and other crimes and in allowing a free banking system and an independant currency - guarded by the Federal Reserve Bank. Without a stable currency there will be no functioning competition, and inflation always makes the poor ones poorer and the rich ones richer - having lost most private property in two big inflations during this century the Germans are very touchy on this issue. Social policy does not only say that you allow free trade unions and give protection to the very young, the old, the sick and the unemployed people. It is an instrument of new distribution of the social product of the country. The original distribution of income and wealth by the market process is corrected by a second distribution, using a complicated system of taxes, subsidies, transfer- and balance-payments. The aim is, that the first distribution should already be reasonably just, but that the second distribution will have a still better balanced result. The principles of social justice, social security and social peace are given equal importance as the principles of a free market, which nevertheless are effective and productive.

6.) More reflections on Christian ethics and economic experience
We now switch back to the question of moral values and our Methodist heritage. Which approach, which attitude do we take to the problem of poverty? I will name 3 possibilities:

a) We might say "Blessed are the poor", become poor ourselves and recommend this to everybody. But this is more like St.Francis than like John Wesley, an attitude of social romantic, which does not help anybody. There is some misunderstanding in praising the poor: they are no better people because of their situation, which easily leads them to envy, hatred and crime. Poor people do not praise their situation, but naturally would like to get rid of their poverty.

b) We might preach with John Wesley: Earn, save, give as much as you can. This is the traditional attitude of the church, rooted in the gospel. Much good has been done by charity, and it will be necessary all the time. But in this time of complex and complicated structures, including structural evil and sin, individual ethics cannot solve the problems. In many parts of the world the example of John Wesley should be followed by christian people: collecting money for the poor, providing food, clothes and health-care, organizing education, writing to the government on behalf of working children etc. But in a country, where the government has taken responsibility for all social concerns and is following the ambitious aim, that there should be no real poor people within its borders, christian responsibility has to reach out beyond charity.

c) We might and hopefully will try to influence and change the structural origins for the lack of sufficient production and the lack of fair distribution of wealth. If we endeavour to do so, we should bear in mind three principles:

- No economic system will produce satisfying results, which is constructed against the logic of economic processes. We can compare this with natural science: it tries to understand the laws of nature and then starts technical processes, which are according to the laws of nature. No car will function against the laws of physics. It has to be the same way with economic laws and processes.

- No economic system will produce results, which is built on an idealistic image of the human being and demands too much from average people. Radical rhetoric is cheap, even if it gets its fire from selected biblical passages, and we hear quite a bit of this during this conference. Condemning the well situated,
middle class bourgeois people may relieve the conscience of a well situated, middle class bourgeois, and cause a bad conscience in others, but it does not solve any problems. It is historically proven, that promoting a middle class is the most effective way of fighting against poverty in a developing country. The call to create an "evangelical economic system" - as given in the keynote lecture - will probably not be answered; its result would be deplorable.

No economic system will produce satisfying results, which does not provide a growing and improving production. Too much thinking has been spoilt by the question of how the goods should be distributed best. All goods are constantly consumed, worn out, destroyed. If nothing new is produced, there is nothing to be handed out. Therefore a better allocation of goods is not enough. A growing world-population needs more and better production.

From the experience of my country I would like to recommend the system of a Social Market Economy, and I hope that the churches in Germany will go on to accompany this system, adapt it to new demands and try to improve it. Perhaps we may make an amendment to Wesleys sermon: Earn as much as you can, save as much as you can, and allow the government to demand and take a fair amount from you and to care for a just distribution.

7.) The task of the church in an affluent society
What does it mean, that the churches should accompany this system?

a) The incentive, which each market economy has to give to achievement and success in earning money leads to an overestimation of material gainings and possessions. Money is becoming "mammon". John Wesleys experience has been our experience, too, during the last decades: if the standard of living rises, the standard of religion declines. But, from the religious point of view: Affluent people may well be poor people, too. So we have to preach and to teach, that "man shall not live by bread alone", that you "cannot serve God and mammon", that the value of each human being and human life is not dependent on its achievements and wealth, that we are not saved by our success but by grace alone.

b) The market does not have a code of values. If everybody wants a bible, it will produce bibles for a cheap price, if everybody wants pornographic literature, it will produce pornographic literature for a cheap price. People have to be educated to use their earning and property responsibly.

c) "Property carries social obligations" - that is a fundamental statement in our constitution. The churches will always underline the social responsibility of everyone and of the government in a competitive society.

d) Today the churches, too, have to be the voices for people in foreign countries. Multinational industrial and trade companies have gained too much power. In many countries the economic, the political and the military power is concentrated in the same hands. What has been said in favour of a Social Market System is only valid for one certain country under certain conditions. On world-level a free trade system (or unlimited capitalism) runs wild and causes or allows the death of millions of people. A world-wide Social Market Economy would be necessary, but who is going to handle and to control it?
e) At last: the ecological crisis. There is an economical root of this crisis as well. As there has been no market for our environment - nature seemed to be everywhere and was freely available - everybody could use it and spoil it and destroy it without paying. Only recently have we started to make the users responsible, to reduce the consumption and to ask for restoration. Anyway - the churches will have to urge for a more sensible relation to God's creation, of which the human being is part of.

The Social Market System - a gospel for the poor? No, of course not. The gospel of Jesus Christ, our saviour, cannot be substituted by anything else. But this system may give us a contemporary instrument to efficiently love our neighbors and intelligently help the poor.

Used Literature


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