

**THE SOCIAL MARKET ECONOMY- GERMAN COORDINATES  
FROM A EUROPEAN PERSPECTIVE TO THE ORIGINS- FROM  
FRIEDRICH LIST TO THE EUROPEAN AND EUROATLANTIC  
INTEGRATION**

**POPESCU Dan<sup>1</sup>**

*University “Lucian Blaga “ of Sibiu*

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**Abstract**

*The german model of evolution, the social market economy, has always attracted researchers' attention. On what ideas, these doctrine are based and will be supported by in the future? What was the secret application today and in the European Union, in Europe, in the world of what Germany is doing? How overcome terrible precipice, where to put, we can say, alone? What perspectives can arise? This is my communication about, this are the problems I address in a european perspective.*

**Keywords:** *social market economy, Friedrich List, historical school, Ludwig Erhard, solidarity, progress, liberalism*

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„Franger” is a word which designates the European Union’s economic and social engine as such: France and Germany, Germany and France. Remarkable concerns for strong economic development in the context of world competition, but also endeavors to improve the „social”. Both types of efforts stemming from traditions which have been diversified for several hundred years, and in their incipient forms even for longer. In what follows we are going to dwell mainly upon the German way towards today’s social market economy, a way which, in my opinion improves the political discourse of Germany’s decision makers from a practical point of view, not so much for Germany itself as for the „outside”. A discourse which almost ignores- and

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<sup>1</sup> Profesor, DHC

still it doesn't- Germany's and the German economy's fundamental concerns for continually improving the social aspects in this key country of Europe. Key through its positive experiences, through some dramatically failed experiences, through a perspective always looking at the past- so as to avoid repeating it- but also at the future.

Surely a fascinating topic: the evolution of the German economy, of Germany, over almost 200 years: from Friedrich List to Angela Merkel and later. I want to make it clear from the beginning that Friedrich List was not a political man as much as he was a researcher, a scholar. But the German chancellor Angela Merkel, through the way in which she has influenced and is still influencing Germany, especially Germany, in very difficult times, has become and is increasingly becoming, beyond her political role, a remarkable economic theorist. I am sure that the historians of the „recent past” or those writing decades from now will acknowledge this. And not only Ms Angela Merkel. But several of Germany's chancellors from the great Konrad Adenauer onwards, with special emphasis on Ludwig Erhard, who has been considered one of the founders- if not the founder- of the German concept of „social market economy”. Historians will also record several of France's presidents and prime ministers, from the great Charles de Gaulle, to Francois Mitterand, to Lionel Jospin, and maybe, why not to Francois Hollande, all of these as well as others, also laying the emphasis on the economic as well as on the social. But let us come back to Germany.<sup>1</sup>

Studying Political Economy, Economic History and The History of Economic Thought- unfortunately „tempi passati” in today's Romanian economic education- these disciplines are studied „frugally” at most, as a brief snack between breakfast and lunch, and it saddens me to see that things are largely the same in the European education- I found that Germany, first

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<sup>1</sup> I have always been keen on the German phenomenon. As a child and then as a teenager I enjoyed reading „The adventures of the submarine Dox”, and „The Adventures of Dox Crew”. „Dox”- books officially banned by the communist authorities in Romania- - a German submarine which, after the First World War did not admit Germany's defeat and unofficially cruised the world's seas and oceans. It was, if we accept the term, a preview of globalization: a German ship, with a German crew, venturing on all the Earth's waters and thus providing a certain connection across the Globe. There are arguments against this view, but also for it... I went on then to Karl May. From „Through the desert” to „Winnetou”. No further details. I liked then very much, as much as it was possible, the German literature and the German philosophy. More so, as an uncle of mine, a cultural attache at the Romanian Embassy in Berlin from about 1938 to 1941, had done his PhD several years earlier at „Humboldt Universitet” with Werner Sombart and Earnst Junger- the philosopher who had a remarkable cultural role in the German diplomacy in Paris during the war and the occupation, and with a not at all negligible influence in saving the „Light City”; together, of course with general von Choltitz, the last military commander of the occupied Paris.

Prussia and other small German states, had a fundamental contribution to the development of universal economic thought. A milestone which thus marked „maturity” was the remarkable Friedrich List. I devoted serious attention to these contributions. In general, I could teach for almost two decades in France, for a good time in Italy and in other countries, I could be on the boards of important International Economic and Economic History Congresses precisely thanks to these interests...

... So, Germany, its economic concepts and theses, of development, of progress, essential in certain periods for almost 200 years. Of course, inquiries before, but also after, in hindsight. A German Reich of almost 1000 years, the Roman-German empire, with fundamental contributions to civilization- see among others the Hanseatic League, Jacob Fugger, the Fuggers, etc, topics I have often written about- a „Second Reich” of about 50 years, designed by Bismarck who initiates social protection in Germany, but with an unhappy ending. Then, following other events and the rather feeble Weimar Republic, a „Third Reich”, which had been designed by its mentors for a millennium but lasted only 12-13 years. A dramatic, terrible, disastrous ending with the monstrous crime against Jews and against humanity .<sup>1</sup> And still, Germany, the German economy, which was literally destroyed, a country in ruins, disproportionate demographic structures, an often humiliated country- see, for example Stefan Heym’s novels and not only- was reborn, arising from of its own ashes, like the Phoenix bird. The German culture, intelligence, initiative, the seeds of the German initiative were preserved almost intact.<sup>2</sup>

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<sup>1</sup> An aunt of mine, the wife of my father’s brother, who had been sentenced to death in his absence by the communist regime of Gheorghe-Dej, a woman of English origin, from a notable aristocratic family in England, Director-General of the UNO, the head of press in the British sector of occupied Berlin in 1945-1947, often told me, when the political situation in Romania had relaxed and we could have contact, about the drama, the terrible drama of the Germans to, of the Berliners, in the years immediately after the war: ruins everywhere, horrible misery, people living in ruins, in unsanitary basements, famine, sickness, tragedy. (Also see Jaques De Launay, *The Big Collapse 1944-1945*, Polirom, București, 1996).

<sup>2</sup> This was confirmed to me in 1980, when I was working in economic research in Bucharest, and accepted a 2 week invitation to Hamburg, to „Die Zeit” newspaper, my only visit to the West before the Revolution in December 1989. Then, for about three evenings I was the guest of countess Marion Donhoff, the manager of „Die Zeit” newspaper, at her beautiful castle Blankenese. I was talking to her Excellency and the acclaimed editorial writer Teo Sommer, who had also been invited, about the problems in Germany, the problems in Europe, which was starting to reunite, in the United states, in the URSS, and not last in Romania. Unfortunately, having my family, my child back in Romania, I regretfully declined the countess’s generous offer to stay in Germany and be hired instantly – this was her proposition- as head of department at „Die Zeit”. Anyway, I started to understand better why shortly after that Western Germany and then Germany occupied and is still occupying, together with France, and sometimes before it, the orchestra stalls in the European progress and development. There are, of course, other such countries.

One clarification. As it is known, the human history has been studied either along the major line of collective factors- economic forces, technical means, human communities-, or along the apparently easier to understand line of the biography, of the actions of personalities who, in their succession and interaction, embodied and illustrated these very diverse anonymous forces of the above mentioned collective factors. I was and still am very fond of this latter approach, which increases the amount of available information, as well as one's ability to process this information and draw relevant conclusions.

In this respect, an important starting point was and still is Friedrich List, a forefather of the „National System of Political Economy” in Germany, in Europe, but also across the ocean. What can I highlight in this context? So, if the union with Ireland in 1801 completed the economic unity of the British Isles- a unity already accomplished almost a century before by England and Scotland and considered by Adam Smith as being one of the reasons for Great Britain's prosperity, if France had consolidated its unity in 1791 through the abolition of internal customs- in 1815 Germany was still divided into a number of states of unequal importance, and separated from each other by strict customs barriers. In the petition he presents in 1819 to the Federal Assembly on behalf on „The General Association of German Industry and Commerce”, he counts no fewer than 38 customs barriers within the German Confederation. And he does not mention all the barriers within each of the confederate states, which further slowed down trade. This is why, List wrote in another petition: „while the other nations foster science and art, which give rise to commerce and industry- and how shrewd was List in his ranking, n.n. – the German merchant and manufacturer must dedicate a lot of his time today to the study of tariffs and the payment of customs duties and tolls”<sup>1</sup>. Implacable, difficult to disprove truths formulated by List.

Next I would like to say that these were drawbacks which were exacerbated by a particular circumstance: the German states closed their borders to each other, but in the absence of an effective central authority, Germany as such remained open to foreign goods. As Napoleon's imposing stature had just been eliminated from Europe's political, economic and military life as such- eliminated but not forgotten, as it remained in history, in eternity at its true and impressive military but especially civil size-, England,

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<sup>1</sup>Also see Dan Popescu, *Istoria gândirii economice din antichitate până la sfârșitul secolului XX* (The History of Economic Thought from the Antiquity to the End of the 20<sup>th</sup> Century), Continent Publishing House, Sibiu-București, 1999, pp.120

which had been cut off from its commercial outlets during the war, the wars, and forced to stack huge stocks of merchandise in its factories, was now flooding the continent with its products. Rejected in France, financially depleted and where the Restoration had established a strictly prohibitive regime, these goods, some of which were offered at derisory prices, found „all the doors open” in Germany. A situation which alarmed the German businesspeople and merchants. As a matter of fact, the economist Friedrich List made himself their spokesman- in the concise and meaningful terms of economic theory. He protests strongly. Goes into politics. Advocates unification and a protectionism that should allow the proper and competitive birth of the German industry. Promotes the idea of social harmony- as an expression of the country’s development at all levels. The German Zollverein, with Prussia as a pillar, from 22 March 1833, is mostly his creation. <sup>1</sup>

List also feels the need to see. He travels to America. Here he puts forth several considerations which betray, besides the remarkable theorist, a practitioner who knows how to observe and learn. He wrote: „fate, taking me then to the United States, I cast there all my books aside. The best book one can read in this country on the subject of Political Economy is that of life itself. There one can see wilderness grow into rich and mighty states... A progress which in Europe required several centuries goes on there right before one’s eyes; there one can see societies going from the condition of the mere hunter, to cattle-breeding, from that to agriculture, and from agriculture to manufactures and commerce. There one can see how the land rent rise gradually, from zero to a significant figure ... Nowhere so well as there can one learn the importance of means of transport, and their effect on the mental and material life of the people. I have read this „book” eagerly and diligently, and I have attempted to bring the lessons learned thereby into accord with the results of my earlier studies, experiences and reflections.” <sup>2</sup> On the New Continent, List met American economists who thought like him, but starting from the actual interests of the American economy. The one who stood out most from this perspective was Carey, a specialist who had authored several important works, among which „Principles of Political Economy”, „Principles of Social Science”, „The harmony of Interests”. These are elements which further highlight the personality of Friedrich List, the German economist who,

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<sup>1</sup> Dan Popescu, *Istoria...*, loc.cit

<sup>2</sup> *Ibidem*, pp.121

through his „National System of Political Economy”, influenced his world and the one after him.

Anyway, List sees Political Economy not as an abstract system of laws and categories, but as a „National System of Political Economy”, with clear distinctions regarding what is called the „National Economy”. The debate with the „Exclusively liberal” thinking systems is thus open from this point of view, too. England’s industrial domination is attacked, the ideal of such an international division of labour is replaced by that of independent nations, with their own personalities and individualities. Free trade- List shows- tends to establish a single workshop for the entire world, from where goods must be shipped all over the globe, bearing the most expensive shipping costs, but also as such. In his opinion the practical effect of such a system was to delay or hinder, for the profit of one nation, the progress of the others. „For a society- List shows- prospers and gets rich as it gradually becomes a productive association, performing a number of various works, which serve as outlets for each other and fertilize each other, through their very proximity.”<sup>1</sup>

Of course, List’s theses and ideas are more numerous, some of them more subtle than those we have mentioned. For example, he shows that „the power of producing wealth is infinitely more important than wealth itself”; that „industry is not only the natural result of labour and capital, but also a social force which generates capital and labour, that it deserves to be introduced in a country at a par with the liberal institutions, as a fertile source of present and future wealth even at the expense of temporary loss”; that „it is not enough for a statesman to know that the free interchange of products will increase wealth somewhere, but he must know that this growth will be profitable for his own country.”<sup>2</sup>

In their turn, the „schools of liberal thought”- from England, but also from France, which were regarded as being invincible at that time- bring their own arguments against these ideas, arguments which are not devoid of interest, of common sense. They are as follows: „a nation, just like an individual, must buy the products which offer them the most advantages (the Ricardian influence is evident, n.n.). The industry grows only and only through capitals. Or the protective regime, by making life more expensive,

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<sup>1</sup> Also see Dan Popescu, *Istoria...*, loc.cit.

<sup>2</sup> Also see Dan Popescu, *Industrial Revolutions: globalizing outcomes-coordinates of the relation interests-constraint-seduction*, XVth World Economic History Congress, Utrecht, The Netherlands, August, 3-7, 2009. Comunicare în CD-ul Congresului.

delays the accumulation of capitals and works against its own purpose.” It is obviously correct, or better said, partly correct. The counterarguments are just as interesting. „The value of a product is determined not as much by the amount of work carried out, by the effort made by the manufacturer, who then gives it away, as by the amount of work saved by the one who buys the product, as compared to the situation in which he would have made it himself.” It is an idea which the brilliant Romanian economist Mihai Manolache will formulate later much more comprehensively and accurately:

„Tell me not only what you are buying but also how you are paying for it, so that I can tell you whether you are buying cheaply or expensively.”<sup>1</sup> But let us go on. With List at the forefront, it is maintained: protectionism does not constitute a universal remedy which can be applied in all countries, in all times and for all products, it is a particular process which finds its reason of existence only under particular circumstances and conditions ...” Eloquent.

In an important respect, at that time the outcome of the „game” is decided, at a pragmatic level, in favour of protectionism. Of course, everything is relative. Anyway, the United States uses it. France, Germany use it, too, and then it becomes obvious- almost like a wave, whether dissimulated or not- that other and other states of Europe use it, too. There is a progression from protectionism to liberalism, to a certain- increasingly marked- liberalization of trade, of course without any country’s economy being disrupted.

There are several elements that become thus evident. By realising the „Zollverein” in Germany, by putting forth the „National System of Political Economy”, a system which was not abstract, but national, influencing the economic thought in the United States in particular, but also in other European countries, Fr. List can be rightfully considered – a thesis which I have been defending for a long time now, and which is gaining proselytes- a great forefather of today’s European Union<sup>2</sup>. A union where there are no customs, where there is a single market and where national borders are increasingly moving from one country to another within the European Union. Eurosceptics? We have pertinent answers for them, too: You can hardly diverge from the world’s objective progression towards a single, global world.

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<sup>1</sup> Mihail Manoilescu, *Forțele naționale productive și comerțul exterior* (National Productive Forces and Foreign Trade), Edit. Științifică și Enciclopedică, București, 1986

<sup>2</sup> Dan Popescu, *Amenințări pentru secolul XXI* (Threats for the 21<sup>st</sup> Century), Continent Publishing House, Sibiu-București, 2014

Of course, there are enormous difficulties, there are still huge differences between countries, but let us remember the great Einstein: „one world or no world at all”. Mistakes have been and are still being made, without any doubt. They have been politically exploited by some parties as it could be seen at the last Euro parliamentary elections in the United Kingdom, France, Italy, Denmark, Spain, Holland, etc. The solution is not, however, to exit the Euro and dismantle the European Union.

And still. It is maintained today that markets must have the last word in all economic matters- supply, production, distribution, consumption, etc. An idea launched over 200 years ago. We agree with it, but haven't the big states of the world intervened and aren't they still intervening in this way to support their interests? Hasn't the United States, through its actions of external and internal policy, protected and isn't it still protecting its firms, even if, though mainly American, they also have foreign capital? Isn't the „Monroe doctrine” thus significant? How about the United Kingdom, how about France, countries which for centuries have institutionally dominated colonial empires subservient to the metropolis? How about Germany, often with the same types of interests, often more pronounced? It is obvious that perfect, abstract markets can hardly be accepted. Is there in this context a critical point between the present and the past or between the present and the future? There are various positive answers to both questions. Let us accept realities as they are and find solutions to them, and not to some imaginary realities.<sup>1</sup>

So, this is the German historical school from the perspective of the present. From the point of view of this school we have more pertinent explanations for integration, for globalization or for, let's call it “mondialization”. What was, then, the German historical school? The ideas of the historical school dominated the entire half of the 19th century. They flourished in the last quarter of the century, as shown by the great historians of economic doctrines Charles Gide and Charles Rist. And still, the date of its birth can be found earlier. It can be traced back to 1843 and the appearance of a booklet- „Grundriss”<sup>2</sup> de Roscher. In order to understand the ideas of the school we must relate to this period; for the state of Political Economy at that

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<sup>1</sup> Dan Popescu, *Cataclismele economice care zguduie lumea* (Economic Cataclysms Which Shake the World), Continent Publishing House, Sibiu-București, 2010

<sup>2</sup> Vezi și Charles Rist și Charles Gide, *Istoria gândirii economice de la fiziocrați până azi* (The History of Economic Thought from the Physiocrats until today), Edit. Cassei Școalelor, București, 1926, cap. Referitor la Școala Istorică Germană (Regarding the German Historical School), pp. 533-567

time- which, to a certain extent, is the same as its state today- justifies the historian's critiques and explains them. So, with J. B. Say's and Ricardo's followers, Political Economy acquires an ever more abstract character. For some, it tends to boil down to a number of theoretical principles, formulated like geometry theorems and mainly concerning international trade, the setting of the profit rate, of salaries and rent. These theorems, even if we were to admit their accuracy, are far from being enough to explain the full variety of economic phenomena, or to serve as guidelines for the practical problems which the evolution of industry, of the economy, of society have posed and still pose to every statesman.

This idea was very well expressed in one of Arnold Tonybee's articles on old Political Economy: „A logical artifice becomes the accepted picture of the real world. Not even Ricardo himself, a benevolent and kind-hearted man, could have wished or supposed, had he asked himself the question, that the world of his treatise was the world he lived in. But he unconsciously fell into the habit of regarding laws, which were true only of that society which he had created in his study for purposes of analysis, as applicable to the complex society really existing around him.”... „This confusion- write Gide and Rist- was further aggravated by some of his followers and increased even more in the misinformed popular presentations of his doctrine. There is, in other words, an ever more noticeable divorce between economic theory and the concrete reality.”<sup>1</sup> And this separation „is becoming more marked every day, as industry, industrialism are changing, posing unforeseen problems, giving birth to new social classes, eventually spreading to countries whose economic conditions are very different from those which in France and England had given rise to the founders' reflections.”<sup>2</sup>

Such a divorce between theory and reality could be alleviated in two ways. Either by reconstructing through analysis a new theory, more coherent and more flexible; this is the way Menger, Jevon and Walras would choose around 1870. Or, more radically, by rejecting any abstract theory and making the description of reality the sole object of science; this is the way the historical school chose and followed from the very beginning. Even before the setting up of a historical school, the same Gide and Rist state, some writers warned against the danger of excessive abstractions to science. Sismondi, a historian himself, considered Political Economy a „moral” science in which

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<sup>1</sup> Idem

<sup>2</sup> Idem

„everything is connected”. He urged for the study of economic phenomena in the social and political context in which they take place. He criticized Ricardo’s general theorems and advocated the detailed observation of facts. Even more strongly had Fr. List attacked the classical economists. His accusations did not stop with Ricardo, but went further back to Smith. Using history as a proving instrument, taking „nationality” as the basis of his system, he subjected the whole commercial policy to this principle of „relativity”, on which the entire historical school insisted so much. Finally, even the socialists, especially Saint-Simon, whose system is nothing but a vast philosophy of history, had shown through the critique of property, the impossibility of isolating economic phenomena from social and legal institutions...<sup>1</sup>

However, the uncontested founder of the „historical school” is Wilhelm Roscher, professor at the Gottingen University, who in 1843 publishes „A summary of the Course of Political Economy on the historical method”. He does not claim to do anything else but economic history. „Our aim, he says, is to describe what people have wanted, have felt in economic terms, the goals they have pursued and realized, the reasons why they have pursued and realized these goals.”<sup>2</sup> Such research can only be conducted „by remaining closely connected with the other sciences of the national life, and not only, in particular, with the history of law, political history and the history of civilization.”. What Roscher sets out to do, thus, is the enhancement of the history of his time with a history of economic events and opinions. As a matter of fact, in his series of „Principles”, received increasingly favourably by the German intellectuals, Roscher contented himself with juxtaposing, alongside the exposition of classical doctrines, erudite and abundant excursions into the field of past facts and ideas.

In 1848, another German professor, Bruno Hildebrand, formulates even more ambitious claims. In his book „The Political Economy of the present and of the future”, the opposition to classical economy is much stronger than in Roscher’s case. History is presented not only as a way to reinvigorate and perfect existing theories, but also as the instrument of a total renewal of science. Rightfully so, Hildebrand was taking into account the progress the historical method had brought to the study of language. From now on, Political Economy will have to be only the „science of the laws of the

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<sup>1</sup> Dan Popescu, *Istoria...* loc.cit, pp.90-91

<sup>2</sup> Charles Rist și Charles Gide, *Istoria...* loc.cit

economic development of nations”<sup>1</sup>. The young „historical school” which constituted itself around Smoller, starting with 1870, was the one to develop further. I will not go into details, I have proven what I have intended to. It is finally from this perspective that today’s German dual educational system can be explained, an eminently efficient system in which theory and reality, actual developments from the present and from the past, forecasts, practice are intermingled.

There are, among others, several reference names we should mention. For example, Werner Sombart with important concerns for national developments- in the first decades of the last century he held several lectures at the Academy of Commercial and Industrial Studies of Bucharest- and professor Ion Veverca was on his side. Later Sombart offered elements for ultra-nationalism, which diverted him from a judicious scientific career<sup>2</sup>. However, what deserves special attention and inquiry in the attempt to explain the German economic progress is the personality of Joseph Schumpeter and his practical conclusions. At the start of the last century, in an economic time which was characterized mainly by instability and many unanswered questions, J.S. referred to the „creative entrepreneur”: the one who dares to innovate, thus taking personal risks and positively boosting the economy. He also approached the thesis of „creative destructions”, i.e. already existing, static equilibriums are destroyed and thus new competitive situations emerge, motivating every participant in the economic system to strive for a new, more advantageous positioning on the social ladder, a sine qua non condition for dynamic economic development in a modern economic system<sup>3</sup>. We also have to mention John Maynard Keynes’ approach and his institutionalism, or better said his institutional liberalism, extensively adopted in the interwar German economic thought. Of course, Keynes’ approach to peace after the First World War was also important...<sup>4</sup>

However, what is remarkable is the theoretical and practical construction of the „social market economy” as a concept and as practice, as a way of life which individualizes the German phenomenon in the context of the European and world economic and social development. An economy where, in the best tradition, economic criteria combine most naturally with social ones

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<sup>1</sup> Anastasios Mintopoulos, Dissertation... loc.cit

<sup>2</sup> Dan Popescu, Istoria..., loc.cit

<sup>3</sup> Idem

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in all the necessary developments and results. As a matter of fact, it was not by chance that the very man called the „Iron Chancellor”, Otto von Bismark, was the one who sometime between 1870- 1880 laid the bases of the social security system in Germany. Some say that he did this as he wished, through a system of social security, to have a clear picture of all those who had to pay taxes, but this is another problem ...

So, the „social market economy”. A reference name, thus, the forefather Walter Eucken, a firm believer in the combination between economic ideals and the performance of the national economy as a whole. A combination resulting into a permanently functional economy, but which also respects human dignity, ensuring fair work with fair pay. Another name, considered the father as such of the social market economy and of the „German economic miracle” belongs to the man who was minister of economy and then chancellor, Ludwig Erhard. Erhard, as shown in his doctoral thesis, advised by Mr. Anastasios Mintopoulos, researcher in Germany, Munich, „created a new economic order in which older theories were combined with new ideas, from all fields, especially from the economic and political fields, and with positive effects on economic performance”<sup>1</sup>. Erhard introduced the German mark „releasing energies unknown at that time”, combining economic success with „social security”<sup>2</sup>. It can be remembered, in some ways, Hjalmar Schacht. A variant, one might say, but a variant with high economic and social productivity, of the „Social and Solidarity Economy”, a concept formulated decades before by the French Leon Bourgeois and Charles Gide<sup>3</sup>.

From all these, the current, modern, European but essentially German doctrine of „ordo-liberalism” was constituted. So, the relation between neoliberalism and ordoliberalism, the above mentioned German concept, very well explains the open position of Germany, of its economy within the EU, but also a certain interference of the German state in order to support its market players<sup>4</sup>. However, in a time of uncertainty there is one thing which shows a high degree of certainty. Namely, that we are at the end of a cycle in which

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<sup>1</sup> Anastasios Mintopoulos, Dissertation... loc.cit

<sup>2</sup> Idem

<sup>3</sup> Dan Popescu, Libéralisme et solidarité. Le professeur Charles Gide dans l'actualité. Quelques coordonnées, Transilvania, nr.7/2014, pp.22-28

<sup>4</sup> Dan Popescu, The World Economic and Financial Crisis: Keynes versus Friedman? Oscillations Between Economic Ethics and the speculation Economy, 16th International Economic Conference, Industrialisation Revolutions from the Globalisation and Post-Globalisation Perspective, Sibiu, 7-8 may, 2009

exaggerations regarding free trade, especially the near absolutizing of speculation, have forced the West to largely abandon its productive apparatus. With the exception- relatively less meaningful from the perspective of employment- of high technology fields. Hence, fewer and lower salaries, lower budgetary gains. Hence, more or less „collateral” social provisions, partly covered through an increase in state debt, a process which is and has been able to erode the foundation of some state institutions, but also of firms. From here, a genuine boom in some life inequalities so harmful in the past, a significant rise in poverty, in the number destitute individuals but also in the cynicism of the rich, of the decision-makers and of the politicians in relation to the needy<sup>1</sup>.

Under these circumstances, most often states retrench, review themselves, protectionism, „the inevitable protectionism” takes big steps ahead, and globalization regresses. Of course, we are talking about intelligent protectionism, limited, European, stimulating the relocation of many companies to large industrial states, companies which have left these states based on the strict and extremely temporary, feeble criteria of corporate profit- without internalizing some externalities, and without thinking in the much larger perspective of social profit, although this profit comes back directly or indirectly to these companies as such. In all these respects, it seems that there will be a time of transition meant to prevent or eliminate, as much as possible and if possible, major drawbacks. A time of transition based on the evidence that especially financial capitalism by itself is unfortunately incapable of correcting the fundamental inequalities it carries in itself and with itself. This requires a rethinking of social relations and values, of entrepreneurial values, of institutional values which economic evolutions- and even revolutions- have proven during the centuries to be very necessary and which could return<sup>2,3</sup>.

A whole world of researchers, of entrepreneurs, of bankers, of financiers, of development economists, of specialized journalists, a whole universe, are attentively watching and often fighting, fiercely, consistently fighting for mutations in the shown direction. I believe that the solutions are not outside the European Union but inside it. Of course, not in the conditions in which the European policy, especially the monetary policy, has been

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<sup>1</sup> Dan Popescu, *Amenințări pentru secolul XXI (Threats for the 21<sup>st</sup> Century)*, Continent Publishing House, Sibiu-București, 2014

<sup>2</sup> Idem

<sup>3</sup>

decided and it is still being decided in Washington. However, one must not forget that every banking crisis increases the probability of a future one. But also that too much order hinders adaptation. Maybe the idea- the false idea- that the ‚domestication’ of hazard generates a certain theoretical and practical comfort is too pervasive, as the comfort obtained is in fact a pseudoscientific one. Progress means substantiation, but also risk, and imagination, originality; these are notions which complete and do not exclude each other.

Who has obtained in the past few years huge speculative profits, largely paid by „global” crowds increasingly discontent, noisy, even vindictive, in the conditions of the current economic and financial world crisis, so slow to subside. And still, in order to prevent the „worse”, changes are taking place both in ideas and in actions. As we have already mentioned, a historical cycle, which did not last very long though, is about to end: that of the triumph of deregulated liberalism, the marked right. However, the cycle of the „providential state”, immobile and immovable, of marked left, is also about to end. But what if the future is not that of the middle way? Especially, to this ordoliberalism of German origin, with a tendency to reconcile competition and market laws in the economic arena with a „regulating”, more than protective state, ordering society around rules set by institutions and finely defining each actor’ freedom and responsibilities in the social field? The question is correct, as the „ordoliberal conception has both virtues and limitations”<sup>1</sup>. Without ignoring the limitations, I tend to believe in the virtues, as they accept both the influence of the market on competition and free circulation, and a certain recognition of the role of the state in „ordering” the market and setting the competition rules.

This „ordoliberalism”, initially regarded as a critique of the „providential state”, actually completes the theory of the „social market economy”, recognizing the role of redistribution and of some powerful social institutions in the „ordering” of society. Is a certain role of the state in Europe being, thus, „reinvented”? I think this would be a good thing, as it would reveal the value of a flexible state, which knows how to regulate economic games without fundamentally influencing rules to the significant disadvantage

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<sup>1</sup> Also see L’Histoire, Les Collections, L’Allemagne de Luther à Merkel, nr.65, octobre, 2014, chapitre 2, 1945-2015, un géant européen, mai ales studiile semnate de Johann Chapoutot, Michel Winock, ș.a.

of a short term profit and to its own significant advantage, that is of an excessive social profit encouraging not work but its opposite<sup>1</sup>.

These matters are not evident only at the level of concepts, but also at that of actual economies. The „social-class fight” outlined so pathetically and not without some real reasons by Karl Max, has become a genuine fight for jobs. Which allows employers, of one kind or another, often „benefiting” from the „dumb” replies of trade unions, to impose lower levels of salaries. „As it develops a cutthroat competition between employees for available jobs, the Army Reserve, in its turn, exercises pressures regarding the acceptance of low wages”, from where, often a deterioration of the work conditions where manufacturing takes place, as well as the increased development of „precariousness”. From where the fragmentation of work and the increase in the number of precarious contracts- it is true, often necessary for companies in order to survive. In such circumstances, the international division of labour is deepened, leading to an increase in the exploitation of workers in peripheral economies in order to increase productivity and profits... There are, of course, much more problems to address, to explain, to conclude about: what is, effectively, the banks’ position? What are markets doing? What are people actually doing?... And the problems we have discussed reveal important coordinates of the development of the German economy on the way of progress, of necessary prosperity, in a world in which, at almost every step there are questions to be answered.

**Instead of closing.** It states sometimes<sup>1</sup>, that for several years we are witnessing a change in the development model of the German economy. It is true that, Germany is falling increasingly in Anglo-Saxon capitalism, from the social market economy. The companies’ financed on a long-term vision by the banks, in a partnership system with clients, providers, employees, are resting mainly on the shareholders, often with other targets than the previous ones.

We are witnessing a setback in the negotiations with the unions. That system was consistent relaxed social protection in order to reorganize public finances. That has moved from an "economy of prosperity" on a "competitive economy", slowing down, even the rise of income, amplifying the number of those living below the official poverty line, unemployed, etc. It’s true, but today the world has become more competitive and tough, and it is a German response to such a

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<sup>1</sup> Valentin Martin, „L’économie allemande: un model a suivre”; „4 économistes allemandes critiquent le model germanique”, etc. ([www.politique-actu.com/debat/economieallemande](http://www.politique-actu.com/debat/economieallemande); [www.lexpress.fr](http://www.lexpress.fr); etc.)

situation.

This does not mean that the French response, more varied, be challenged, as it sometimes proves. However, in Germany we have to do with a strong support of the industry and the economy by a dense texture, by a huge number of SMEs, particularly innovative and exporting.

Without theoretical breakthroughs, German education practice, is well-oriented. German industry influenced the massive economic area of Eastern Europe and became "a close Hinterland". An essential component of the German economy is the export, whose competitiveness is grounded on wage income with a relatively modest growth rate, on certain stagnation in pensions and the consumptions.

And we could continue. Through it all, against Keynes's model, they favor the "offer", while in France, was privileged a long time, and generally they favor the "demand". Such guidance - which in fact only slightly damaged level of living in Germany, level based on decades "Rhineland capitalism" to which we referred in particular to study - but we appreciate it. Desirable situation, on the long term, lies somewhere in the middle (as always in life). And theoretically but also practically, the development was and is always for the people. It must be so. High competitiveness it does increase the income of workers and entrepreneurs and not to stagnate or even diminish. What is over a hundred years - with the exceptions of rigor, unfortunately so known - Germany did. And will do. Otherwise, things would not evince in order...

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