

# YEBE Project

*Youth for Entrepreneurship and Business Ethics*



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## Handbook of Social Market Economy

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<b>Authors:</b>	Bund Katholischer Unternehmer e.V.
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<b>Description:</b>	Introduction and description of Social Market Economy, Discussion of eight core chapters of Social Market Economy as Rule of Law, stable monetary system from the perspective of young people. Focus on the different experiences and perspectives from the old western and new eastern market participants. Description of future topics from the perception of the younger generation.

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## INDRODUCTION

"The market is not a mean in itself, it has to serve the people." By this quote to the social market economy, it becomes clear why this regulatory framework can be suitable for the Yebe project. One of the challenges for entrepreneurs within the Social Market Economy (SoME)<sup>1</sup> is to take a responsible attitude to promote people's living standards and well-being. The relationship between the social things and the market has to be explored new again and again. The Social Market Economy assumes political freedom and human dignity and is described as an economic system, which stands for competitive fairness in the market. Above all, it always entrusts market participants with the duty to maintain the fundamental principles and to adapt them to the needs of today's rapidly evolving society and economy. This makes clear the relations to the goals of the Erasmus Yebe (Youth for Entrepreneurship and Business Ethics) project. On the one hand, it is about the personal attitude of the entrepreneurs, which has to be understood as the decisive variable. This variable is the responsible one for the market process. An economy for humans can just be made by humans. On the other hand, it is about political freedom as the basis for the market economy. Against the background of the European project partners from East and West, it is important to look at the traditions of liberal and collectivist economic approaches. Today we operate in a common free market, but with many different socializations and expectations. The steady development of an economic policy order to external changes and current needs calls for steady adjustments in the economic system. Especially young people have different perspectives on current and prospective challenges and needs. Young people are the entrepreneurs of tomorrow and will play a key role in shaping the European and global world. This requires a sustainable qualification of entrepreneurs and a future-oriented economic system such as the Social Market Economy.

Moreover, the following handbook brings many benefits for young people. First, it is very informative, not just about the SoME, but also shows a bigger economic picture and brings understanding of economic system, which is important when one has to transform and adjust the economic system according to one's perspective in the upcoming years. To continue, students from Belgium, Germany, Hungary, Italy and Slovenia have participated in the making of this handbook. They have learned that there are specific issues that could be attributed to each single country and there is no "one size fits them all" rule in terms of economic. Presented knowledge deepens awareness about the great diversity and different thinking processes within the European Union. Even though young people are looking for uniform answers to the forthcoming problems of future world, handbook raises awareness, that only through dialogue and mutual understanding we can contribute to a better world.

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<sup>1</sup> Abbreviation **SoME** is used to describe Social Market Economy within the handbook.

## METHODOLOGY

The main idea behind the handbook was to conduct an informative and professional, yet easy to use manual in order to increase awareness of main values and future challenges of Social market economy in European Union. Handbook was made *by students for students*. Furthermore, the main benefits are diverse students' views since they are coming from various backgrounds and countries. Students from five countries participated: Belgium, Germany, Hungary, Italy and Slovenia.<sup>2</sup> As stated earlier that young people are the entrepreneurs of tomorrow and will play a key role in shaping the European and global world, it is difficult to imagine the future of European Union without first acknowledging and understanding differences within EU. A small margin of those are displayed within the following pages. The handbook consists of 5 main chapters, starting with an introduction and historical developments in the first part. Most students' contributions could be found in chapters 3 & 4, where basic concepts of Social market economy are explained. Moreover, a number of issues within countries are highlighted and compared, followed by main challenges of SoME in the future. At the end, concluding remarks and learned lessons are presented.

Two elements within the Yebe project, that set the outline of the handbook, were crucial, e. c. Summer School in Veržej, Slovenia and a follow-up workshop in Berlin, both taking place in 2017. It has to be stated that the handbook outline followed students' suggestions. At the Summer School, students were thought about basic principles of Social Market Economy, ranging from the history of economic thought, main personalities, to comparison of countries by various indicators. There, first sets of notions and concepts were pointed out, that later provided the foundation for twitter style definitions (as seen in chapter 3) and main challenges of Social market economy in five countries (chapter 3 & 4). At the follow-up workshop in Berlin, definitions were clustered into nine principle areas and twitter style definitions were produced. Afterwards, students were asked to describe how selected issues are perceived in their countries (Common good, Solidarity, Subsidiarity, State intervention (on the free market), the role of Trade/Labour Unions, Safety net, The State of Rule of law). Lastly, they were asked to point out and describe **challenges** that are going to be the most important for the future of SoME in their opinion. Later on, we have compared different issue perceptions and clustered those within the chapter 5 titled *Lessons learned*.

We hope the handbook will benefit young people to deepen their knowledge about SoME and briefly outline steps, that have to be taken in near future shaping the global world. Through the experiences of the participants of the project, we would also like to raise awareness of the content of SoME and provide suggestions for their own topics.

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## HISTORICAL BACKGROUND

In order to understand what circumstances made a significant contribution to that the Social market economy has been established, you first have to have a look on the past. In the following we should shed more light on the Catholic Social teaching, Weimar inflation, the end of the World War II and the introduction of the Social Market Economy in Germany.

### *Historical Background prior to 20th century*

Already in the early liberal movement, all elements of the demand for freedom towards the state were created, says Alfred Müller-Armack in his work *Religion and the Economy*<sup>3</sup>. John Locke postulates a social contract as a constitutional rule for the protection of private property. Adam Smith wrote his major work *An Inquiry into the Nature and Causes of the Wealth of Nations*.

German liberalism is based on the contributions of E. Kant, J. G. Fichte and A. von Humboldt. French Liberalism - represented by the idea of a tripartite division of powers in legislation, government and law - is described by F.M. Voltaire, J.-J. Rousseau and Ch. De Montesquieu. Classical Liberalism begins with the Declaration of Human Rights in France (1789) and in the 19th century leads to the realization of liberal constitutions, characterized by increasing popular rights and liberal economic orders, especially for international trade.

In the late nineteenth century, the decline in membership of the liberal parties, reactionary currents and labour movements led to a repression of liberalism. At the end of the 19th century Otto von Bismarck introduced the first social insurance in the health insurance 1883, in 1884 the statutory accident insurance, in 1889 the pension insurance.<sup>4</sup>

### *Catholic social teaching*

*"History teaches that human freedom and dignity are largely dependent on the system and order of the economy"* - **Joseph Cardinal Höffner**<sup>5</sup>

Catholic sociology always sees man as the "origin, carrier and goal" of all social processes. She has the right and duty to exercise her economic activities in "freedom, responsibility and solidarity".

In 1931, the second papal social encyclical *Quadragesima anno* (abbreviated QA) appeared under Pope Pius XI. The time was marked by the "peak of the liberal capitalist system" and was massively criticized in QA 101-110. In doing so, the Catholic Church did not regard the "capitalist economy bad in itself" (QA 101). It is much more the "effects of the individualistic spirit", which should have led to

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<sup>3</sup> See Alfred Müller-Armack „Religion und Wirtschaft.“, 1959, Kohlhammer Stuttgart, Page 136

<sup>4</sup> See <http://www.kas.de/wf/de/71.10220/> ; "Liberalismus", Konrad-Adenauer Stiftung,, open at 27.05.2018

<sup>5</sup> 1985 at a speech at the German Bishops' Conference

an abrogation of free competition. According to Pius XI and the Church, competition could be "impossible [the] regulative principle of the economy" but "justified within the proper limits and of undoubted benefit" if "higher and nobler forces (...) are the economic power to breed in strict and wise ways ". These "forces" Pope Pius XI refers to as "social justice and social love" (QA 88). The combination of freedom and social justice described in the QA serves as the ethical basis and the basic idea of the social market economy, which was further substantiated by the "Freiburger Kreis" (the so-called fathers of the social market economy)<sup>6</sup>. In addition, Pope Pius XI called for a "certain approximation of the wage employment relationship to a company relationship", so that the workforce could reach a kind of "co-ownership or co-management or any type of profit sharing" (QA 65) could. The Catholic Social Teaching already perceived, that the participation of the individuals in the business practice is the basis for a good life.

The creation of a market alone is not enough to achieve the goal of a "perfect economy". Because there are not all people capable of acting in the markets, there must be "institutions of social equality" to ensure the common good that ensure that all members of society are at least provided with the goods that would allow them a life in dignity.

The original theory of social market economics in Catholic social teaching has three economic-ethical goals:

- Providing an optimum supply of goods for the masses, which has been achieved in that the access barriers for the participating individuals in the market has been minimized kept very low, such as freedom of contract, the free movement of goods, the freedom of movement of persons and the other fundamental freedoms, as found in the Treaty of Lisbon.
- The guarantee of human working conditions (Rerum Novarum, Leo XIII "human minimum protection of human labour"), which is protected by social security systems, labour law in the respective countries and legally regulated standards , as well ...
- ... as the solidarity with the weak market and market liabilities.

Over time, two other economic ethics goals were added:

- The ecological compatibility of every economic activity...
- ... and the global economic reasonableness of all economic processes that are both protected by legal framework conditions and sanctions for violations.

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<sup>6</sup> See <http://www.kas.de/wf/de/71.11491/>, Konrad-Adenauer Stiftung, opened 27.05.2018

Many of the Catholic / Christian values can be found in the European constitutions of the respective states, as for example in the German Basic Law with the preamble "Consciousness of their responsibility before God and the Men" or the unchangeable and inalienable Article 1 - "The dignity of man is inviolable" and Article 20, sentence 1 - "The Federal Republic of Germany is a democratic and social federal state".

### *Weimar inflation*

In the young time of the 20th century, during a period between 1918 and 1924 the German mark suffered hyperinflation. The consequences of it were considerable internal political instability in the country, the occupation of the Ruhr (after the WWI the Ruhr area got nearly fully destroyed. It was one of the economical most powerful areas in Germany before.) by foreign troops as well as misery for the general populace. The hyperinflation was caused by the massive debt of the last Versailles Treaty and the fact that the Germany could not afford the debt because of its weak economy. That was worsened by the fact that the government was printing money without any economic resources to back it.

For the German people this meant that their currency got devaluated every hour more and more and their banknotes were losing their monetary value. A little comparison:

1918	1924
4.84 Mark = 1 \$	433,000,000,000.00 Mark = 1 \$

The devaluation of the currency and the flight into real assets ended in a downward spiral. The hyperinflation in the Weimar Republic was stopped by a monetary reform. This people draw a lesson from this historical experience and got to know how important the monetary stability is for a smoothly functioning economy and the politicians got to know how important it is for their legitimation and the social peace.

**NOTE:** The abuses caused by the Weimar inflation later paved the way for the National Socialists to seize their power.

### *Relevance of the Weimar inflation for the present time*

The Weimar inflation caused a rethink, especially in the German monetary and economic policy, but other areas of society remained unaffected. The population did not want to relive the painful experience of more or less "monetary expropriation" and the resulting economic hardship. Many later thinkers of the social market economy and the Ordo liberalism, such as Walter Eucken and the

“Freiburger Kreis” lived through this time and had to watch how the population had to suffer from the effects of these. In the newly emerging models of ordo liberalism and later of the social market economy, individual concepts are found to mechanisms to ensure the monetary stability and thus a functioning pricing system. Today, the creation of independent central banks such as the ECB (see Art. 282 (2) and (3) Lisbon Treaty) or formerly the Deutsche Bundesbank contributes to the goal.

### *Second World War*

The world economic crisis caused high unemployment, which was initially tried by the last governments in the Weimar Republic to counteract. The success of the measures, however, remained and the National Socialists used unemployment as an issue to promote themselves. They argued that liberal, self-regulating economic model, which was based solely on supply and demand decreases.

### *Process of introducing Social Market Economy to Germany in the late 1940s*

The introduction of the social market economy after the Second World War was based on the theoretical preparatory work of Alfred Müller- Armack and the Freiburg School around Walter Eucken. With Ludwig Erhard, the first minister in the year 1949 newly created Federal Ministry of Economics began the dynamics, which was called in retrospect as "German economic miracle" (Deutsches Wirtschaftswunder). Ludwig Erhard was responsible for the development of the future market economy reforms to the birth of the German Mark and is today considered the "Father of the Social Market Economy".

*„It seems to me that the one who is truly a good European wants to know that this commonality of action and behavior has been elevated to the obligation of all concerned“ – Ludwig Erhard<sup>7</sup>*

After World War II, the prerequisites for a stable economy had to be created first. Problems arose with the facts that a large part of the population was depressed, for about 40% of the population lacked the living space<sup>8</sup> and the destruction was particularly pronounced in the formerly strong economic regions such as in the big cities and the Ruhr area. The victorious powers continued the wage and price freeze introduced after the end of the Nazi era, with the result that the rationing and pricing rules established by politics led to inflation at a high level of money created by the war economy. The lack of performance incentives for the goods and labour market resulting from this system has just given new emerging black markets a boost. The result was a substitute currency in the form of American cigarettes, which made it possible to barter with other goods. In 1948 A

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<sup>7</sup> See „Wohlstand für Alle“ Page 293, 1. Edition, February 1957, Econ-Verlag Düsseldorf

<sup>8</sup> See <http://www.kas.de/wf/de/71.13038/>, Konrad-Adenauer Stiftung open at 28.05.2018

currency reform was carried out by the three occupying powers in West Germany, with which the German Mark was born.

Behind the money supply itself, there was again an economic cover, and the West German financial industry as well as the later Federal Republic were able to start their reconstruction almost nearly without debt.

One day after the currency reform, Ludwig Erhard's endeavours abrogated the price and wage commitments from the law, which caused prices to gradually adjust to their actual value. The effect of the reforms was visible very quickly, within a half year, industrial production rose already by about 50%. However, the other problems that arose after the war, such as building social housing for the homeless and for everyday necessities, needed to be politically assisted to cope with them.

In the German "Basic Law", the Constitution of the Federal Republic of Germany, however, only the basic principles for a democratic and market-based order are found, but there is no fixed and complete economic order there. Only later, shortly before the German reunification in 1990, the following principles are laid down in a treaty: a guarantee of private property, competition, free pricing, basically full freedom of movement of labour, capital, goods and services which model previously elaborated on already partially in the bottom of the Ordo liberalism by Walter Eucken found its way into the German economic miracle during the time of the German economic miracle and is now reflected in the last European treaties.

With the introduction and the further emergence of the social market economy in Germany "reprints" of systems came through reforms more n to social security, and a working legal system about which is based on the principle of power justice.

*"Competition is the most promising means to achieve and secure prosperity" - Ludwig Erhard*

## GENERAL CONCEPT

“Inherent meaning of social market economy is to combine the principle of freedom on the market with the principle of social balance and the individual’s ethics responsibility for the common good.”<sup>9</sup> Therefore, principles of freedom, competition, responsibility and solidarity are deeply embedded into a whole system.

Social market economy could be best described as a concept, in which a free and responsible individual is put forward. In such an environment, unrelated individuals use the market mechanism to define economical acts between them under a regulatory framework that is set by the State. The State does not influence nor run the economy, but only sets the legal-regulatory framework and takes care for equal public goods distribution. Economic policy cannot and does not have the right to change the nature of man, but only to compliment his or hers personal development. Therefore, corporatism or other economic policies of particular interests, economics of excessive intervention and socialism that contradicts the role of individual should be refused. Moreover, social engineering (like totalitarian) that uses individual solely for the political goals is to be rejected. Historically, free market economic theory has recognised there is no need to interfere with the free choice of individuals as long as they operate accordingly to the rules set by politics and regulations through laws and regulations. On the other hand, if one fails due to various reasons, a safety net has to be established, but only to the extent, individuals are perceived ready to participate and function within the free market again.

Culture and concrete aims in economic policy may vary in different countries, but when advocating for a welfare state, one agrees an economic system can only be efficient if it serves the needs of the humans in general. Historic backgrounds of individual countries in Europe lead to different patterns of socio-liberal economic orders. To simplify, comparing measures across the political spectrum, we may notice many differences. For instance, French model coordinates its economic order mainly through the agency of a centralised state. Somewhat similar model, which is marked by the strong position of the state and the public sector using the high tax revenue to organise redistribution policy, can be attributed to Scandinavian countries. Traditionally, Christian Democracy is a main advocate for Social market economy and within their economic policies, small and medium enterprises play a central role. Therefore, they advocate for a simple and just tax system, elimination of bureaucratic obstacles, accessibility of public contracts, etc. Comparing Christian and Social democracy policies, corporate income tax is normally lower where Christian democracy is in power.

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<sup>9</sup> Ludwig Erhard

Moreover, Christian democrats are more restrictive in the field of financial policies, e. c. budget discipline (understanding a governance in a way: *“as much as necessary, and as little as possible”* and tending not to limit private consumption and private economic investments), while Social democrats consider structural budget deficits as they advocate for more state activities and interventions. Consequently, a share of public spending (total payment transactions in public expenditure) normally amounts to a higher percentage in countries under a Social democratic rule.

Historically, the concept of SoME could be considered as major building block of the so called European model. If we look at the Lisbon Treaty, some of the same basic messages are there. For instance, in paragraph 3 of its Article 3, the Treaty on European Union requires the EU to go after the goal of a highly competitive social market economy. Therefore, the model of balance between fiscal and social measures is safeguarded within the European Union, making it unique in the World. The success of the SoMe is especially due to the fact that social responsibility is an integrated element of the economic process and does not come simply as a next step after economic prosperity. Offering the most vulnerable in our midst effective social protection; as well as to be sustainable, given the requirements of environmental and climatic protection, brings long-term prosperity, as best shown at the case of EU.

## MAIN PERSONALITIES

**Social market economy stands for<sup>10</sup> ...**

**... sound national finances.**

*“Any attempt that is rooted in a sense of benevolence to spend more money on putative well-being than the income that is flowing into the treasury is a contravention of sound and proven principles.”*  
(LUDWIG ERHARD)

**... recognition of the social partnership and collective bargaining. Workers and employers are in better position than the state to organise their industrial relations.**

*“Everything must ... be done in order to once again shift the emphasis of responsibility for life from the state to the place that is clear thinking and experience have shown in its natural home, ..., decentralised non-governmental organisations ... “* (WILHELM RÖPKE)

**... functioning competition between businesses, wherever possible without the distortion of subsidies. Competition is a guarantee of innovation.**

*“If there is no or insufficient competition, this compromises the steering power of market prices as envisaged in the constitution. The production and distribution of goods is steered in the wrong direction. But this faulty steering of economic cooperation is not the key issue. More serious is the disturbance to social justice within the free market economy.”* (FRANZ BÖHM)

**... fair participation in a meritocracy. This affects opportunities in the labour market, the possibility of advancement through education and integration**

*“An essential element of a positive family policy is to give our youth equal opportunities for their lives and for advancement that suit their inclinations and talents and that are not linked to their parents’ income or wealth.”* (LUDWIG ERHARD)

**... valuing the family and civic engagement.**

*“We believe there are an infinite number of things that are more important than economy: family, community, country, every single form of social integration...”* (ALEXANDER RÜSTOV)

**... open markets that are not regulated by duties or trade restrictions.**

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<sup>10</sup> Following the model, set by Siegfried F. Franke & David Gregosz: The Social market economy. What Does it really mean? PP 96. Konrad Adenauer Stiftung, 2013.

*"In foreign trade we strive for the greatest possible freedom, in order to re-emphasise the principle of the global division of labour that is to the benefit of all."* (LUDWIG ERHARD)

**... an independent monetary policy that concentrates on the maintaining price stability.**

*"All attempts to create a competitive system are in vain if a certain degree of monetary stability is not guaranteed. So monetary policy is the key element of a competitive system."* (WALTER EUCKEN)

**... a strong state that sets guidelines but that does not interfere in every area of people's lives.**

*"But now a strong state is not one that interferes in everything and draws everything to it. On the contrary, a truly strong state is not characterised by interference but by the independence of interest groups and the unyielding assertion of its authority and dignity as the representative of the people."*  
(WILHELM RÖPKE)

**... competition of different forms of economic systems in Europe.**

*"Europe will not be made all at once, or according to a single plan. It will be built through concrete achievements which first create a de facto solidarity ... The pooling of coal and steel production... will change the destinies of those regions which have long been devoted to the manufacture of munitions of war, of which they have been the most constant victims."* (ROBERT SCHUMAN)

## SOCIAL MARKET ECONOMY AT A GLANCE

Core chapter consist of nine content subchapters, as organized by students. Each subchapter commences with a short introduction and is followed by 10 – 12 short Twitter style definitions. Within selected subchapters, a specific and relevant issue is selected (from the set of basic SoME values) and then described by students from Belgium, Germany, Hungary, Italy and Slovenia from their perspective. Selected were subsidiarity, state intervention, rule of law, trade unions, safety net, common good and solidarity. Those are later compared in order to get a strong notion of different views within the EU. Please note not all the chapters are consisted of a same structure, two of them do not have comparisons.

### 1. BEFORE WE START...

... there are several general concepts in Economy and Politics, as well as perceptions of economic activity within Christian Social Teaching, one should know about...

*“**Economy** is the system according to which the money, industry, and trade of a country or region are organized.”*

*“**Market** is a medium that allows buyers and sellers of a specific good or service to interact in order to facilitate an exchange.”*

*“**Dignity** defines that human beings are created in the image and likeness of God, have by their very existence an inherent value, worth, and distinction.”*

*“**Democracy** is a system of government where the whole population is represented by the eligible members of a state, typically elected representatives”*

*“**Property rights** refer to the theoretical and legal ownership of specific property by individuals and the ability to determine how such property is used. “*

*“**Gross domestic product (GDP)** is the monetary value of all the finished goods and services produced within a country's borders in a specific time period. GDP includes all private and public consumption, government outlays, investments, private inventories, paid-in construction costs and the foreign balance of trade (exports are added, imports are subtracted).”*

*“**Entrepreneur** is an individual who, rather than working as an employee, founds and runs a small business, assuming all the risks and rewards of the venture. The entrepreneur is commonly seen as an innovator, a source of new ideas, goods, services and business.”*

*“**Capital** is the wealth in the form of money or other assets owned by a person or organization or available for a purpose such as starting a company or investing.”*

*“Profit is a financial gain, measured by the difference between the amount earned and the amount spent in buying, operating, or producing something.”*

*“Subsidiarity assumes nothing should be done by a larger and more complex organization which can be done as well by a smaller and simpler organization. State should intervene only if individuals, families, communities and regions cannot take care for themselves.”*

#### *OLD vs NEW Member States*

Subsidiarity is the key principle of Christian social teaching and one of the corner stone concepts of the European Union. Applied in the context of the European Union, the principle of subsidiarity should be easily understood. In areas in which the European Union does not have exclusive competence, the principle of subsidiarity seeks to safeguard the ability of the Member States to take decisions and action and authorises intervention by the Union when the objectives of an action cannot be sufficiently achieved by the Member States. However, even after 10 years since participating countries have joined the EU, different attitudes emerge, even though it strongly defines competences of the state. Due to poor understanding of the principle in general public, we deemed it appropriate to highlight different attitudes of the youth within various Member states.

*“Major problem is the German tendency to over engineer public governance with detailed rules for all possible situations thus generating a need for an elaborate bureaucracy on every level with a tendency to accumulate decision making capabilities on higher instead of lower levels.”* **GERMANY**

*“It is not really understood by most of the citizens in Hungary, therefore it is hard to define... Subsidiarity is probably Hungary’s weakest quality. People must understand what we should be doing. It is widely popular to go against the EU and not realizing we are actually part of it. Arguing and not taking responsibility. Which takes us back to the main problem of people not getting valid information through main information channels, because most of these lines are in the hands of government-friendly people, who obviously must say what they are told to.”* **HUNGARY**

*“The idea of subsidiarity is an administrative concept, moreover applied within bureaucracy and public administrations. In the Italian Constitution it is a widespread concept because Italy has been organized according to it. However, most of the time, even though Italy was created alongside this conceptual pattern, this concept is going to be missed. When applied to the European supranational level, it is a concept that is not perceived by Italian people. According to the European design, subsidiarity should be used in order to face every local problem. However also in this case the aim of*

*this framework is missed as well and Italian people do not feel it as a real aid. Therefore, it is misunderstood.” ITALY*

Observing opinions, one may notice a strong division between old and new member states. Where in old member states principle is well understood by young people and specific problems are pointed out that contradict the principle, in new member states principle is often abused to cover the incompetence of the ruling elite to enforce responsibility when managing own matters.

## 2. OPPORTUNITIES IN COMPETITION

When we talk about market economy we actually talk about a competitive economy. Throughout competition we get better solutions, better products and better ideas – generating better opportunities for the whole population. Competition is rooted in performance and equality of opportunity. A competitive order grants people a high measure of freedom by curbing both state and private power. In the conception of Social Market Economy competition is the method of choice to achieve economic and societal progress and satisfy the needs of the society in an optimal way. Through free and open market, we aim to ensure for as many citizens as possible to participate in economic life and generate prosperity for the whole population and not only for a few. Consequently, competition is also safeguarding social peace.

We are aware the no-rules cut-throat competition can lead to unfair practices such as monopolies, oligopolies and cartels which are harmful to consumers and inefficient for the economy. Competition should be state regulated, but we should bear in mind that the state should only intervene in a manner that respects market forces.

*“**Free Market** is the principle of or policy of unfettered market competition, free from government interference.”*

*“**Private ownership** means a company is owned by people or organizations that are not part of the government of a country.”*

*“**Private property** is a legal designation for the ownership of property by non-governmental legal entities. It is distinguishable from public property, which is owned by a state entity; and from collective (or cooperative) property, which is owned by a group of non-governmental entities.”*

*“**Competition** is rivalry in which every seller tries to get what other sellers are seeking at the same time: sales, profit, and market share by offering the best practicable combination of price, quality, and service.”*

*“**Functional Competition** is a state regulated rules-based competition with a goal of safeguarding freedom from unrestrained, cut-throat competition which can lead to monopolies and oligarchies.”*

*“**Small and mid-size enterprise (SME)** are businesses that maintain revenues or a number of employees below a certain threshold.”*

*“**Public-private partnership** is a long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.”*

*“**Government failure** is a situation where government intervention in the economy to correct a market failure creates inefficiency and leads to a misallocation of scarce resources.”*

*“Free Trade is a system of trading between states not restricted by tariffs or other forms of protectionism.”*

*“Investment is an asset or item acquired with the goal of generating income or appreciation. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth.”*

*“Government intervention are regulatory actions taken by a government in order to affect or interfere with decisions made by individuals, groups, or organizations regarding social and economic matters.”*

### *Comparing Government Interventions*

Free market and free competition are indispensable elements of Social Market economy. State should only interfere in a manner that respects market forces. But this is often not the case since governments intervene and over exercise its power. Hungary, Slovenia and East Germany had socialist regimes for almost 50 years, whereas West Germany does not share the same experience. Therefore, we wanted to compare the public attitude towards state intervention in regards to different historic perspective and the role of government which is played in society and economy.

*“The German economy is a functioning market economy which is able to compete on global markets. Nevertheless, German politicians have intervened in numerous high-profile cases of company bankruptcy and potential job loss with state aid. More importantly though there is a danger from the close relationship and dependency between politicians and key industries like automotive and banking which have forced the state to intervene with favourable regulation and bailouts financed by tax payer money.” GERMANY*

*“Since many of the biggest companies in Slovenia are owned by the state government has a lot of influence over what’s going on in the market. Legislature is often very complicated and impractical with loads of bureaucracy which makes it difficult for a new, possibly foreign, company to begin competing in the market without state’s help or at least some intervention. There are also cases of the state not being able to enforce the same rules on all the players, since it is often not clear who is to be held responsible for the results that come with bad management in the companies (especially state-owned). The ideal that portrays the state as being only the provider of a space in which same rules apply to all the actors, observing and regulating but meddling the least possible, is still far away.” SLOVENIA*

*“The state intervention within the market is a very important issues for the Italian society. Traditionally, Italy was created alongside the idea that the State should help citizens in their social problems, in order to reach the Social Justice. With this in mind, social justice was considered the core framework to be implemented within the Italian economy. That was necessary in order to maintain a democratic setting. However, this idea applied in a free market is seen as a protection that citizens are going to lose.”* **ITALY**

*“We can build huge complexes involving a great number of new jobs, but if they will not be used once finished, the whole process would be unhelpful. Also, we can look at the Hungarian projects which got awarded to certain foreign companies, instead of our own people, just because they were in favor of the government. Despite this, people are thankful for these opportunities, as they see “direct” improvement in the common good.”* **HUNGARY**

*“As a highly developed country, the Belgian government has not intervened much on the free market. In the past decades, Belgian people, just as most other western people did, believed that the marketing economy is the best because it can be automatically balanced and maximize the benefits at the same time. However, the financial crisis in the last century changed their opinions. Belgian government also encouraged the foreign trade, especially in the areas of life sciences, food processing, mechanical engineering, transportation logistics and aerospace. There is no strict requirement for all the industries expect for national defense aspects. The remarkable results have been proved in the recent years. For example, in 2017, the total number of people who has no job and receive unemployment benefits in Belgium reduced to 500000, which is the lowest ever since 1981. In the future, the government will continue to combine the free market and state intervention to ensure the flourish and stable economy.”* **BELGIUM**

All students have pointed out a thin line between the so called good government and partial interests. A line between government intervention that does not disturb the free market and government failure. Even though we have expected a stronger division between countries with different historic developments, temptations in are obviously the same. All students were speaking about unfair practices, differently applied to various actors in the market. On the other hand, good Belgian practice shows how you could achieve good functioning of the economy by implying reasonable and efficient policies.

### 3. JUST AND EFFICIENT RULE OF LAW

A functioning, reliable and democratically legitimate legal system is the basis for efficient and sustainable economic activity. It creates the preconditions for a strong economy, an efficient and citizen-friendly state administration, and compliance with the principles of good governance. Regulating elements and consistent supervision ensure that rules are adhered to and violations penalized. This is not an end in itself. Regulation is the appropriate and correct approach to shape incentives in a competitive economy in such a way that decentralized competitive activity benefits society.

*“Justice is the constant and permanent determination to give everyone his or her rightful due. It is a habitual inclination of the will and therefore always recognizes each one's rights, under any and all circumstances.”*

*“Legal framework is a broad system of rules that governs and regulates decision making, agreements, laws etc.”*

*“Law enforcement is any system by which some members of society act in an organized manner to enforce the law by discovering, deterring, rehabilitating, or punishing people who violate the rules and norms governing that society.”*

*“Regulations are rules made by a government or other authority in order to control the way something is done or the way people behave.”*

*“Anti-trust laws protect the process of competition for the benefit of consumers, making sure there are strong incentives for businesses to operate efficiently, keep prices down, and keep quality up.”*

*“Human rights are moral principles or norms that describe certain standards of human behaviour, and are regularly protected as legal rights in municipal and international law. They are commonly understood as inalienable fundamental rights to which a person is inherently entitled simply because she or he is a human being, and which are inherent in all human beings regardless of their nation, location, language, religion, ethnic origin or any other status.”*

*“Constitution is a body of fundamental principles or established precedents according to which a state or other organization is acknowledged to be governed.”*

*“Contract is a voluntary arrangement between two or more parties that is enforceable by law as a binding legal agreement. Contract law recognises and governs the rights and duties arising from agreements.”*

*“Equal Opportunity is a principle of non-discrimination which emphasizes that opportunities in education, employment, advancement, benefits and resource distribution, and other areas should be freely available to all citizens irrespective of their age, race, sex, religion, political association, ethnic*

origin, or any other individual or group characteristic unrelated to ability, performance, and qualification.”

*“**Transparency** sheds light on shady deals, weak enforcement of rules and other illicit practices that undermine good governments, ethical businesses and society at large.”*

### *Perception of Rule of Law*

Without a functioning, reliable and democratically legitimate legal system no country can flourish. Moreover, no country can develop a strong and successful economy. Therefore, order, appropriate regulation and efficient judiciary systems are necessary preconditions. In contrast with other comparisons we have asked students to describe the general attitude towards the rule of law in their countries.

*“The citizens of Slovenia have a rather poor opinion about its rule of law. Repeated instances when prominent politicians or businessmen were not persecuted or tried in court despite clear evidence and evident responsibility, undermined public trust into country’s courts and laws. Usually, it takes a lot of time before court proceedings are even initiated; therefore, it is not rare that cases fall under statute of limitations and are not heard at a court at all. In business, legal proceedings are not deemed as a fast and effective way of solving disputes as they usually take too long, and their outcomes are not predictable. Thus, a company can get into financial difficulties due to wrongdoings that harmed its business, and the proceedings with the final decision do not come in time to prevent serious consequences for the company or even bankruptcy and dissolution. Consequently, people in Slovenia do not feel that 1) the same laws apply to everybody in the country, and 2) court proceedings are an effective way of solving disputes and establishing justice and order.” **SLOVENIA***

*“It is commonly known that in Hungary the “friends of the government” can do more things than regular citizens. These include breaking the law and getting penalized a lot less than the regular amount, even getting away without any penalty or avoiding prison sentences... Because of the false information on the main information channels citizens can be easily deceived to believe that everyone has the same rights and everyone is penalized the same way, however it is not the case, even if people believe it.” **HUNGARY***

*“The rule of law is an important concept for the normative setting of Italy. Since Italy is a country based on the civil law framework, it is perceived by the population as a core concept. Then it is well accepted within the citizenship. The Italian society profit from the normative limitations imposed by*

*the rule of law. However, sometimes it is misunderstood, and people need to call for judicial intervention in order to understand how to interpret a normative concept.” ITALY*

*“The functioning system of rule of law makes it attractive as location for production, trade and investment. Therefore, the German society profits from the legal framework that establishes the state in his role as market arbitrator and strengthens his profile against strong economic players. The stability of the rule of law in Germany is a key factor for overall wealth creation, because it enables market participants to plan, act and innovate over a prolonged period of time within a reliable regulatory framework and under protection against an abuse of economic or political power.”*

#### **GERMANY**

*“Belgium operates a federal system made up of 3 communities (Flemish, French and German communities) while there are three distinct regions (Flanders, Wallonia and Brussels). The court and justice systems are very efficient and everyone has an equal standing without any discrimination. It is not a patriarchal system and the rights of all its citizens regardless of age, gender, race, social status or economic abilities are upheld.” BELGIUM*

Another case of *old vs new Member states* highlighting that development of democratic institutions is of greatest importance to a functioning democracy, subsequently a functioning economic activity. Students expressed that within new member states, inefficiency of legal systems is correlating to inefficient market. Furthermore, if outcomes are not predictable, great sense of injustice could occur. On the other hand, a firm German and Belgian approach (when speaking about functioning system of rule of law) brings stability and wealth and is recognized by students as good and fair. Moreover, where the environment is stable and fair, students would feel more motivated starting an economic initiative.

#### 4. STABLE MONETARY SYSTEM

Rules-based competition can only have a positive impact on society and the economy if there is a stable monetary system in place. The economic advantages of money can only be completely realized when the money value remains stable. Inflation or even hyperinflation destroy these advantages partially or completely and can lead to social unrest. Although times of Weimar hyperinflation when prices changed on hourly basis seem far away, we should never forget lesson from the past.

*“**Inflation** is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling.”*

*“**Hyperinflation** is extremely fast or out-of-control inflation, when the prices of goods and services rise more than 50 percent a month.”*

*“**Deflation** is a decrease in the general price level of goods and services, when the inflation rate falls below 0% (a negative inflation rate). Inflation reduces the value of currency over time, but deflation increases it.”*

*“**Price stability** is the situation whereby the prices of goods and services offered in the marketplace either change very slowly or do not change at all. Factors affecting this include employment and inflation.”*

*“**Fiscal stability – The Golden Rule** is a guideline for the operation of fiscal policy. The Golden Rule states that over the economic cycle, the Government will borrow only to invest and not to fund current spending.”*

*“**Central bank** is a public institution that manages the currency of a country or group of countries and controls the money supply – literally, the amount of money in circulation. The main objective of many central banks is price stability.”*

*“**Monetary policy** consists of the actions of a central bank, currency board or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.”*

*“**Balance of trade** is the difference between the value of a country's imports and its exports for a given period.”*

*“**External balance** is a situation in which the money a country brings in from exports is roughly equal to the money it spends on imports. That is, external balance occurs when the current account is neither excessively positive nor excessively negative.”*

*“**Exchange rate** is a price for which the currency of a country can be exchanged for another country's currency.”*

*“**Currency** is a generally accepted form of money, including coins and paper notes, which is issued by a government and circulated within an economy.”*

*“**Purchase power** is the value of a currency expressed in terms of the amount of goods or services that one unit of money can buy.”*

## 5. HIGH LEVEL OF EMPLOYMENT AND A STRONG WORKER'S VOICE

Work is something that distinguish man from all other creatures. Every individual needs work in order to be able to develop and express his own personality. Therefore, work is an existential vocation of man. It is an element of human dignity that individuals should be able to support themselves and their families' through work. Long-term unemployment has a damaging effect on individuals and their self-image, as well a burden for well-fare system. High level of employment is one of the most important goals of Social Market Economy. SoME also supports an active role of trade unions to represent workers and through collective bargain achieve fair conditions for workers.

*“**Labour unions or trade unions** are organizations formed by workers from related fields that work for the common interest of its members. They help workers in issues like fairness of pay, good working environment, hours of work and benefits. They represent a cluster of workers and provide a link between the management and workers.”*

*“**Collective bargain** is a good-faith process between an organization's management and a trade union representing its employees, for negotiating wages, working hours, working conditions, and other matters of mutual interest.”*

*“**Strike** is collective and organized cessation or slowdown of work by employees, to force acceptance of their demands by the employer.”*

*“**Fair wage** is based on the principle that everyone should be paid in accordance to with their performance; but performance is in line with market forces.”*

*“**Minimum wage** is the lowest remuneration that employers can legally pay their workers. Equivalently, it is the price floor below which workers may not sell their labour.”*

*“**Employment rates** are defined as a measure of the extent to which available labour resources (people available to work) are being used. They are calculated as the ratio of the employed to the working age population.”*

*“**Full employment** is an economic situation in which all available labour resources are being used in the most efficient way possible.”*

*“**Unemployment** occurs when a person who is actively searching for employment is unable to find work.”*

*“**Natural unemployment** is the lowest rate of unemployment an economy will reach. It is “natural” because its causes are things other than the problems caused by a bad economy. This type of unemployment is caused by situations like new graduates just starting their search for a job, people leaving a job to move to another city, or people quitting their jobs to look for a better one.”*

*“Non-profit organization (NGO) operates independently of any government, typically with the purpose to address a social or political issue. “*

#### *The role of Trade Unions.*

*“Man is born to work as birds are born to fly” wrote Pope Pius XI. Work is an existential vocation of man. Hence, high employment and rights of workers were always high on the agenda of Social Market economy. Workers have a right and ability to express their voice through collective organizations – trade unions. However, depending on the country, trade unions can be part of solution but unfortunately, they are often part of the problem with partial interests and lacking a long-term perspective.*

*“It is not uncommon for people to take part or join unions, however only a small percent of employees chooses to participate. Only around 12% of Hungarian employees are part of such an organization. These unions try to improve the market by making collective bargaining industry-level, instead of the widely spread company/organization-level. Unions also try to represent the employees in various workplaces, they have negotiation rights, but do not have the right to monitor and to be informed or consulted, which limits their work. Probably one of the major benefits of the unions is health and safety representation. One part of the unions is becoming less and less important, it is the financial participation, which has become so insignificant that there is not really anything to talk about. As I see Hungarian people understand unions and have the necessary knowledge to make information-based choices.” HUNGARY*

*“The concept is strongly connected with the ideal of solidarity among all members of society. The Trade/Labor Unions were originally established to balance the power between (dependent) workers and (powerful) employers. Nevertheless, German Trade/Labour Unions focus on enhancing the wellbeing of their members instead of improving the working conditions of the broad majority. Often their main focus are employees of large industrial concerns without taking into account the situation of smaller entities.” GERMANY*

*“According to the job market orientation of Italy as a Democratic Republic, Labour Unions act as a protector of those workers who are in trouble. However nowadays they have lost this role, then most of the time, when there is negotiations between State and social parts, they represent social parts but unfortunately without having contractual power.” ITALY*

*“These days it seems as if trade unions are forgetting their true purpose. Instead of analyzing the market situation and making sure that conditions for the workers are the best possible within a healthily working business environment, they petition for such measures to be taken, that bring benefits to the workers on a short term basis but in the long run damage the market. Consequently, the results of those measures are bad for the workers in the long run because a crippled market heals by also making cuts with the workers. An example for such short sighted petitions of the trade unions is a recent demand for an increase of a majority of private-sector wages for 15-20%. Sadly, the role of the unions has shifted from being the advocates of justice to becoming irrational petitioners for impossible measures often unwilling to make compromises. Due to those reasons, trade unions are gradually beginning to get a negative connotation among the people.” SLOVENIA*

*“Being similar with other European countries, Belgium has its own Trade Unions. Trade unions in Belgium are divided between competing confederations, which have clear political traditions. In recent years, the number of members in both trade unions has increased slightly. Hence, it is believed that Belgian people, especially the normal workers who are in the middle class of the society regard being the member of the trade union as an effective way to ensure their basic benefits.” BELGIUM*

The concept of Trade / Labour unions is well perceived by students. However, feelings about their purpose are often mixed, meaning they did not always act constructively in the past, especially within Slovenia. Being constructive and reliable partner when negotiating fair conditions for workers should be their most important goal. On the other hand, notion that they are excluding smaller entities should be worrying, especially due to new economic realities where large industries are slowly losing their influence and people tend to work individually. Long-term perspective is key to a functioning Social Market Economy.

## 6. SOLIDARITY FOR THOSE IN NEED

Solidarity is a required principle for every human society. Solidarity is a social “friendship” and help at the same time. It is a principle of reciprocal obligation and help between the members of community and the community itself. In the market economy development of income disparities and disadvantaging of sections of population are a common thing. Therefore, a market economy needs effective, broad-based social security systems functioning in line with market conditions, mechanisms for regional redistribution and a performance-oriented system of taxation in order to safeguard social peace.

*“**Contributing Justice** is the obligation of the individual to contribute to well-being of the community, in accordance with his abilities.”*

*“**Distributive Justice** operates mainly according to the principle of need and relates to the help that the community owes its individual members.”*

*“**Social security** is a system under which a government pays money regularly to certain groups of people, for example the sick, the unemployed, or those with no other income.”*

*“**Welfare state** is a system whereby the state undertakes to protect the health and well-being of its citizens, especially those in financial or social need, by means of grants, pensions, and other benefits.”*

*“**Pension system** is the retirement plan that requires an employer to make contributions into a pool of funds set aside for a worker's future benefit. The pool of funds is invested on the employee's behalf, and the earnings on the investments generate income to the worker upon retirement.”*

*“**Healthcare system** is the organization of people, institutions, and resources that deliver health care services to meet the health needs of target populations.”*

*“**Social protection** is an essential public service (along with, for example, health and education) that encompasses a broad range of public actions that provide direct support to people to help them deal with risk, vulnerability, exclusion, hunger and poverty.”*

*“**Social Safety net** (support net) is a collection of services provided by the state or other institutions that includes welfare, unemployment benefits, universal healthcare, homeless shelters, and sometimes subsidized services such as public transport, which prevent individuals from falling into poverty beyond a certain level.”*

*“**Active participation** is an approach that enables individuals to be included in their care and have a greater say in how they live their life in ways that matter to them.”*

*“**Social justice** is the virtue that inclines one to co-operate with others in order to help make the institutions of society better serve the common good. While the obligation of social justice falls upon the individual, that person cannot fulfil the obligation alone, but must work in concert with others,*

*through organized bodies, as a member of a group whose purpose is to identify the needs of society, and, by the use of appropriate means, to meet these needs locally, regionally, nationally, and even globally.”*

*“Free Rider Problem is a situation where some individuals consume more than their fair share or pay less than their fair share of the cost of a shared resource.”*

### *How do we understand a safety net?*

Belgium, Germany, Hungary, Italy and Slovenia have well-developed welfare programs to help those in need. We wanted to compare if safety net system is fair, efficient and helpful in their countries.

*“Presently a safety net is more of a comfortable couch from which no one really wants to get up once they are lying on it. It is truly problematic that the difference between social support and minimal wage is so little that for many people it is not worth working 8 hours a day to get only a few hundred euros more per month than if they were free to live as idle as they wish on social support. The public discourse however is to a great extent still focusing solely on creating better and better conditions for the ones unable to be an active part of the market, seemingly completely forgetting about one of the most important roles of a safety net which is to motivate you to get back to being an active part of the market, thereby generating a mass of people that are able of contributing but do not have to due to being comfortably stuck in the safety net.” SLOVENIA*

*“Typically, everyone understands what safety options our country can offer. These include various unemployment and child-care benefits, also homeless shelters and unfortunately a terrible healthcare system. With the current status, these are not actually the best options for people in difficult life situations, as a lot of people abuse these and those who really need it, does not get the necessary attention and tools to recover. Unemployment is a serious issue in Hungary, many struggle to get a job in their profession with a decent paycheck. However, even more people just try to avoid working, while they reap the benefits of being unemployed. This is also connected to another problem, which is the harsh life conditions of a homeless person. Unfortunately, there is not enough support to these people, at least not enough so that they can get a job, rent a room, and get their life back on track. The biggest problem of all, is as I mentioned earlier, a healthcare system. There is just not enough financial support for hospitals and those who work there are not paid enough. This means that more and more doctors and nurses disappear and rather work in western countries.” HUNGARY*

*“The German safety net is built up in an institutionalized, state-organized system. It was originally implemented by Bismarck and is based on two principles of society, solidarity and individual*

*responsibility. Therefore, there is a high level of state-intervened compulsory safety measures as well as further optional offers. This covers insurances in pension, health, unemployment, care, disability and illness. Compared to the Anglo-Saxon approach the German safety net has a strong impact on the individuals' choice as everybody is obligated to make insurance arrangements. The state sets the framework for insurance market, but in the same time actively enables competition among insurance providers in order to improve the system constantly. This leads to a strong safety net that leaves no one behind."* **GERMANY**

*"In Belgium, all workers including entrepreneurs are expected to make contributions towards the social security fund through taxation, and the benefits of these are reaped from education, health, pension and social welfare. In my opinion, this is effective especially as Belgium operates a progressive tax rate which means that the rich people are funding the weak/less fortunate in the society which helps bridge the income/lifestyle gap in the society.*

*According to OECD, Belgium performs above or close to the average across the different wellbeing dimensions. Household net adjusted disposable income and household net wealth were among the top third in the OECD in 2015 and 2014 respectively. The job strain and job market insecurity are low compared to the EU average while In terms of work-life balance, the time off (i.e. time spent on leisure and personal care) of full-time employees is among the top tier in the OECD area, and only 4% of employees regularly worked 50 hours or more per week in 2016, less than one-third of the OECD average."* **BELGIUM**

*"Social security is a concept that indicates a system of public interventions aimed at guaranteeing decent living conditions for citizens and protecting them from the most serious risks of life. Social security is a branch of social legislation that aims to protect workers and it is strongly correlated to the idea of Welfare State."* **ITALY**

Despite different historical developments took place, a notion of welfare (or social) state is omnipresent within Europe. Therefore, systems how to help those in need were institutionally embedded into state structures long ago and are well understood among students. However, a true meaning of a safety net (e. c. motivation to get back to being an active part of the market) is often blurred. Moreover, within Slovenia and Hungary a strong vocalisation of abuse is present. On the other hand, we could talk about the concept of *false solidarity*, where politicians emphasize only the part of re-distribution, and are constantly forgetting about creative (income) part of the equation. Subsequently, young people who seek their first opportunities in the market, can develop a strong feeling of injustice due to excessive incentives and could easily lose motivation. On the contrary,

when looking at Belgium, finding a good balance between life and work along with a positive attitude towards helping those in need, obviously works.

## 7. SUSTAINABLE AND MODERATE GROWTH

Growth of GDP is among the most important indicators measuring success of an economy. Prosperity, as high level of GDP per capita, surely represents a significant part of well-being, however we consider economic growth as a mean and not an end in itself. Through rise of GDP, well-being of citizens should be improved by implementing better infrastructure, educational system, welfare system etc. Being said, economic growth should not deprive future generations of their aspirations and ambitions. Subsequently, every economic system must be judged by its long-term results. Therefore, economic growth should be balanced, socially and environmentally responsible. Sustainability is one of the most important criteria for success and an expression of intergenerational justice.

*“**Sustainable economic growth** is a rate of growth which can be maintained without creating other significant economic problems, especially for future generations. There is clearly a trade-off between rapid economic growth today, and growth in the future.”*

*“**Balanced economic structure** is the creation of a robust and varied as possible economic structure in order to prevent future crisis.”*

*“**Green growth** means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies.”*

*“**Economic shock** is an event that occurs outside of an economy, and produces a significant change within an economy.”*

*“**Structural reforms** are essentially measures that change the fabric of an economy, the institutional and regulatory framework in which businesses and people operate.”*

*“**Social Responsibility** is the idea that businesses should balance profit-making activities with activities that benefit society; it involves developing businesses with a positive relationship to the society in which they operate”*

*“**Lifelong learning** is an ongoing, voluntary and self-motivated pursuit of knowledge for either personal or professional reasons. Therefore, it not only enhances social inclusion, active citizenship, and personal development, but also self-sustainability, as well as competitiveness and employability.”*

*“**Long-term planning** is an exercise aimed at formulating a long-term plan, to meet future needs estimated usually by extrapolation of present or known needs.”*

*“**Sustainable development** meets the needs of the present without compromising the ability of future generations to meet their own needs.”*

*“**Resource-aware management** is a motivation of organizations to better consider the resource perspective of their processes.”*

*“Common good embraces the sum total of all conditions of social life which enable individuals, families, and organizations to achieve complete an effective fulfilment.”*

### *Why is Common good important?*

Many dismiss the concept of common good as an *empty concept*, but we believe that every community, which has an ambition to succeed in the long run, must have clear idea about the common good. The task of every community is to help each of its individual members to develop and fulfil himself in accordance with his own human nature. Sustainability should be recognized as a common good per se. As Edmund Burke famously put it: “Society is indeed a contract. It is a partnership . . . not only between those who are living, but between those who are living, those who are dead, and those who are to be born.”

*“The concept of the common good is well accepted in Germany and the state and economic order have been designed to work towards the benefit of all citizens. However, the concept is often deliberately misunderstood to justify high taxes and redistribution of wealth.”* **GERMANY**

*“It seems to be that common good in Hungary has been improving in the last years. However, it does not yet reach the Western-European standards on every field but it performs better in some areas. What is need to be changed is the attitude of people which could be partly involved through good education and the support of families. The first step to contribute to the common good of the homeland is that one follows the rules even if no one sees.”* **HUNGARY**

*“In case of the common good, Belgium has a foundation, which is creating awareness for the economy of common good. They challenge communities to make a helicopter view about how they take care of their common good and what they can do to take more responsibility for their common good. Besides that, there is not much knowledge about how Belgium takes care about their common good. As the Economy for the common good says: common good of Belgium is still in its infancy.”*

### **BELGIUM**

*“Generally speaking we can divide common good into two different sides, liberal and conservative. The liberal aspect is very simple, the more property you have, the better. So, the people are happier if they can do what they want, whatever makes them happy. The conservative side is different however. Common good is not defined as owning properties, it is more of an idea that everyone should value and try to achieve. It is a value on its own and every person in the country must work together to reach it, by sharing knowledge and ideas. Common good is also broken down to smaller goals, and by*

*achieving these goals we get closer to common good. However, currently in Hungary, we cannot even grasp the meaning of common good.”* **HUNGARY**

*“Common good as a concept is seldom present in a public discourse in Slovenia. It is not often used even by conservative parties. For liberals, forcing their individual agenda, there is no such thing as common good and for social-democrats common good is mostly treated as implementation of autocratic egalitarianism, a legacy of communism, where we all had to be the same, and through negative selection we disable individuals from succeeding. In the long run the whole society is worse of.”* **SLOVENIA**

*“There is a serious commitment of Italian enterprises in producing goods that are produced according to the benefit and the health of Italian citizens, as it is envisaged by European Union legislation.”*  
**ITALY**

When speaking about the concept, one could notice, that students often used basic definitions when trying to define what common good actually is. Being said, we could argue that the notion of common good is not well understood within their countries, especially within political elites. Furthermore, paying special attention to mentorship and inclusion should be more important than exclusion. However, students expressing a lot of idealism gives hope that things could change in the near future. Moreover, it is of greatest importance how values are embedded within the institutional frameworks of a State.

## 8. FAIR RE-DISTRIBUTION

*Prosperity for all* was Ludwig Erhard's main ambition with regards to Social Market Economy. In the market economy development of income disparities and disadvantaging of sections of population are a common thing. Distribution of income is generally considered to be fair and is one of the key elements of social justice also because material independence is a precondition to exercise the value of freedom. Moreover, equality is treasured because reduces social tensions and contributes to general acceptance of market economy.

*"Income is money that an individual or business receives in exchange for providing a good or service or through investing capital. Income is used to fund day-to-day expenditures."*

*"Income Inequality is unequal distribution of household or individual income across the various participants in an economy."*

*"Distribution of wealth is the way in which the wealth and income of a nation are divided among its population, or the way in which the wealth and income of the world are divided among nations."*

*"Absolute equality states everyone is equal in the eyes of the law."*

*"Relative equality wants to treat equal things equally and unequal things unequally depending on specific circumstances, or appropriately."*

*"Progressive tax system is a system of taxation in which persons or corporations are assessed at a greater percentage of their income according to the theoretical ability to pay. That is, taxpayers pay more in taxes if they earn more in income."*

*"Flat income tax system applies the same tax rate to every taxpayer regardless of income bracket. Typically, a flat tax applies the same tax rate to all taxpayers, with no deductions or exemptions allowed."*

*"Inheritance tax is a tax paid on money or property you have received from someone who has died."*

*"Gini Coefficient measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution."*

*"Egalitarianism is a philosophical perspective that emphasizes equality and equal treatment across gender, religion, economic status and political beliefs. Egalitarianism may focus on income inequality and distribution, which are ideas that influenced the development of various economic and political systems."*

*"Present financial security is the ability of individuals, families, and communities to consistently meet their basic needs, and have control over their day-to-day finances. It also includes the ability to make*

*economic choices and feel a sense of security, satisfaction, and personal fulfilment with one's personal finances and employment pursuits."*

*"Solidarity is not a feeling of vague compassion or shallow distress at the misfortunes of so many people, both near and far. On the contrary, it is a firm and persevering determination to commit oneself to the common good; that is to say to the good of all and of each individual, because we are all really responsible for all."*

### *How do we help each other?*

Solidarity is a fundamental social principle that springs from the social nature of man. It is a moral obligation to help those in need. We do not consider an individual to be exempt from society, but rather integrated part of community, with due rights and responsibilities. We should keep in mind that solidarity it is not something that should be taken for granted but a principle which has to be nourished and cultivated. Different countries have different approaches ...

*"Germany has chosen an institutionalized way of organizing solidarity. Thus a high standard of state-organized social security has been achieved along a generally lower commitment for personal- or civil-society-initiated solidarity than in Anglo-Saxon countries. A big challenge is the widespread sense of entitlement on the receiving end of state-organized social security which undermines the concept of solidarity which demands that everyone contributes to the common good according to his or her fullest abilities (even if they may be under high constraints)."* **GERMANY**

*"Solidarity is one of Hungary's biggest issues, because it does not really exist. Hungarian people, generally the elderly and the less educated, are terrified of migrants, even if they have never ever seen one. The well-educated and well-informed people, who know that there is no threat, and while this side base their choices on knowledge and information, the other side follows something, an idea, that is good enough to stand behind, to follow, even if they do not understand what it is. The issue comes from this contrast. While the people who understand the real problems, this country has and want to do something to change it, to make it better, they are in much smaller numbers, compared to the other side."* **HUNGARY**

*"Slovenians like to help each other. A strong awareness of community is present especially in times of crisis, such as natural disasters. Charity initiatives are perceived and often successful as well. For instance, collecting plastic bottle stoppers for health-care of deprived people was carried out in majority of primary schools. On the other hand, as a negative aspect, many depend on the state too much, many are forgetting on their duties. Nanny state disables basic human duty of help to those in*

*need, because people have the feeling that they do not have to help, since the government will take care of everything. Politicians who promote that stance are usually very successful at the elections.”*

#### **SLOVENIA**

*“For Italy, the idea of solidarity is strictly and strongly correlated to the one of subsidiarity in its aim. However, it is not accepted as it is actually because Italian people do not recognize that this concept is applied within all their life long as citizens of Europe.” ITALY*

Wide spread sense of entitlement and infinite welfare state could diminish initiative of people to help those in need. The majority of students have dealt with the issue how to make the whole system more just. Even though people possess a strong awareness of community, in many occasions that does not solve the problems on a long run. Therefore, countries must be very cautious not to cross that thin line students from Germany and Slovenia have stated. On the other hand, discussions got steered to solidarity towards migrants as well (as seen in Hungary). Thereafter, a greatest conclusion could be that students have not lost their sense of solidarity.

## 9. FUTURE OPPORTUNITIES

Every economic system or economic order is transforming in time, adjusting to new challenges and taking advantage of new technological and social development. In this chapter, we have chosen concepts connected to further regional and global cooperation as an opportunity to further deepen economic and political cooperation. We find new technological discoveries and fresh, sustainable ideas about environment as key to further success of Social Market Economy.

*“**Social capital** is a form of economic and cultural capital in which social networks are central; transactions are marked by reciprocity, trust, and cooperation; and market agents produce goods and services not mainly for themselves, but for a common good.”*

*“**Regional cooperation** refers to the political and institutional mechanisms that countries in a general geographical region devise to find and strengthen common interests as well as promoting their national interests, through mutual cooperation and dialogue.”*

*“**Regional integration** is a process in which neighbouring states enter into an agreement in order to upgrade cooperation through common institutions and rules. The objectives of the agreement could range from economic to political to environmental, although it has typically taken the form of a political economy initiative where commercial interests are the focus for achieving broader socio-political and security objectives, as defined by national governments.”*

*“**European Union** is an association of 28 European nations formed for the purpose of achieving political and economic integration.”*

*“**Globalization** is the trend of increasing interaction between people or companies on a worldwide scale due to advances in transportation and communication technology.”*

*“**Infrastructure** is the basic physical and organizational structures and facilities (e.g. buildings, roads, power supplies) needed for the operation of a society or enterprise.”*

*“**Digitalization** is the integration of digital technologies into everyday life by the digitization of everything that can be digitized.”*

*“**Blockchain** is digitized, decentralized public ledger of all cryptocurrency transactions. Constantly growing as 'completed' blocks (the most recent transactions) are recorded and added to it in chronological order; it allows market participants to keep track of digital currency transactions without central recordkeeping.”*

*“**Green energy** is collected from renewable resources, which are naturally replenished on a human timescale, such as sunlight, wind, rain, tides, waves, and geothermal heat.”*

*“**Zero Waste** is a philosophy that encourages the redesign of resource life cycles so that all products are reused. The goal is for no trash to be sent to landfills or incinerators.”*

*“**Global warming** is gradual increase in the overall temperature of the earth's atmosphere generally attributed to the greenhouse effect caused by increased levels of carbon dioxide, CFCs, and other pollutants.”*

## THE FUTURE CHALLENGES OF SOCIAL MARKET ECONOMY

Social Market Economy has proved itself many times to be a resilient and flexible economic system. However, within highly globalized economy and visible political instability throughout many European countries as well as United States of America, we should pay attention and identify possible challenges to the future success of SoME. Within this chapter, short definitions of possible challenges are presented as identified by participating students. Only with strong awareness and proactive attitude we can secure a successful future of SoME; Social Market Economy is not a rigid, inflexible system, but rather a dynamic organism prone to change.

*“**Selfish Nationalism** is an ideology that takes the nation to be the central principle of political organization.”*

*“**Authoritarian regimes** are characterized by strong central power and limited political freedoms. Individual freedoms are subordinate to the state and there is no constitutional accountability.”*

*“**Ageing population** is defined by increasing median age in the population of a region due to declining fertility rates and/or rising life expectancy.”*

*“**Protectionism** refers to government actions and policies that restrict or restrain international trade, often with the intent of protecting local businesses and jobs from foreign competition.”*

*“**Trade barriers** are government imposed restrictions on free international exchange of goods or services.”*

*“**Tariff** is a tax imposed on imported goods and services.”*

*“**Monopoly** refers to a sector or industry dominated by one corporation, firm or entity. Monopolies can be considered an extreme result of free-market capitalism; absent any restriction or restraints, a single company or group becomes large enough to own all or nearly all of the market (goods, supplies, commodities, infrastructure, and assets) for a particular type of product or service.”*

*“**Corruption** is the abuse of entrusted power for private gain. It can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs.”*

*“**Anarcho-capitalism** is a political system in which the state is replaced by private companies that compete to provide the social services and infrastructure normally provided by governments.”*

*“**Unsustainable development** occurs when present progress at the expense of future generations.”*

## HIGHLIGHTED

Students from Belgium, Germany, Hungary, Italy and Slovenia have explained what they believe are the main challenges within their countries for the future success of economic model, that tries to combine logics of free market on one hand and social justice on the other. Each country has a specific geographical, historical, cultural and political experience; therefore, making it interesting to compare.

### BELGIUM

#### *The economic imbalances between Flanders and Wallonia*

The social market economy is an economic system in which industry and commerce are run by private enterprise within limits set by the government to ensure equality of opportunity and social and environmental responsibility. Based on this definition, the importance of equality is obvious. Moreover, declared by David Casa MEP, who is the EPP Group Spokesman in the European Parliament's Committee on Employment and Social Affairs, *"Enjoying equal access to the job market with fair working conditions and adequate and sustainable social protection should be within reach of all Europeans citizens."* Nevertheless, in Belgium, the current situation makes itself more difficult to achieve this equality. On one hand, differences within Belgium make it more diverse, vibrant and international; however, on the hand, there are several problems underneath the difference, one of which is the economic imbalances between Flanders and Wallonia. In generally, Flanders is wealthier compared with Wallonia. Flanders contributes about 60 percent of Belgium's GDP. The cities in Flemish region are richer and play essential roles in the economic development. For instance, Antwerp, which is the second-biggest port in Europe, is the beating heart of Belgium. However, in the past time, the situation was opposite. In the 19th century, during the second industry revolution, Wallonia was among the first regions which are industrialized, especially in glass making and coal mining industries. On the contrast, Flanders fell behind during that time. However, Flanders boomed after the second world war and attracted much foreign investment while the Walloon economy collapsed as the heavy industries declined. A big gap gradually came into being between these two regions. For example, in 2014, the unemployment rate of Wallonia was around 12% while Flanders only had 5% unemployment rate. To make it worse, nowadays, people from these two different regions usually dislike each other even though they are all Belgian. Anyway, the differences between Flanders and Wallonia by no way should be ignored when considering to develop social market economy in Belgium.

## GERMANY

### *Destruction of core Social Market Economy principles*

Major problem is a fundamental misunderstanding of the core concepts of SoME and the continual destruction of those core principles. This problem is not new but goes back to the creation of the term SME and its first implementation under Ludwig Erhard. On the conceptual basis of Ordo-Liberalism Ludwig Erhard implemented the Social Market Economy as a rule-based market economy which was designed to be inherently social by generating wealth under fair market conditions in such a way that the whole society would profit from it. Despite its success right from the start, political opponents started to undermine SoME by neglecting the inherently social and just nature of a rule-based market economy and started to redefine the “Social” element of SoME as the need for state interventions and increased welfare to compensate for economic inequalities. In this way, the original role of the state as a governing body and referee who sets and enforces the rules to establish a fair and social economic order was undermined and gradually transformed into an increasingly interventionist player with vested economic interests and industry affiliations. Even more damaging to the original idea of SoME with its ordo-liberalist roots was that the redefined view of SoME with its policy of state-organized redistribution and welfare as a necessary compensation mechanism became a political mainstream position and was gradually taken over from most German politicians, including conservatives and without any significant opposition from liberals either. Today there are only a handful of politicians standing up for the original idea of SoME with its ordo-liberal roots and even the various entrepreneurs associations have failed to make a political case for the return to the original idea of SoME.

### *State interventions and a growing welfare state*

The problem of state interventions and a growing welfare state is closely related to the destruction of core SoME principles and the replacement of its ordo-liberal roots with socialist ideas of state organized redistribution and welfare. The reasons for the dominance of the socialist version of SME in Germany can be found in a widespread concern among the German people about the economic distortions of a laissez-faire (Anglo-Saxon) capitalism with its tendency to produce world economic crises, unprecedented inequalities and, in its latest chapter, allowing an off-the-hook financial industry to engage in casino-type speculations, pushing international markets and national states on the brink of collapse. It's reasonable to reject an economic order, which in this way, has ceased to support the common good. However, the case must be made, that a failure of the state to act in its role as a governing body and referee does not mean that the state needs to change its role but that it needs to re-establish its ability to set and enforce rules that serve the common good. Thus, swinging into the opposite direction of a laissez-faire capitalism by implementing a policy of continuous state

interventions and a growing welfare state is the wrong approach, because it does not address the root cause and, even worse, destroys the dynamic of a productive rule-based market economy that drives overall wealth creation. This does not mean that there is no place for any instruments of state-organized or enabled social security. There is a very good case for health and unemployment insurances which help people recover from economically tough and risky phases in their lives, but they must be designed as enablement mechanisms to re-integrate people as self-sufficient economic actors instead of compensation methods which push people into a state of prolonged and possibly permanent dependency on state-aid and alimentionation.

### *Global markets without global rules*

A football match can only work if everyone plays by the same rules enforced by the referee. In the same way a market can only function if all economic actors act within the rules defined by the state and enforced through the rule of law. In a globalized world and economy, the differences between national economic frameworks create significant friction in politics and trade. Nation-states have long engaged in bi- and multinational trade agreements and global organizations have been formed to organize world-wide trade, international financial transactions and economic activity. However, the nation states with their local or regional regulatory frameworks are still the predominant reference points for political decision making and there is no comprehensive and binding political or regulatory framework that effectively sets and enforces economic rules on a world level, even though the production and distribution chains of leading industries are almost completely globalized already. The problem for the SoME and a country like Germany is that the competitiveness of its companies comes under siege every time they engage in an international market on which companies from other countries can operate more effectively due to significantly lower standards (rules) regarding environmental, health or financial constraints in their home markets. Looking at this dilemma from a regulatory perspective, any developed country with high standards is faced with the choice whether to lower its standards or to maintain its competitiveness through a significantly higher level of innovation and productivity. The latter has been done in various countries but there is no guarantee that it will hold up without a push for a binding global economic framework with high standards focused on a global version of the common good and supported by powerful institutions which are able to enforce the necessary rules around the world. If this cannot be achieved, the race around international competitiveness is constantly at risk to turn into a downward economic and political spiral with dramatic consequences. Possible scenarios include the collapse of international trade and production (due to a potential shift in politics to protect local markets with tariffs etc.), wars over resources (due to a potential scarcity of essential natural goods) and a spike in natural catastrophes caused by climate change (following a potential period of dangerously high worldwide

CO2 emissions). It should be noted that certain indicators for these scenarios can be observed already.

## HUNGARY

### *Demography*

Demography is a key issue in whole Europe. Hungarian government makes steps to support families and to increase the birth ratio of the country. It is important to integrate Christian values into this policy and to strengthen these “little communities” which contributes to economic prosperity. One of the main goals of the new government is to enhance the demographical growth. Like in Germany (however for different reasons), the Eastern part of Hungary is less developed. One can also feel the differences between the urban and rural life (there are more than three thousand settlements in Hungary and only 328 of them are cities).

### *Rule of Law, Common good & EU*

Three greatest challenges, this country has to face, are the question and the direction of Common good, the regular conflicts with the European Union and most importantly the current state of Rule of Law. If we go into detail it is easy to see that these problems go hand in hand.

First of all, we have to look at the huge contrast between the European Union and Hungary. Hungary chose to go against the EU when the first wave of refugees hit Europe. This was the first step in creating an image, an illusion in people’s minds, that there is a hidden enemy behind each and every migrant. It started with billboards about stopping Brussels, so the refugees cannot come into our country. First, we all laughed at those billboards, because nobody took them seriously, there was no reason for it. Hungary received a lot of money from the European Union, it still does, why we would go against something that is supporting us, helping us build better schools and such. But time passed and as more and more news channel and newspaper started to lightly spread the news that the enemy is coming and they are wolf in sheep’s clothing the supporters grew quickly around this idea. Those who started believing this soon had no problem being against the EU and rather chose to keep those “dangerous” people out of the country. This meant that Hungary quickly became the only country to not participate in consultations with other EU members about significant subjects. Obviously, citizens were not really affected by this, even if it directly affected us, there was not many things we could have done. In the future, we will see how this changed our position in the EU, since the elections there is not too much hope about becoming a respected member of the organization, at least not with this government.

Secondly, there is an enormous difference between a regular citizen and someone who knows the right people. The problem is that if someone is wealthy or has some friends in the government or

both, he or she can for example instantly park anywhere free. This is only a smaller issue, compared to things like driving drunk and causing incidents, even killing people by this. Those did not get the same penalty as someone who is not as wealthy as they are. These are happening every year, yet nothing has changed, people with the right connections can actually “live above the law”. If we take a look on the state of rule of law on a much bigger scale the status is even worse. During the elections in smaller towns and villages, somehow many of the votes came up as invalid, there were objections against the fairness of the election, and were proven unfair, however there is not a place where the elections will be repeated. If we cannot trust the government with this, how can we trust them to make our country better, to improve the common good? This is the most serious issue in Hungary right now, and the most unpredictable.

Last but not least, there is the issue of common good. The problem is quite simple, we spend money, as a country, on things we do not need, and neglect the things that would greatly benefit us. Hungary could actually step on the path on becoming a better country while improving life conditions; however, it seems that the citizens just do not want it. There is a quote from Deák Ferenc, which best describes the situation: *“Which is taken by force and power can be taken back with time and good fortune. However, if a nation gives it up, being afraid of suffering, taking it back will be hard or may not be possible.”*

## ITALY

### *The problem of applying the Social Market Economy setting within the Italian economic framework*

A major problem for the SoME in Italy is a core economic problem related to some structural pillars of Italian Economy. Italian Economy is strongly based on the idea of Welfare State. Then the State plays a crucial role of economic actor within the Economy. Therefore, it is intuitive how it is not a problem of Destruction of SoME, but, conversely, it is a problem of erosion of the power of Italian Government in its action. If one implemented a survey and asked whether there exists in Italy a SoME, most of the Italians would reply that it does not. Even though the conceptual basis of SoME was based on the idea that such an economic framework would give profit for the entire society, however Italian Politicians encounter several and serious problems with respect to this. The order of problems concerns the total transformation and the adaptation of the entire Italian economy towards an economic horizon that is far from the traditional Italian economic culture.

Italian Constitution includes, in its normative setting, the fundamental principles and the economic political address. According to the first article, Italy is a Democratic Republic based on a job market. From this first core principle, the job is the first important issue. The article 35, included within the economic political address, says that the Italian Republic protect the job, and promote and foster all

the international agreements aimed to regulate the job rights. But, since in the Italian framework the SoME is hard to be implemented politicians hardly work to mix the Italian welfare together with the EU economics. This is because while in Italy job is seen as something fixed, a sort of pillar of the Italian society, the SME horizon looks at the job as something that can be flexible. This flexibility should face, however, the lack of job due to the economic crisis and the fact that every European Member State has its own timing in improve the economic conditions. If the SoME does not take into account this detail, perhaps it should review its internal setting, having regard for Europe both as a whole and as a set of States each of which has its own characteristics. If it is not taken into account, the SME failure would make the subsidiarity principle failing as well.

### *The State intervention and a mediation between two alternative economic policies*

As far as the state interventions and the welfare state are concerned, it is well known that they are philosophical and political issues that in the History of European Union has been taken into account. Moreover, since its foundation, the Economic European Community before and the European Union later, Europe as an Institutional and political organization has been thought as an actor that, within the international checkerboard, should have played the role of mediator and mediator between the two international powers of USA and USSR. Therefore, on the one hand Europe should have chosen a neoliberal economic framework; on the other, considering the important relationships between the Italian Communist Party and the Russian Communist Party, the neo European Community should face the problem of being ally of Americans and at the same time that of avoiding the communist contagion. This framework implied the fact that implementing a welfare state policy was considered as a communist or socialist economic policy, but on the other hand a neo liberal economic policy was not applicable within a society where enterprises were just in the beginning and needed the state intervention. Nowadays in Italy, nothing changed, but the problem of the public debt increased because of this difficulty to mediate between the two positions. In addition, it is necessary to understand that Italy is a father funder State of Europe, and its role is important as well as the other States roles. Italy needs an approach that is the result of a mediation between these two polar alternatives. Mediation is needed and necessary because it creates complementarity between the two. If one opted for a single one position, it would make the entire economy getting in crisis. So, it is reasonable to reject just one single vision of the two position, but it is necessary to include both of them.

## SLOVENIA

### *Challenge of an ageing population*

Most of European countries where principles of social market economy are applied, have been witnessing the phenomenon of ageing population, with population pyramids plumping up in the upper middle section rather than at their bottom. The median age in the EU has increased by 4.3 years on average between 2001 and 2016, and is currently highest in Germany, the birthplace of Social Market Economy, at 45.8 years. I argue that the ageing of population will inevitably put pressure on the European economies as there will be less people actively participating in the job market, whereas the number of people entitled to receive pensions will increase. Furthermore, with more elderly people more facilities, workforce and financial means will be needed to provide them with adequate health and elderly care services. This means that current social market economies will have to provide an appropriate framework to offset the new imbalance, or else not enough taxes will flow into state budgets for the additional expenditures needed to enable decent life for everybody, notably the elderly. The governments will have to deal with the question of how not to put a burden that is too great on the working population as this would strongly diminish the incentive to work and be active in the market economy, and on the other hand, how to acquire enough financial means so that social market economy can be called “social” in the future as well – providing the elderly with an adequate income to which they are entitled after their many working years and that can enable them to lead a satisfactorily life.

It is evident that crucial reforms will be needed, especially in pension and health systems. Surely, striking the right balance won't be a simple task; however, the longer that the governments postpone facing this challenge the harder it will be for them to orchestrate a smooth transition into the changed circumstances once the current systems collapse. Precisely we, the younger generations are thus required to speak up and urge our governments to take care of our future, as we wish to be paid according to our hard work and have the prospect of enjoying our pension after reaching the retirement age.

## LESSONS LEARNED

Social Market Economy seek to combine the liberal principle of freedom with the conservative requirement of order. They must go together. Freedom without order leads to anarchy. It blends a free market economy with government intervention to protect vulnerable people and the environment, therefore delivering the economic democracy to the people. This handbook is in a way a game of democracy regarding different economic systems within the European Union. It followed a model of *“by students for students”* where definitions and its structure occurred as a consequence of a process done by students, who were seeking answers to modern challenges of economy.

Students were particularly interested in discussed topics and economy at a glance, yet they missed several basic concepts. Therefore, we dedicated a lot of time to basic definitions and a mentorship on a higher scale should be advised. They got the notion that the universal economic system does not exist, hence the many different applications of free market with government intervention exist within the EU. On the other hand, different understanding, views and attitudes contribute to vast European diversity and should be considered as a major advantage. After that, when definitions were consolidated, we were able to discuss future challenges. The logics behinds the handbook structure followed that process closely.

On top of that process, we can draw general conclusions as well. When making new economic definitions or seeking answers, one should always turn to basic interpretations of the matter, followed by analysis of good practices. Comparing attitudes towards major issues also raised a question how values are embedded within the legal framework of a Member state. Democratic institutions play an important role and alterations occurred, especially between *“new and old”* Member states. Where students from old member states put forward questions of inequality, justice and problems of the economic system within their countries as such, students from new member states frequently exposed the need to strengthen basic values and principles. European Union should have done more in the aspect of development of democratic institutions, but at the same time not forgetting about the core of economy – an individual. It is not enough that the concept of a European Social Market Economy has been enshrined in the EU Treaties since 2009, but one should spread this concept across Europe through dialogue and mentorship. Presented handbook is only a small step in that direction.