

## **The New Social Market Economy**

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**- Abridged version**

### **INTRODUCTION: A NEW SOCIAL MARKET ECONOMY - FOR A NEW CONTRACT BETWEEN POLITICS AND CITIZENS**

Politics today in the 21<sup>st</sup> century must once again overcome a decisive point in history - our evolution toward a knowledge society - and play a role in shaping it. This evolution is putting 21<sup>st</sup> century policymakers to the test. The knowledge that is available worldwide is growing at an explosive pace. New knowledge is becoming simultaneously obsolete faster and faster. Modern data networks make it easy to quickly disseminate knowledge around the world. The proportional share of knowledge in the real net output has substantially increased. Globalization and digitalization are reinforcing one another. Many people find this evolution process to be both threatening and promising at the same time.

Therefore, we must answer the new social question of our time: What kind of structural framework does our changed world require in order to ensure that every individual is able to share in the resources, the fruits, and the progress of our society? If this question is not answered conclusively, new social disapproval will result and political legislation with regard to the breathtakingly fast changes and developments of our time will always be rushing to catch up. This is exactly what we must prevent.

However, the correct answer is definitely not comprehensive control of state and politics. On the contrary, politics now requires a double strategy. It must intervene in the right places and as well let go in the right places, but even more, it must be able to do this. At the beginning of the 21<sup>st</sup> century, this now requires a decisive change in our political course. And once again, it is the CDU alone that has the courage and the strength to do this. The economic system of freedom within in our political framework and the social market economy must be raised to a new level, to a new social market economy.

The principles of freedom, justice, and solidarity will not lose their validity in this process; on the contrary, only the new social market economy will recreate the conditions in which these exact principles will be able to be followed in the future. This is the only way that opportunities to take part in the social market economy will open up to people in the 21<sup>st</sup> century. Such opportunities will enable them to participate through knowledge, through work, through capital, by using the social insurance system as well as encourage the participation of families and social networks.

First of all, the new social market economy will restructure political priorities, for example, ensuring lifelong access to further education for everyone or creating social insurance systems - for politics whose understanding of progress in the most comprehensive sense of the word is geared primarily toward the next generation.

Secondly, the world needs an international structure for competition, not in the sense of a fictitious world state, but rather a new dovetailing of private and public business, for example, addressing issues such as protecting intellectual property or giving developing countries fair access to free trade - politics that take into account this decisive point in history through digitalization and globalization.

Thirdly, new instruments and mechanisms must be put into place - ones that support voluntary self-responsibility where laws or regulations were once conceivable or ones that support more industrial and regional regulations where once across-the-board regulations were on the legislative agenda - modern, middle of the road politics which will offer a contract to all citizens in Germany in the 21<sup>st</sup> century.

The idea of reciprocity is the foundation of this contract between politics and citizen. Citizens can both rely on politics and contribute to the well-being of the community. This is how the new social market economy will be put into practice. Its goal is to create a "we society". The we society is based on the view that the opportunities of the individual and the opportunities for everyone are interconnected.

For the CDU, the basic values of freedom, justice, and solidarity are also the foundation of realistic and future-oriented politics in the 21<sup>st</sup> century. They point in the right direction, toward the political and ethical creation of a self-evolving knowledge society. Like no other political power, the CDU is therefore the party for the 21<sup>st</sup> century. This is how we characterize the new form of a self-aware democracy in a new age.

### **Challenges for the 21<sup>st</sup> century:**

At the beginning of the 21<sup>st</sup> century, epic changes have emerged that have confronted Germany's economy and society with considerable challenges - the digital revolution and the rapid spread of advanced technologies, the worldwide networking of economies and companies called "globalization," the dramatic changes in population, and a far-reaching transformation of experience and values.

These developments hold both opportunity and risk. It is the task of foresighted politics to create a new political framework for major changes, one that cushions risk and enables people to take advantage of opportunity.

- In a knowledge society, the ability demonstrate, use, and to further develop knowledge has become a main factor of success. In education, science, and research, Germany is competing more heavily on an international level for talented students, highly qualified professionals, scientists, and managers. Schools, vocational colleges, and research institutes must therefore be oriented toward international quality standards. Comparable studies have shown that graduates from German schools are substantially less productive than students of the same age from other leading industrialized countries. Training and education takes too long. For years now, there have not been enough German applicants to sufficiently fill qualified positions in key industries. **Germany needs a qualification campaign.**
- During times of constant change and rapid innovation, the state, the economy, and society must be highly flexible in order to be able to act and react to such change. Germany is able to do this only to a very limited extent. A sophisticated network made up of regulations, ordinances, and invisible authorities, a complicated and deterring tax system, and a serious lack of leeway for individuals to make decisions based on individual situations are all crippling the economy, hindering the evolution of a culture of citizen self-organization, and delaying the necessary structural changes. **Germany needs a campaign for more transparency and flexibility.**
- Despite the high costs of active labor market politics, Germany has not had much success in fighting its high unemployment, in comparison to other countries. While trends worldwide have long since moved toward more flexible forms of employment, the rigid German labor and collective bargaining laws - such as lay-off protection provisions and working time regulations - have proven to be instruments that prevent employment. Furthermore, the considerable potential for employment with regard to simple occupations is hardly used because the social insurance system does not give the unemployed enough incentive to get a job. The insufficient flexibility on the German labor market has resulted in new positions not being filled and almost two billion overtime hours being recorded. **Germany needs a campaign against employment obstacles.**
- The social insurance systems that safeguard against major life challenges such as illness and old age are in danger. The number of benefit recipients is growing constantly while the number of those paying into the system is becoming smaller

and smaller. Medical advances are leading to a constant increase in health care costs. Nowadays, people are not only drawing a regular paycheck, but have other sources of income. Therefore, tying the social insurance system to personal income is no longer in line with the times. Introducing private retirement insurance is the right step, but still an insufficient one in its current form. Families with children are at a distinct disadvantage because of high consumer spending and missed opportunities to combine working and family life. The state only covers a fraction of what families need in comparison to what families contribute to the community. **Germany needs a campaign for a reliable social state.**

- Up until now, our economy and our jobs have performed within the structural framework established by the federal government. However, our national laws no longer sufficiently address issues brought up by the growth of globalization. An international structural framework is necessary and must be coordinated. Global regulations for preventing economic centers of power, for overcoming financial crises, and reducing the chasm between rich and poor regions around the globe must be agreed on by the international community. **Germany must play a role in establishing an international economic order.**