Hoffmann, Florian Josef

Book

Economic justice and welfare for all : seeking prosperity and freedom

Focus 42

Economic Justice and Welfare for All

Seeking Prosperity and Freedom

Florian Josef Hoffmann

Globethics.net

Economic Justice and Welfare for All

Seeking Prosperity and Freedom

Economic Justice and Welfare for All

Seeking Prosperity and Freedom

Florian Josef Hoffmann

Globethics.net Focus No. 42

Globethics.net Focus

Publications Director: Prof. Dr Obiora Ike, Executive Director of Globethics.net in Geneva and Professor of Ethics at the Godfrey Okoye University Enugu/Nigeria.
Series editor: Dr Ignace Haaz, Programme Executive online Ethics Library and Managing Editor

Globethics.net Series 42
Florian Josef Hoffmann, *Economic Justice and Welfare for All: Seeking Prosperity and Freedom*
Geneva: Globethics.net, 2018
ISBN 978-2-88931-224-5 (online version)
ISBN 978-2-88931-225-2 (print version)

Managing Editor: Ignace Haaz
Assistant Editor: Samuel Davies

Globethics.net International Secretariat
150 route de Ferney
1211 Geneva 2, Switzerland
Website: *www.globethics.net/publications*
Email: *publications@globethics.net*

All web links in this text have been verified as of July 2018.

TABLE OF CONTENTS

1

PREFACE

Dear reader, in the past two centuries there have been several attempts to implement just economic systems (ideologies) by force against the will of the people. Some relics of these attempts are unfortunately still present as of 2018 (North Korea, Cuba). The basis of these ideologies is seemingly logical constructs, the implementation of which always led to undesirable economic developments, even culminating in infinite suffering. The Marxism is a ‘good’ example as one of the most brutal and most well-known ideologies: The compelling logic of the historic development justified the enforcement of the alleged final status: A life without market and money. In Cambodia alone two million people were evicted from the cities to the countryside under the red flag and died miserably, just because Pol Pot had appropriated the Marxist-Leninist dialectics as a student at the University of Paris.

In many parts of the world today millions, even billions, are suffering as a result of circumstances on which mankind seemingly has no influence. I am talking about a seemingly harmless and positive ideology: neo-liberalism.

'Market laws are laws of nature' was the basic idea initiated by Adam Smith. The conditions of that time, about 250 years ago, were the basis for the invention of this ideology, as Isaac Newton at that time had discovered the laws of nature. And what at that time could be more suggesting in the euphoria of new discoveries than to apply their validity on human behaviour? The persistence of Smith’s idea can be seen in the reality of the antitrust laws: Only anonymous price formation is allowed, in order to avoid the hindering of 'natural' pricing. What nonsense! The people may not act, may not influence, may not talk to each other, should not dare to have trust ('anti-trust law') and should not dare to develop and form the situation together—in the case of an infringement, they are fined millions and/or risk incarceration (USA). Pope Francis (and not only him) has a different point of view, saying 'this economy kills', because the aspect of justice is omitted and is replaced by an ideologically exaggerated aspect of freedom for the economy[1]. Of course we want to be free, but does it have to be in the context of an arbitrary and excessive exploitation of the earth and the people, as preached by neoliberalism which believes in a 'natural balance' in the economy as well.

Economic liberalism—neoliberalism—is not a quite false though but too one-sided! This idea, this unilateral ideology, conceptualised by Adam Smith and further developed by Ludwig von Mises, Walter Eucken among others, has a lack of justice continuously destabilising our world politically through the disparity of wealth and incomes, causing wars and migration.

The correction of unilateral liberal thought and the discovery of a better system and idea is possible through the analysis of the past, especially in countries where economic policies have been successful. Important 'participants' in the analysis are pioneers such as Friedrich List and Gustav Schmoller—important designers of economic theories and economic schools, especially the Historical School of Economics, and their subdivisions. From theses schools came the development of the welfare economy which was developed by practice, not by theory (!) and which developed systems of solidary communities whose business and its players could not develop out of themselves. Hence a social market economy is composed out of two realities: the economic reality and the welfare state.

---

[1] As did Ludwig Erhard: 'The freer the economy, the more social it is'.

This book is based on two theses which may be surprising: The first is that our Social Market Economy in Germany was not established after the Second World War, but originated from ideas that have been developed and implemented in the Middle Ages; what happened was this: When the world was shocked by the founders' crisis in 1873, people rediscovered the values of the inhabitants, of the rich medieval towns surrounded by castle walls and inspired by ideas from Italian towns, which had established special rules of economic and social coexistence. Hence an entirely social and solidary—not egalitarian—economic system was developed which was copied and implemented during the first period of our industrial age in the 19th century and the beginning of the 20th century. It was thereafter successively analyzed and thereafter conceived by economic scientists, mainly by Gustav Schmoller, Lujo Brentano and others. The new economic system did not have an explicit name, as it simply arose from experience. In some cases, it was called 'Third Way' but de facto it was what today we call a 'Social Market Economy'.

The true fathers of the social market economy were thus not the well-known Germans Ludwig Erhard, Alfred Müller-Armack, Walter Eucken, Wilhelm Röpke or others, who invented and popularized the term 'Social Market Economy' after 1946, but mainly unknown protagonists who in the 19th century managed to transfer the economic and social concepts practiced in the 'dark' Middle Ages into the modern era, i.e. the industrial age. Their role models for the concepts were the rich and socially considerate medieval towns, the independent imperial towns, and the northern cities of the Hanseatic League. Much of their wealth originated from communal organisation and guilds which already at that time delivered products of highest quality and global reputation and. The noble and clerical principals were often envious of the independent imperial towns and therefore intended to disempower the new, civil-corporative communities based on guilds. The imperial towns within their town walls, however, proudly responded by constructing magnificent buildings and rich churches and cathedrals in which their wealth was reflected.[2]

The transfer of these medieval examples into the industrial society from 1873 onwards was originated by unknown craftsmen who had become small industrialist, sitting together with the ‘cartel brothers of nonfighting student fraternities’ and then without any help of science and theories, apart from the important impulses by Friedrich List[3] and other pioneers, simply by imitating the medieval concepts. The economic system and richness of the medieval cities delivered the pattern for the modern industrial era. The scientific reproduction of its economic success was done in the aftermath by the Historical School of Economics which was named exactly after this method: The past was supposed to be understood and then further developed to the economic theory for the future.

With respect to the social component of the system, some of the protagonists are not entirely unknown, especially the workers' bishop Wilhelm Emmanuel von Ketteler from Mainz. He provided Bismarck with the theoretical arguments for an extensive social security code, the implementation of which started in 1880 and was continued in many small steps until 1927. The code is still valid today.

The aforementioned thesis is not very daring as it is largely based on traceable historical facts. The second thesis is different, because it is a hypothesis, namely: without the two World Wars there would not be a global dominance of the Anglo-American economic liberalism, but

---

[2] Sometimes they also overdid it, as proven by the late completion of the Cologne Cathedral which ensued no earlier than in the middle of the upswing of the industrial age (start of construction: 15th August 1248; completion: 15th October 1880)

[3] Friedrich List: ‘Das nationale System der Politischen Ökonomie’, first edition Stuttgart and Tübingen 1841.

rather a dominance of a social, rather consensus oriented market economy!

On the one hand, this hypothesis is based on historically proven facts: At the beginning of the 20th century (interrupted by the 1st World War) the social market economy was already understood in its setup on a wide front and had an established scientific background through the Historical School of Economics. This was fact and was perceived around the whole world: Until the breakout of the Great War, the economic world went on pilgrimage to Berlin to inform itself about the causes and foundations of the sensational economic rise of Germany. The year 1914 was the thirty-fifth year of phenomenal economic growth—not one year with economic growth under 8 percent. The world's leading language in economics was German. Hypothetically, without the First World War the social market economy would have unabatedly spread into the 'civilized' world, because at the time it was absolutely common to copy and implement German 'recipes', as what happened with the Civil Code and other ideas. Therefore, hypothetically, there would not be a dominance of the Anglo-American economic liberalism (neo-liberalism) worldwide, but rather the dominance of a social, more consensus-oriented market economy.

The conclusion from this second thesis is a further second hypothesis: The wealth creating effect of such a social market economy today would not only be limited to Germany and its neighbours, but would have — at least in the industrial countries — spread itself globally with incredible consequences: as a population boom? False alert! Because the pension promise by young people to the elders already curbs the willingness to reproduce in young years. Strong social inequality? Again a misleading assumption! A consensus-oriented, social market economy includes the weaker players, creates a broader middle class and denotes more humanity. Exclusion of minorities? No chance! Those who are withdrawn from the economic development due to health or other reasons are rescued by the governmental social welfare system. Since solidarity is part of the cooperative economic system, the load of the state and its social systems is reduced and kept in limits and the governmental aid remains subsidiary.

Now the question arises, why the hypotheses did not become a reality? Why did these ideas not assert themselves? Why did the world miss its golden era, while it became reality in the western Federal Republic of Germany in the 60s and 70s? Two World Wars provide the answer: The recipes of a social market economy that were established until the 1920s were buried in history; they became victims of two World Wars; fail to be taught at any university anymore and are being confused with other recipes, especially with a special type of liberalism, the ordoliberalism, which in politics wrongfully claims to be a 'social market economy'. Politicians talk about the 'two sides of a same coin'. The speech writers in the ministries elegantly avoid the discrepancies: 'Oh yes, of course, social market economy is also, in the background, based on the Christian Social School'.

'Why have these recipes been buried?' many people will ask. After all, don't we have a social market economy? Correct! Yes, we have a social market economy, but it is increasingly fading. Up until the 1980s, we 'seemed' to have a true social market economy, but after this? A growing precariat, the beggars returned to the streets and the necessity of minimum wages regulated by law emerged, continuously intensifying competition in the economy causing more and more people to work several jobs in order to feed themselves and their families. Thus, with increasing frequency, the question arose and arises of whether we even still have a social market economy.

The reason why the success and the healing effects of our social market economy are fading becomes evident with this argument: no matter how good an economic system is, it cannot be sustained if its spiritual foundation has been forgotten and lost. And, above all, cooperation cannot spread if the whole world is competing as it was the case during the times of the Nazi and the Soviet dictatorships. The calamity of the century since 1914 with its excruciating wars is the big brake of culture and of civilization that is active still today. The year 1990 was not the 'end of history', as Francis Fukuyama supposed, but rather the wasted chance to live up to pre-war history, to the history before the ideologies, before National Socialism, before Communism and before Neoliberalism.

Looking backwards from today's point of view, we have lost a hundred years in the dizziness of the victory of freedom over the oppression of the Soviet-Communism, having missed the chance to clear away the rubbles of the demonic Nazi-ideology, we have missed to examine the damage carefully to rediscover the richness buried under it. Goethe and Schiller were rediscovered in Weimar and Jena, but the library of the 'People's Association for Catholic Germany' [Volksverein für das katholische Deutschland] from Mönchengladbach and the archivist of the 'Zentrum' party and of an ingenious achievement were forgotten. Forgotten was 'only' the invention of a social market economy, which was able to overcome the social problems of the industrial era in a fantastic way—the greatest economic, social and organisational achievement of mankind.

The 'People's Association for Catholic Germany' from Mönchengladbach in 1914 had more than 800,000 members. They forgot to remember and reconstruct their past achievements because post-war Germany was sure that the year 1946 was indeed 'hour zero' for the Social Market Economy, as their well-known protagonists claimed—but it wasn't true. What a grotesque lie even! Simply by eliminating a great contribution of the past with the scratch of a pen everyone ignored the past and believed they had invented a new start. Such a falsification of history can only be understood as the result of a mental and governmental collective collapse, with which one only wanted to live on by erasing its prehistory from one's mind. But, unfortunately, not only the economic history of the Nazi-era was erased, but even the entire history of the German economy and its economic theories in one go. And the erasing was made easy, because then the 'economic miracle' of the 1950s occurred and gave that lie a quality seal of the alleged success coined by Erhard. Most of the managers of the 'economic miracle' of the 1950s were Hitler's war economy top managers who, matured in ten years and well organised in reactivated old connections and organisations, accomplished the 'economic miracle' just like they had organised Hitler's 'war economy miracle' during the world war before.

The completely preserved library of the People's Association contains an archive of intellectual substance until 1933, which makes it possible to rediscover the true social market economy and to spread it worldwide. And this is necessary—this is more than necessary. The missing one hundred years of history previously mentioned and the global increase of injustice have led to the reactivation of an ancient and huge danger for the Christian occidental culture: the reactivation of Islamism and its expansion dreams. Today we are experiencing an eruption of Islamism even after the Middle East has been destabilized by senseless military operations. According to the thesis of this book, only if we manage to stabilize the world economically and financially, to lead it ecologically towards a sustainable future, do we do have a chance to successfully face these dangers and its fatal consequences. Hence, we must rediscover the knowledge of economic policy of the times before 1914 and 1933.

It is the ambitious intention of this book to provide first a theoretical and operational framework. Three tasks are at hand for this: The first is to develop of a theoretical structure that may serve as basis for social market economies, yes—'market economies' (!), because every nation needs to examine which of the elements it intends to implement in its country and in which combination. Only the components that require a global implementation cannot be tailored nationally. But 'theory' does not mean repeating the dramatic mistakes of other's political ideas, and to distort reality ideologically with the power of thought and logic so that people are threatened in their existence and tortured. 'Theory' means the contemplation of reality through the filter of experiences from the past in conjunction with the scientific knowledge of the past, hence on the path of knowledge of the Historical School of Economics.

In the end, it becomes a theory of a social consensus-oriented market economy, because of the aspect of justice that is given consideration, i.e. the aspect of distribution, which takes on a special significance: the distribution of money, or more exactly the distribution of incomes (revenues). This is the case, on one side, in the markets and the more or less just distribution of income to the people within the area of communities and firms, and on the other side, for governmental institutions (taxes, expenses). After the solution of the theory, the second task lies in naming the core problems of this world including environment, poverty, population and financial; and to draft a solution based on the theoretical thoughts. The solution in principal has to contain an improvement for every man on earth. The third task thereafter is to develop concrete actions recommendations for the politics.

Oh yes, I almost forgot: Why the book title 'Wealth for all people?' It is that simple: Our earth represents infinite prosperity, which in the end should be available to all of us to a sufficient extent. This prosperity is not entirely infinite of course, because our resources are finite, but the solar energy available to us is obtainable in infinite amounts. Additionally, intellect is unlimited, technical ideas and concepts can be multiplied infinitely, as it has been evident for thousands of years. Look, for example, at the invention of the wheel or the sling, or, more recently, the internet as a gigantic reproduction machine. By contributing the strength of all people, one can produce a quantity of goods that can feed us all and make us infinitely rich. 'Freedom through prosperity' is the conclusion we then owe to Friedrich List. The two core problems lie in the way of mobilization and in the way of distribution. This little book shall provide the solution for these two problems.

I did not intend to shock you with the introduction, dear reader. It all sounds highly complex and complicated. But I promise you: It is an easy-to-read-book, because you know almost everything from your everyday life experience or daily readings—so there won't be any complicated explanation or solution, no model that requires a degree in mathematics or other faculties. I'm sure you will enjoy it!

2

GLOBAL SOCIAL MARKET ECONOMY

2.1 Foreword: A Grand Thesis

In order to make the reading of this little book easier for many readers, I place the conclusion of all thoughts at the beginning. And this beginning consists of the assertion that there can be, or even has to be, a global social market economy to somehow enable all people to benefit from the wealth of this world. Hence, in a way a grand thesis is placed at the beginning. The ideas within these pages were not born at a work desk and are certainly not speculation. Each are derived from insights which were compiled with practical, historical, and theoretical knowledge accumulated over four decades and led to a description of reality that everyone equipped with common sense can validate. This reality is systematically analysed and explained in the second part of this essay. It is the reality of—as already explained—the social society that evolved from the Middle Ages up to the industrial age. The solutions for why and how to implement—developed based on exactly these insights—you already find in this first section.

Here again, the origin is reality: There is a world community of 198 states, each entirely unique, equipped and supplied with goods of all kinds offered by this earth: with land, sun, heat and cold, some with beaches other with mountains and forest, some with fertile ground and others with natural resources. And then there are components that were developed out of these components over thousands of years by human beings, like knowledge, spiritual and physical culture, technology, population growth (negative as well) and religions. Everything is distributed extremely unevenly, and the differences in injustice are becoming greater in time and even more so with a growing world population.

There cannot be total justice, but the idea of a community organising the best possible satisfaction of the needs of its members, by reducing competition, is an approach through which the essential problems can be solved—including the problem of balancing justice.

2.2 How Can a Social Market Economy Be Implemented Globally?

All implementations would only be art for art's sake if the concept of a global social market economy did not lead to specific solutions for the overwhelming problems on our planet earth. Possible solutions will be presented for the economy, ecology and the financial sector, consisting in the realization by the governments of their protective function regarding ecology, the economic units and firms, and in managing by association economic problems and solutions to financial problems are solved just by installing of just share of incomes.

The essential problems today are not of a national but rather a international and hence only are globally solvable. The climate issue is global and borderless, the internet connects globally and is borderless, the financial world operates globally and is almost borderless and globally organised firms control the world of economy. Of course, the laws of national economies do apply to all markets of the world, locally, regionally, nationally, continentally, or even globally in parts, but the existential questions of mankind are today posed on a global level and can only be solved on this level.

We only have one earth and this earth is nowadays not a mystery to us anymore. We know it. Google has measured the surface, geologists have extensively explored the natural resources, the supplies our earth offers to us for surviving are known, they are widely registered and catalogued, at least they are within reach of our drilling tools. Technically we are—apart from a few exceptions—able to exploit the utilizable parts of the earth's surface and eventually scout them out as well. This is all about the ultimate consumption of our earth's crust.

The problem is that in broad areas only national and no global responsibility exists, disregarding the administration of the oceans outside of the three-mile limit. The states are proprietors of their respective countries, though not really proprietors, but rather governors for coming generations, however they are the ones distributing concessions and the permissions for the exploitation of land by developing and destructing the finite stocks of the earth's goods.

Mark Twain once recommended 'buy land, they don't make it anymore!' Today the motto is: You, the states, have the totality of the land which does not increase, therefor preserve it. Whoever buys land as a private person, owns it externally to a certain degree, but only up to a few meters downwards and to a few meters upwards. All other rights belong to the states, unless the areas, like the oceans, are stateless. Then it belongs to the international community. Then the responsibility lies therein.

For the successful regulation and preservation of the world, however, it plainly does not suffice nowadays to let the states oversee the resources, because of the globalization of trade and distribution. The natural (finite) resources are globally distributed as part of globalization. The profits from globalization migrate towards the pockets of the major enterprises which have long risen above the states in terms of organisational skills, and which increasingly govern the states from there. Nevertheless, many states take part in this game, as they (the states) themselves operate as suppliers of resources on the markets and open their own pockets. They operate independently. The states are approvers of the exploitation of all resources and thereafter stand by the pit or bore hole with open hands, collecting up to seventy percent or more of the revenues as concession fees. That does not only apply for oil which is exploited at 72 percent by the 52 oil states of the world themselves (Saudi-Arabia, Russia, Mexico, Venezuela, etc.). In other words, the returns flow right to the bank accounts of the states, it also counts for many other resources, among others for coal and gas.

The question now is how one can persuade the poor and rich countries of this world to end this 'game' and return to the framework of responsibility that is relinquishing the ultimate exploitation of its resources for preserving the world as a long-term solution? Or to rephrase it: How to install a balance that brings permanent peace to the world?

2.3 Artificial Scarcity of Resources

The first step is the same that the workers did during the first period of the industrialization: The providers, who are also the employers, have to show solidarity among each other and within that community have to state their interests. And then, in order to be able to make proper profits on the markets, they need to make their offer of products, services and goods artificially scarce in order to get proper prices. What sounds complicated is not that complicated at all:

Market participants in the market normally all know each other. They know their competitors regionally, nationally or globally, depending upon the structure of the market in question ('relevant market'). The world of economy today is already organised in associations everywhere and on all levels. This applies to the oil-exploiting states and their infamous OPEC cartel and as well as to suppliers of renewable resources, the producers of cotton, the producers of bananas or flowers, to the fishermen, the farmers, the butchers and all others. All of them have somehow organised themselves already or are able to organise themselves regionally, nationally, or globally in communities. Within the individual industries, the world is always transparent for the participants. They know each other and know almost everything about their competitors. There is no difference to the situation of the medieval guilds, except the fact, that the latter were protected by town walls. But the transparency goes even further: The suppliers and the supplying states know the cost structures of the products, they know the costs of production (also the cost structure of the foreign competitors) and they know their own need of revenues for the fair payment of their workers or even the survival of its population. The task is the handling and the application of this knowledge.

Plans have to be sketched by all associations separately which regulate the level of supply on the providers' side on the respective markets in a way that the prices stabilize and rise successively, so that the revenues meet the needs of cash requirements of all budgets, including the state budget. Naturally, steering has to take place sensitively and in small steps, as the effects on the consumer side are to be considered and their reactions to be foreseen and calculated. 'Small steps' means also that the adaptability of industries to change is limited. There is a rule that industries can bear an annual change rate of three to five percent. That applies to changes in costs or volumes on the purchasing side, as well as for changes in price and production volume on the selling side. Hence, such controls need to be discussed with the consumers (or also the consumer states) in order to take into account their commercial interests as well.

The consequence of these coordinated operations would be a shift in value creation towards countries or areas with primary production, but also towards intermediary production. That would not make the demander countries (more industrialized countries) poorer, as they have the chance to react to the announced changes for instance by developing new technologies or applying other substances or materials. The method of such kind of vertical cooperation is not new. It has been intensively practiced in Germany since 1873 in various stages of intensity and is called corporatism.

Corporatism, the cooperation between economy and state, supports the common good, nobody becomes poorer, everyone becomes richer. Such an implementation must take place gradually, that means step by step.

2.4 Global Revenue Sharing

If the system of corporation and cooperation works so that consumers pay reasonably ‘fair’ prices for their primary products, thus stabilizing and increasing the revenues of the social strata of the less wealthy, it still does not yet induce a balance of wealth between the states. This balance, however, is necessary because the above mentioned resources, regardless of which kind, are distributed too unevenly worldwide. A justification for further revenue sharing can be found threefold:

1. The first argument offered to the member states is: we, the international community, make sure that you will gain much higher revenues and earn the money far more sustainably than it would be the case, if you left the formation of the prices and the development of the price lever to the free market. You must, therefore, give away a significant part of your increase in revenues from concessions and taxes to other countries (e.g. 50 percent) in the way that it is distributed to the remaining 193 states of the world according to their number of people. But since every state also benefits in this distribution system from all other states, the net-contribution is always far below 50 percent. In the end, there will nevertheless be donor and recipient countries. The high welfare contributions and the deficit of the donor countries are justified, because even their revenues would be far lower without this sys-

tem of quantity steering within the context of the international community.

2. The second justification is: higher revenues and global distribution to the countries create a growing demand from which everyone will profit. Note that the satisfaction of demand occurs where the actual need exists, guided by the improved distribution of money to the social strata and within the social strata.

3. The third justification is: the industrial countries especially profit from the scarcity of resources, because the higher prices for raw materials enforce the use of more technology or newer technologies, hence bringing into action their strengths in research and development.

Thus, the resource supplying countries are the first to act. It is their task to gradually reduce the global exploitation of final resources so that on a long run sustainability on earth becomes a reality. The principle is: earth can be used, but not finally consumed. The incentive for the producers and the producer's countries lies in this consensus: We, the international community, ensure with this cooperative and corporative welfare system that you earn much more than you would earn, if we left market development and price formation to the free markets. Applying that, for example, to the oil countries means your supplies are finite. We gradually decrease the exploitation so that your supplies of resources last much longer and so you can sell oil for a much longer period at a much higher price. Naturally a prerequisite is that you share the so added incomes with the international community at an adequate percentage (e. g. 50 percent) as described above.

With a gradual implementation by more and more countries and more and more kinds of resources and products from the primary production, the primary suppliers in the value chain would get an adequate share of the added value in the supply chain and at the same time every country and every producer, finally everybody would profit from the system. This is something like a global tax system—tax for states to be paid to the global community—not for its budget or its expenditures but for redistribution to all states according to their number of people. Thus the system is profitable for all states from the beginning. At this point one should perhaps reconsider the direct distribution of these new incomes to the people of the recipient states in form of an 'unconditional basic income'.

2.5 Discussion of Objections

Naturally, objections against a less liberal system need to be discussed. No free trade is being recommended here, but a market economy that is organised collectively by an economic mind-set. This system achieves just what many liberals have demanded for decades anyway — the pricing of environmental consumption. But here this does not happen through a pseudo-market-based construct, the so-called trade with pollution rights, but through the commercial-economic instrument of market conform supply, i.e. through scarcity. The latter does not only achieve the development of adequate prices, but also brings about the fact that resources are finally assigned the value they deserve which thus leading to less consumption of the precious resources of the earth—also called 'treasures of the soil'—principally being guided towards the right direction, reduction.

The price increases caused by scarcity causes what could already be observed as an example after the last explosion of the oil price up to a maximum of US-$144 per barrel in 2008: The consume of resources was replaced by technology, the gas consumption level of new automobiles decreased dramatically within months, old cars and helicopters often remained in the garage or on the ground. The reason is simple: technology is the cheapest resource, there are no extra costs in repetitively using it. Technology cannot be reduced by consumption but can be endlessly multiplied (only limited by lack of material) just like, as already mentioned, the invention of the wheel is an invention for eternity. Invention is an endless resource. At the beginning they cost licence fees, but only for a few years. For the rest of eternity technology does not cost any license fees anymore. The richer countries may seemingly have a disadvantage at the beginning due to paying higher prices for the resources, but as at the same time the income effect produces a demand of the poorer countries for technology driven products, the higher developed countries get huge additional income opportunities.

Thus it is easy to see that endless and everlasting inventions and technologies in combination with endless and everlasting energy from the sun are a more or less an endless resource. In combination with the scarcity, this system would be able to decrease the consumption of the earth's ‘treasures of the soil’ and it would principally be able to provide the necessary income for the poorer countries and their economy with money they earn in the markets themselves. Thus a basic economic system of solving the social problems of the poorer would be created. Nevertheless the system needs to be backed by legal components to become a social market economy. This is broadly explained in detail in Chapter 5 of this book, where Germany's social legislation—enduring almost 50 years from 1880 to 1927—is described.

2.6 The Four Big Problems of the World and Their Solutions

Thinking of the major problems of the world today—the refugee crisis, the environmental crisis and the permanent financial crisis—one finally concludes, that there are only gigantic problems, but no solutions visible or being offered. Disregarding the problems of terrorism and war (which can be seen as a consequence of the unsolved problems), the world’s four biggest problems can be described as follows:

1. *The Environmental Problem:* At the end of 2015 the great Paris Agreement for protecting the atmosphere was celebrated globally. Just weeks later, a gigantic surplus of petroleum causes a rapid price collapse and strongly promotes the exploitation and sales of fossil raw materials that was just ostracized. The world celebrated it as an unexpected economic stimulus programme, actually (summer 2017) even sharply strengthened by additional US-fracking activities. All good intentions are thwarted. The 'Infernal Exploitation'[4] continues unabatedly.

2. *The Problem of Poverty:* Half of Africa is awakening.[5] At least every second child there is equipped with a cell phone or smart phone and thus has the electronic connection to the rest of the world. The African business man or entrepreneur can make new businesses with that. One of the new business concepts is the smuggling of millions of migrants who expect to find a way out of African poverty by emigrating to the promised continent Europe.

3. *The Problem of the Population Boom:* Traditional societies do not have access to contraception. A high infant mortality balanced the population growth in former times. The successes of modern medicine reduced the mortality rate drastically and thus destabilized the population balance of societies.

4. *The Financial Problem:* Writing in 2017, it appears that the financial crisis has almost entirely disappeared from our minds. The excessive indebtedness of the states is growing unabatedly. The collapse and multiple national bankruptcies are becoming in-

[4] The headline in the Handelsblatt on 24th January 2016, Page 16

[5] The example chosen for the discussion shows the economic-social catastrophe in Africa. India, the Orient, parts of Asia, Central- and South America and others could also be included in the discourse.

> evitable through the reversal in interest rates, inevitably coming soon or later. The world is staring at FED and ECB and their interest rate oracles like a rabbit at the snake.

In the light of this, there should be a fast way to implement a new concept—fast in the sense of the history of mankind, maybe rather gradually, start now and implement it step by step within thirty up to fifty years.

The way of spreading the ideas and the concept of this genuine social market economy is relatively easy because at the beginning only a single piece of paper is required. On the front page of this paper the institutions for the market and private economy are listed and described in tabular form, especially the rules of the BGB (German civil code) or any adequate civil code, e.g. Code Civil, as well as laws and agreements for the installation of associations and unions (solidary communities) and the instruments of tariff autonomy, altogether the necessary systems for the generation and distribution of money, the production of wealth. The reverse side of the paper is reserved for the welfare state, that is for the institutions that must be installed by governmental administration and regulation, i.e. solidary communities of all kinds for employees (health, unemployment, casualty insurance, etc.), as well as the subsidiary charity elements of the welfare state (social welfare). Both sides of this document should to be translated into about two hundred languages, and complemented by a set of laws and contract templates, before being sent to the 193 states of the world, which could be done e.g. via the United Nations.

The thesis represented here says: All these 193 states can individually and collectively solve the aforementioned four big problems step-by-step by transforming their economies into a social market economy. Let me explain the solution of each of the aforementioned problems in sequence.

1. *The environmental problem* is solved economically by the states realizing their protective function for their soil and reducing the drilling for oil and gas, as well as the exploitation of other resources. Therefore the market players (all explorers of one material respectively of one branch) have to sit down together in a meeting and have to agree upon a 'contract for eternity'. In the long term—in an asymptotic approach towards the goal—they are directed towards ending any exploitation of limited natural resources. Only such earth supplies are exempt that are so big that indeed an exploitation in unlimited quantities is possible, as for instance granite, of which endless quantities exist. The 'agreement for eternity' promises the exploiters (especially the states) growing incomes through gradually increasing (stable) prices and slowly decreasing exploitation[6]—that is, through artificial scarcity of the supply which exactly corresponds to the demand for a sustainable management of the finite resources of the earth. The growing incomes now enable the fulfilment of the wealth expectations under point 2, which will induce the people to look for their welfare at home and not abroad anymore. The solution for the environmental problem is the solution for the social problem at the same time. Finally the latter is the solution for the trigger of most war conflicts as well.
2. *The problem of poverty* is the second urgent problem, because it is the driving force for millions upon millions of people to leave their home and country in order to look for new chances and personal prosperity elsewhere. The system of a social market econ-

[6] The suggestion implies the correctness of the imaginations of Harold Hotellings, presented in the paper 'The Economics of Exhaustible Resources' (Journal of Political Economy, 1931), according to which the owner of a resource supply is only ready 'not to sell resources if he can expect that the value of the resource will increase with the market interest rate' (Wikipedia).

omy means growing incomes for firms which among the mass of employees will lead to growing wages (if needed, forced by the pressure of the unions), thus causing successive improvement in the distribution of the incomes within the population—both in its height and its width. Growing incomes lead to a growing demand and in this way provide the incentive for the production of growing quantities of goods. The increased demand creates added value and revenues, through which the suppliers and budgets will earn more again. An upward spiral will develop, just like we had it in post-war Germany for decades after 1946. Poverty will extensively decrease the social problems and stabilize societies.

3. *The problem of overpopulation* is by far the biggest problem of our earth. Its solution has to be looked for where population growth is no long present but rather where there is a decline in population, like here in Germany or in Italy or Japan. The analysis is easy: For people there are two ways of provisioning for old age, the traditional way via the support of one's own children and the modern way via a pension insurance as part of a social market economy. As a matter fact, people in Egypt, for example, consider themselves rich if they have many children. A government pension insurance in the context of a social market economy, however, achieves the exact opposite. The grown-up employee pays contributions and receives his incomes from the inter-generation contract in old age. Many expensive children do not only reduce his wealth during his employment but then also take part of his retirement income, if for instance they don't find a job themselves. Which means that the egos of those receiving incomes are the most efficient brake for population growth, consequently the introduction of a social market economy with its pension insurance; albeit the institutional brake must be controlled intelligently and not as disastrous as here in Germany or in Italy

or in Japan, where the birth rates are far too negative. A good example is France with balanced birth and death rates. It is obvious that such an introduction, unlike for instance in China, is hard to implement in the majority of the African states, due to a lack of industrial structures, but it is possible to set positive examples in already successfully developing countries which then can serve as good examples for their neighbour states.

4. The introduction of a social market economy also solves *the financial problem* in the long run, which can by itself be viewed as the smallest problem, as it is only is an accounting problem one can say. The financial problem of today is primarily a cause of the far too uneven distribution of incomes with the result that the money remains to a great extent in the private households of only a few individuals or on company accounts and will from there be parked in the banking system (building money bubbles), instead of serving as mass income and then flowing back into the circulation of money via the markets. 'Money bubbles' have even more negative effects: On one side the gigantic bank deposits lead to the granting of gigantic loans—especially the states get the loans due to their financial standing. On the other side the financial surpluses create the 'grasshopper effect' which means that they cause financial investors to intervene with 'too much money' in various sectors, thereby shifting or destroying valuable grown structures of all sizes.

   In the context of a global social market economy, these financial problems will not arise in the first place because the financial world will not puff up like an air balloon (investment banking) but remain down-to-earth. At this point, a comparison with the financial stability in times of the post war 'Deutschland AG' (Germany Inc.) is appropriate, when the banks were still financing the economy and not the government. The return to such solid circumstances within a country is difficult but with a continuously improving distribution of incomes the money bubbles will gradually be reduced over a longer period of time, which at the same time means a reduction of the debt. Consequently, the problem of the financial crisis will eventually also resolve — if state loans are not paid back, they will be parked on the long term (eternity) in the balances sheet of the state banks, without any further harm.

2.7 Conclusion

One can see that a social market economy seems to be able to solve all problems which are determined by the market system (remember: environment, poverty, population growth, financial crisis), if it is installed within a closed system. This means that at first one should partly relinquish the advantages of a global division of labour (globalization). A global introduction of components of a social market economy has to be paired with protectionist measures for securing the private economies (sectors). In the medium and long run, there can and will be an assimilation of living conditions. The more this is the case, the more borders can fall. But only if, as Friedrich List already realized, the economic circumstances between two countries or several countries have assimilated.

This is the 'grand thesis' of the book, the theoretic explanations will follow.

3

PRIVATE ECONOMY AND MARKET ECONOMY

3.1 Preliminary Remark

The goal of this chapter is to examine the economy's operational principles and to establish an appropriate interrelationship of its functional components. On the one hand, the functional components consist of the communities, i.e. the household and business units, which are collectively named the 'private economy'. On the other hand, functional components consist of thousands of well-functioning divisions of labour which is called the 'market economy'. To put it simply: There is an inside (households and business organisations) and an outside (market economy). An 'appropriate interrelationship' means that two essential questions must be answered. The first question is: what has developed in this sphere and how and why something has developed in this sphere which we call the 'economy'? The second question is: which components are combined under which rules in the further development of this economy?

The answers to these questions are not free of values; on the contrary they relate to components which represent burning issues for mankind. The dominant category is the question about ethical right and good actions. The specific objective is social justice that is equality concerning the distribution of income and wealth in society. This component contains not only at the bottom the level of personal comparison and envy, but is also about the principles of the distribution of income in society. Moreover, it deals with the general question of where and how a supra-regional or global adjustment between regions and countries can be justified as well as organised.

A precondition for understanding this approach is the viewing of the thing as a whole, i.e. the embedding of the economy in society, respectively in the societies, e.g. in municipalities or states.

3.2 The Social Frame

People have the wonderful ability to form communities. This begins with founding a family, the smallest organisational unit. But there are also communities of communities, since the system carries forward in municipalities or other organisational units such as associations or private law companies (OHG, KG, GmbH, AG), not forgetting the states' and countries' organisational units (communities of states, e.g. United Nations or European Union). The communities are partly organised under public law (e.g. communal law), and partly under private law. (Churches are an example of an intermediate form which are governed by semi-state regulations.) These communities are organised varying in size, style and intensity. As soon as they become anonymously ruled by abstract laws, they transform themselves into societies.

People work and are busy. People are usually busily working from morning till night. This 'work' begins in the morning with the preparation of breakfast, the first daily consumption: Processing the raw breakfast egg, cutting the bread and finally processing the coffee beans or tea leaves which have been harvested months ago in Nicaragua or Sri Lanka. Then people go to their 'jobs' where they produce some small element of a certain value chain in order to gain a specific amount of money at the end of the day or month enough for survival or more. With the help of this money they move from the supply side to the demand side, or, more precisely expressed, from the one single market area where they work, people move with the money in their pocket to the thousand other markets in order to gather/purchase products for their consumption or use. Economy and work are ubiquitous and consequently can be observed in households, at workplaces or out in the markets.

The birth cell of the economy is the agricultural unit, the farm. The farm can be characterized as a self-supplier, which dominated the economic and commercial life only about two centuries ago. The organisation of the first markets started about 3000 years ago, primarily in towns with agricultural products, getting bigger at the beginning of the 19th century caused by the development of the industrial production. In the farms as communities, consisting of family members, servants or slaves, production primarily had the goal to supply with goods for their own community. External but closely connected workforces, so called wages in kind (*deputat*), contributed labour and services to the production process.

The importance of communities cannot be emphasised enough. Today, being a part of the industrial society, we are fostering individualism as a philosophy of life by treating communities as less valuable. That is why communities are in the process of dissolving. The disappearance of the so called 'big family', which was a respected institution in Germany one hundred years ago, is a good example of this. We hardly recognize the value of communities any more, nor do we cultivate such communities in the way that schools, churches or local associations do. However, there is no doubt about it, only thanks to the creation of communities our ancestors were able to conquer inhospitable regions on earth and settle there.

As long as personal, interpersonal or intercommunity relations are concerned, we move within the sphere of communities. Communities are formally organised in societies[7]. Communities and societies are

---

[7] There is a conceptual ambiguity in the term ‘society’: The institutionalized community (GmbH, AG, etc.) in some cases becomes a ‘society’ in common usage as for instance a steam boating ‘society’. But at the same time the term ‘society’ refers to the social phenomenon of an anonymous community. If one

organisational units which establish their own rules, i.e. laws, statutes or constitutions. Societies do it formally, communities normally informally. Through establishing their own rules, communities and societies form their own identities and personalities. As a result we can say that formal societies even ‘live’. When such societies can express themselves, decide and act (executive force) by means of organisational entities (presidents, chairmen, mayors etc.) states, municipalities, associations and all kinds of codified societies live. Furthermore, the members of the societies are subject to the formal rules (laws), i.e. the rules are mutually agreed upon (legislative power). Due to the formality they become legitimate (judicial power). Societies are, so to speak, the formal legal framework of communities. Societies can form communities as well. For instance they can build communities of states through contractual relations. And industry related organisations can build communities in form of associations and cartels.

Among the communities and the society (the anonymous state community) there are two spheres. People participating in these two spheres of economy permanently move between them as described in the preliminary remark above, named private economy and market economy. The two spheres have already been described in detail in numerous sociological scientific disquisitions but did not reach the actual notion of the economic sciences. Below the reader now will find a new attempt to reactivate and combine the idea of the two spheres.

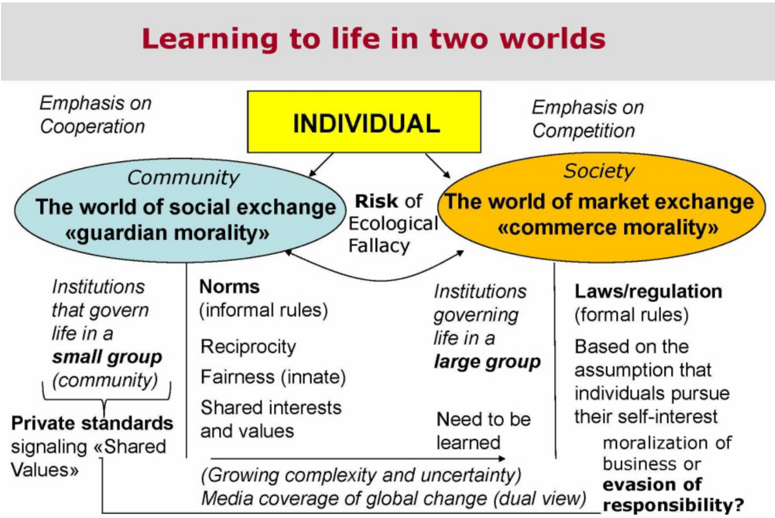
---

uses the singular form of ‘society’, then one is talking about the anonymous community’s inner zone. However, if one uses the plural form of ‘societies’, one deals with pure legal communities (such as associations), which act within a legal framework.

3.3 Living in Two Worlds

During a UNIAPAC[8] spring meeting in Zurich in 2014, the Swiss national economist Philipp Aerni stated that ‘we have to learn to live in two worlds’ and put both terms, namely community and society, into the context of this citation. Below you can find the replication of the diagram which shows a conception of causal relations between the community (left side: ‘Gemeinschaft’) and society (right side: ‘Gesellschaft’).

Figure 1: Learning to Live in Two Worlds



(Source: Philipp Aerni, UNIAPAC 2014)

However, Aerni is not the discoverer of this distinction. In fact, the German sociologist Ferdinand Tönnies developed and established the different spheres of interest regarding the private economy and the common economy under the concept of ‘community’ and ‘society’. In 1887 Ferdinand Tönnies published the first book of sociology with the title ‘Community and Society’.

[8] International Christian Union of Business Executives

What Aerni wants to express with the sentence ‘We must learn to live in two worlds’ is the fact that the two living conditions work and operate simultaneously: the private economy can be found on the one side (social exchange), whereas the anonymous markets of the society are placed on the other side (market exchange). Since we constantly swap between the two spheres, we are subject to two sets of principles and rules at the same time which cannot be more different than they are. This is the key insight as one can see in the subsequent analysis.

In order to put this idea across and to clarify the terms ‘community’ and ‘society’, here are some simple examples in front: between the two spheres of our daily life there is a very clear line dividing the inside- from the outer zone, the private zone from the public:

The most important ‘cut’ in our everyday life is the front/apartment door as the entrance to or exit from the house/flat and the building where we work (office or factory). The cut divides the world in two areas. Inside the apartment or building there are different conditions and laws apply than outside in the street. Inside there are the families, crews, communities where people live, love, organise, produce, act economically and distribute work, money and sympathies. Contrary to inside world, there exists an outside world, the society. There, outside, people meet each other more or less by chance or meet other communities, they are organised in traffic systems, they run and pursue their goals or jobs, purchase goods and services on numerous markets or sell them side by side. Although, all this seems to be chaotic, there is still an order visible and that is the distinction between the inside and the outside, respectively the private and public zone. One can see it in shops, in the tram, in the pubs. The distinction between public and private not only applies to markets, but also applies to non-commercial areas, e. g. public town offices or churches. Their front side is open to the public, by contrast to their back, which may be entered by staff only, but not by anyone else.

The same also applies to professional life or in companies. Nonetheless, in this case the borderline to the outside world is sometimes hard to recognize: On the one hand the factory gate is locked for strangers, but on the other hand the factory sale is accessible to everyone. The counter’s back side is private (‘No trespassing’). By contrast the counter's front side is accessible to the public (‘Welcome’). The economy also consists of these two spheres: On the one hand the private sphere including the households and the enterprises or organisations and on the other hand the public sphere which can be characterized as a generally accessible sphere (streets, markets, public buildings) where the rules of the society are valid.

It is quite clear that public and private areas exist almost everywhere. It is obvious that we constantly move from one area to the other. We don’t even notice that we cross that clear line (and even move back and forth) repeatedly within a short period of time.

On closer inspection, we can observe that both above described spheres entail completely different phenomena and conditions. While traits as friendship, affection, responsibility and loyalty are typical for the inner zone; for the communities, specific formal legislations (road traffic regulations, sale of goods law, opening hours, Sunday rest, noise control) are more common in the outer zone. Consequently when lining up the distinctions and defining the two spheres, conceptual pairs come up, one after the other which reflect the contradictory natures of the two spheres (inside >< outside).

Figure 2: Two different spheres: Community and Society

Community	Explanation	Society / Markets
Private/internal	**Sphere**	Public / external
Businesses and house-holds	**Location**	State and markets
Friends / caring	**Relationship**	Anonymous / indifferent
Social / emotional / relational	**Connection**	Functional
Family / service provider	**Partner**	Customer
Production / prepara-tion	**Function**	Distribution / sales
Production / Service	**Operation**	Exchange
Product / Exchangeable Value	**Result**	Monetary value / Money
Division of Labour (Internal)	**Procedure**	Division of Labour (external)
Planned economy / long-term	**Classification**	Barter economy / ad hoc
Hierarchically organised	**Organisation**	Equality / free
Altruistic	**Ego**	Egoistic
Reciprocity	**Balance**	Parity
Long-term / investment	**Decision**	Short-term / purchase
Cooperation	**Principle**	Competition
Statute / voluntary submission	**Regulations**	Governmental regulations
Justice	**Standard**	Law
Stable	**Income**	Volatile
Soft	**Nature**	Hard

Interpretation demonstrates that there is a private sphere on the one side, in which we are surrounded by people we know and are emotionally connected to. The relevant terms are the following: caring, social, emotional, relational, reciprocal, cooperative, fair, stable and soft. All these characteristics are not always applicable, but they generally are valid. This can be the close bond in a family but it can also be the 'Krupp family' or the 'Siemens family' of the early years. This also implies other forms of communities as for instance village- and church communities, the Raiffeisen collective or the fan community of Borussia Dortmund. Characteristic features for economic communities (households, enterprises) are: hierarchical organisation, reciprocal (financial) contributions by the members in order to achieve a common business objective, long-term thinking and planned actions, private rules, the protection of private ownership, cooperation and a widespread awareness of justice.

Social responsibilities and personal care are the result of repeated encounters and mutual dependencies. Internally, people interact with each other and provide service to each other in order to finally receive a fair compensation at the end of the month. This applies to the owner, who is bound to the company as well as to his 'dependent' employees. Solidarity, as well as a love of the product and a certain commitment is a must.

Such responsibility is lacking (on the right side) in the outer zone almost completely. The characteristics in the outer zone are as follows: anonymous, functional, ad hoc, selfish, volatile and hard. The seller faces the customer and the relation is dictated by the parity of price and product, fulfilling is self-evident, if necessary, state laws will enforce the completion of agreed obligations, common laws are obligatory, decisions mostly are spontaneous, the partners do not care for each other, the business relationship usually ends with the realization of agreed upon obligations. The consumer is free and literally strolls between different service providers, different market places and shops. For the customer, a free market economy means free choice and free decision making without concern for the interests of others. For him solidarity is unknown.[9]

The clear separation equally involves a very clear consequence, namely that the social and human aspects can only be found in the communities, and the closer people get together, the easier and more compelling a development to solidarity is.

By contrast, society and markets can be seen as a public event which is restricted to the application of the right of equality in regards to the mutually agreed performances. Here general laws of the state apply. The aspects of justice and fairness are ignored on the market and are reduced to the abstract general application of law. In society, justice still plays a role within the scope of the judiciary or the public administration. It also plays a role within the community of which the state consists, it plays no role in the anonymous society or in the public markets, where the contact between the people is limited to the exchange of goods or money.

Conclusion: We live in two overlapping spheres, where humanity is on one side part of the private sphere, while on the other side the public sphere is characterized by the cold wind of remoteness and indifference.

In the past centuries, the two spheres have developed three separate fields of scientific research: sociology, (political) economics and business administration, the latter two fields of research share a common subject of investigation, namely the economy. One of the German founding fathers of the national economic theory, Friedrich List (1789-1846), distinguished between private economics and society economics[10]. Long before this, the ancient Greeks already distinguished between economy (*oikos* = the house) and Catallaxy (*katalage* = ex-

---

[9] Of course, there are hybrid forms, namely the long-term relationships between suppliers and customers, which are characterized by mutual dependency and solidarity. These business relationships can in some cases become private relationships. But especially these relationships need further explanation.

[10] Eugen Wendler: ‘The economic concept building of Friedrich List’. Inaugural-Diss. Tübingen 1977, S. 108

change)[11] which also means a differentiation between private domestic economy and public market economy. More about this topic can be found below.

3.4 Division of Labour

When looking at the two spheres and the analysis of their antagonism, we can observe one single non-antithesis: the division of labour is present everywhere. The division of labour is a characteristic of both worlds and their basic principles and can be found in the inner as well as in the outer zone. Since the term of 'division of labour' seems to be one of the most elementary key words when describing the economic reality, the next important step is to ask ourselves for what reason human beings generally employ the division of labour.[12]

3.4.1 Internal Division of Labour

When two parties come together in order to create something, work is divided and assigned. Examining the binary nature of man and woman, we can already observe that work division among human beings is deeply anchored in nature. People who live together are often assigned to different tasks and functions. These people operate as a collective (partners) in order to cope with the overall task of 'surviving'. From the outset, people have organised themselves based on specialization and work division. For instance in family life which is in fact a team-based small enterprise in which one party covers the household chores including childcare and another party takes over tasks which require physically demanding work as warfare, hunting, construction etc.

---

[11] The third section, the chrematistics (financial economy) has been omitted for the sake of clarity, although it plays an essential role.

[12] The concept of the division of labour was extensively described by Adam Smith. It was also known to the ancient Greeks (Plato)

However, the principle of the division of labour does not only apply to family life, but also applies to small businesses and large-scale corporations where the division of responsibilities regarding procurement, production, sales, accounting, quality control or management take place. It is no different in the case of the internal governmental organisation of the State or of the Church, where legislative bodies, executive forces, judiciary and general administration are split into central and regional units. The same goes for organisations as for instance schools, universities, trade unions and other associations.

For good reason, division of labour is present everywhere. Work distribution among several or many actors causes two effects. The first effect is the increase in efficiency. If people try to do everything themselves, only a few fruit will be available to him on the grounds that he cannot work on the field and simultaneously cook food. Working simultaneously on diverse jobs is difficult, as you have to change tools or work place too often. This in turns means, that without the implementation of a labour division the output quantity will be limited to the minimum. However, this can be avoided if each individual party carries out a specific task and all performances are brought together. As a result, the individual's efficiency vastly increases. This also means that division of labour increases to quantity of goods available and thus allows enhancing prosperity.

The second positive effect resulting from an implementation of division of labour is the promotion of specialisation. Thanks to specialisation specific skills can be developed, workflows based on technical and organisational innovations can be performed. 'Space saving machines' pay out due to the use of external energy sources and can 'multiply production power ten times or a hundred times,' as Friedrich List foresaw and expressed his vision already during the early ages of industrialisation, almost two hundred years ago.

Nobody can know everything but many people together can know more and can accumulate more abilities than one man can gather alone, simply because the single individual is able to work more intensively on a smaller sector and can develop within his abilities and his knowledge. People build up communities in order to gain the benefits of the internal division of labour. In Friedrich List's words, people increase productivity by ‘spiritual and physical union and cooperation of individuals being committed to a common purpose’[13]. Thus it follows that specialisation increases and potentiates prosperity. If the internal division of labour works that well, the following questions arise: Why do we need markets? Why are economic functions transferred out to the external zone, out to the society?

3.4.2 External Division of labour

The answer to this question is simple: the communities’ potential to organise themselves internally is limited, simply because the number of ‘specialists’ within any community is limited. The communities or their participants make use of the external division of labour, i.e. the markets, because this allows them to have access to the services provided by a huge and almost infinite number of other specialists. This means that most of what a specific community needs for daily business is not produced internally but instead is bought, what means: production is outsourced in other markets. The number of different markets can be exemplified by the number of different products available in a big super market—around 40,000 or more!

The consideration of an extreme example illustrates the sense of the external division of labour: It would be senseless for a Ministry of Justice to produce pencils by themselves. The wood of the pencil originates from Africa, the graphite comes from Canada and the pencil itself is produced in China. Or another example: It would not make any sense for

---

[13] Vgl. Eugen Wender, a.a.O.S. 171

a farmer to build his tractor himself. For him the task of constructing such a machine would require decades of toil and in the meantime he would die of starvation. Thus, we use external division of labour as a matter of course by using aircrafts, hotels, roof tiles, beer, laptops, eye-glasses, clothing and shoes, sports equipment, furniture and fuels.

Figure 3: The Connecting Link: Division of Work

Description	**Businesses and households**	**Markets / Society**
Degree of freedom	Private autonomy	Government supervision/ social control
Relationship	Friends/caring	Foreign/ anonymous/indifferent
Connection	Social/emotional/relational	Functional
Partner	Family/service provider	Client
Operations	Production/preparation	Distribution/exchange
Result	Intrinsic asset exchangeable value	Monetary value (added value)
Division of work	***Internal***	***External***
Systematics	Planned economy/long-term	Barter economy/ad hoc
Organisation	Hierarchical/organised	Equitable/free
Methodology	Altruistic/reciprocal	Parity/egoistic
Decision making	Long-term/investment	Short-term/purchase
Principle	Cooperation/coalition	Competition
Regulations	Statute/voluntary submission	Governmental regulations
Standard	Justice	Law
Income	Stable	Volatile

The figure illustrates the juxtaposition of both general principles, but it also shows that there is a principle which is the common symbol of economic action inside and outside: The division of work. The division of work can be found in both ‘worlds’ and is a sort of connecting link between the communities and society. The division of work is the motive to leave the community, is the motive to externalize the division of work thus making use of the services of third parties available which are offered by society. Conversely, if a community (or person) is ‘forced’ to build a product or provide a service by itself due to the fact that this product (or service) is either not available on the market or is unaffordable, too expensive for one's budget, but can be produced in a more cost effective way, this community will avoid the utilization of a product provided by a third party, will not enter the market nor society. However, if a market provides a cheaper or better product (or even a more convenient way to purchase a certain product), the community will purchase the product on the market—which in other words implies that it utilizes the services of other people or communities. The linkage takes place via the markets under the rules of society.

The freedom of choice (which can also be a compulsion for instance in case of a lack of money) between the inner (community) and outer zone (society) applies to large and small units, i.e. to individuals and households, as well as to industrial enterprises. There are many known examples of how companies are outsourcing services in order to benefit from cost advantages. In other cases companies increase their production depth by ending their purchasing activities. The needed goods are ordered from the internal production managers and engineers, so to speak. A recent example for the above described scenario is a well-known butcher company which is currently buying large firms operating in the pig fattening industry. To cite another example related to this topic: Chocolate manufacturers who run their own cocoa plantations in Africa or Central America.

'Do-it-yourself' has been a continuing trend for decades in our households. An excellent allegory for this kind of trend is the 'automobile', a word which describes the car as 'self-mover'. Other examples which have contributed to this trend are: the washing machine, the iron, the refrigerator, the laptop and recently on a large scale the smart phone which are all durable goods. Most of these goods are tools and devices that lead operational functions back into the households, make them cheaper, functions which were originally expensive external offers like laundries, retail or postal services. Thus markets are partially deactivated and the external zone becomes internal.[14]

3.5 The Famous 'Homo Oeconomicus'

When looking at the relationship between the external and internal creation of a service, a certain character requires a separate consideration, the famous '*homo oeconomicus*'. The *homo oeconomicus* is in fact a highly controversial figure and the debate about its existence is an infinite one.[15] But indeed, the *homo oeconomicus* exists, it is the man who stands in his household or enterprise and is faced with the question, whether it is more favourable to produce an item or service by himself or rather purchase it in the market.

---

[14] At this point, a remark referring to the competition theory is appropriate: It is obvious that the vendor on the market faces two types of competitors: The real competitor beside him and the customer in front. The customer might even be the strongest competitor because he appears in many different ways and at the same time they use every means at their disposal to substitute the products offered by the vendor by their own performances. The biased views of today's politics which exclusively favour the consumers, are detrimental to the interests of the customers, because these are not only vendors but also service providers who suffer from the customer orientation because of lower income.

[15] The Zurich brain research scientist Ernst Fehr is regarded as the 'grave digger' of the *homo oeconomicus*.

The *homo oeconomicus* is then the one, who gives the answers to the question whether to produce or to do something by yourself or better go to the market and buy or order? In other terms: The *homo oeconomicus* decides whether to operate with the internal or external division of labour. The *homo oeconomicus* is a calculator who at the end comes to a reasonable, rational and calculated decision. In the case of the previously mentioned examples of the pencil and the tractor, the *homo oeconomicus* has no alternative. The only economic and reasonable decision is to walk across the markets and purchase those items.

Opposite to that, the *homo oeconomicus* faces a freedom of choice when he has to meet simpler needs like for instance cutting hair, painting walls, washing the car or cooking. It is no different for companies that can opt for external third-party building cleaning services, cloud computing services or vehicle fleet leasing instead of engaging their own man power and physical organisation for these required activities. In all cases, there is the alternative available between self-service (Do-it-yourself) or employing external services. In the case of enterprises, costs (material or labour costs) can be reduced, whereas in the case of households, the costs for the job performance are completely eliminated. Households consider the time factor as a scarce resource, but they don't consider it as a cost factor which means that the services performed within households lose their commercial value, their monetary value. The simple calculation is as follows: In-house expenses are not calculated and all third-party costs and expenditures are reduced drastically, if for example only material costs are counted. So you rather do most of the work yourself. Do it yourself.

Due to the reason that the key of cooperation between the enterprise and the market, respectively between private economy and market economy is represented by the division of labour, it is now possible to identify the people themselves as the decision makers: we all are a '*homo oeconomicus*'. We ourselves decide whether or not we step out of our house or our community towards the street, towards the open society. Thus—after the distinction of the two worlds—the economic link between the communities and the society is described and also the link between the private economy and the market economy: the division of labour.

Thus, economics—the doctrine of the market economy—are losing their generally lamented reality deficit because it is closely tied to the operational reality, to the home- and business economy, i.e. the real economy. Economy is a combination of internal operative economies (households and organisations) and external market economy. At the same time, it can be noticed without further reflections, that the markets, that the market economy has a serving character. The market economy is a tool for people and communities (the private sector consisting of households and organisations) to perform jobs more efficiently. This does not mean that suppliers are the customers' servants, as the classic economics since Adam Smith like to see it. Exactly under this view suppliers at the end are suppressed and exploited, workers as well as companies, exactly how worldwide expanding neoliberalism shows.

3.6 Global Division of Labour

It is true that the relationship between the community and society is now cleared up, but the above description does not yet adequately reflect the complexity of reality. Missing are the different intermediate stages including the perspective on global reality. The missing multistage value added chain can be schematically depicted as shown below …

Figure 4: The Global Division of Labour—Global Markets

	Communities	**Society**	**Regional**	**Global**
Description		**Markets**	**Markets**	**Markets**
Sphere	Private sphere/internal	Public/ external	…/external	…/external
Place	Enterprises and households	State and markets	…markets	… markets
Relationship	Friends/ caring	Anonymous/ indifferent	…/indifferent	…/indifferent
Connection	Social/emotional/relational	Functional	Functional	Functional
Partner	Family/service provider	Client	Client	Client
Function	Production/preparation	Distribution/sales	Sales	Sales
Operation	Management	Exchange	Exchange	Exchange
Result	Intrinsic asset/exchangeable value	Monetary value	…Monetary value	…Monetary value
Division of Labour	***Internal***	***External***	***Stage 2***	***Stage n***
Classification	Planned economy/ Long-term	Barter economy/ ad hoc	…/ad hoc	…/ad hoc

Organisa-tion	Hierarchical/ organised	Equitable/free	…/free	…/free
Ego	altruistic	Egoistic	…egoistic	…egoistic
Compensa-tion	Reciprocal	Parity	Parity	Parity
Decision making	Long-term/ investment	Short-term/ purchase	Short-term/ purchase	Short-term/ purchase
Perfor-mance	Cooperation	Competitive/ competition	Competi-tion	Competition
Rules	Voluntary submission	Governmental regulations	Regula-tions	Regulations
Standard	Justice	Law	Law	Law
Income	Stable	Volatile	Volatile	Volatile
Nature	Soft	Hard	Hard	Hard

… whereas the number of stages cannot be represented at all. Therefore, the above shown three stages of the external work division only serve symbolically. But it can be supposed that the external multi-stage division of work contains a realistic and powerful potential for the improvement of prosperity thanks to the above described efficiency enhancement. In the light of this, it is absolutely not absurd to assume that misery and hunger should no more exist in this world, since the system of the division of labour in conjunction with the new technical accelerators make misery and hunger superfluous. What a wonderful world would it be, if all people could equally benefit from the aggregate production output?[16] But the problem of the external division of labour (the markets) is its inherent lack of justice. Parity is the legal system of the markets, but parity alone is not just, because every man has unequal

[16] Pope Franziskus in SV S. 245: ‘The poor demand the right to participate in the use of the material goods. Moreover, with help of their working potential they want to contribute in order to build a more equitable and happier world’.

starting positions. Communities are able to correct inequality internally but this possibility is not available in the outer zone. The above explanation needs to be examined more closely.

3.7 The Lack of Justice

In daily life we do not care about rare minerals extracted in China nor the inhuman conditions of much of the African population. Neither do most people care about the working conditions in gold and diamond mines, the ecological consequences of filling up a car tank at the petrol station, the dogs slaughtered for the fur industry and the living and dying conditions of crocodiles, crabs and salmons in so called ‘farms’. These conditions of ‘living’ of can only be described as conditions of suffering.

At this point, we are confronted with the dubious nature of the global division of work's indifference and ignorance concerning disastrous social developments. The connection via normal and legal market exchange mechanisms hardly create any emotional connection and the further the foreign communities are away in the value added chain, the less people gain emotional access to the people whose service they enjoy.

The cause for the lack of justice is shown in figure 3, (p.47): the market and its market economy has no social conscience, but instead carries out only one function, namely to facilitate a division of work and to construct multi-level value chains, i.e. to create prosperity—which is an irrefutable argument for the market economy’s existence! But there is no social or ecological conscience in any country on earth characterized by cheap labour or cheap commodities between the value chain’s first and fifth stage. There can be no social conscience, since this can only be developed within communities. A social conscience between the supplier and the customer only arises, if the relationship goes beyond the pure commercial relationship, so if it becomes personal and empathy is felt for each other. This personal relationship comes into existence when for instance you frequently shop in the same store around the corner and at some point you (unconsciously) start to participate in the store owner’s life.[17] But if the emotional relationship is restricted to the direct encounter, it is obvious that the emotional relationship within the multi-stage value chain cannot exist at all. The origin of the goods is generally not questioned, even if you can find many well-meaning approaches as for instance the ‘Third-World-shops’. But these shops are literally powerless against Aldi, H&M’s or others' purchasing volume.

Nevertheless, the question is allowed why these unbearable living conditions for humans, animals and nature aren’t abolished. Of course the working conditions in Bangladesh will slightly improve, if the ‘civilized world’ recognizes that a textile factory has collapsed and four hundred people have been killed in the wake of this event. But these well-meant improvements still do not alter the main principle, namely the manifold steps of division of labour, multiplying the negative effects mentioned above (see sector market / society as there are: indifferent, egoistic, hard) that means, finally, the lack of bonds and lack of responsibility.

But this is only one side of the coin because the multi-stage division of work is also responsible for gradually enhancing economic prosperity and living standards by means of efficiency and specialization. This means that on the one hand the market economy is indeed indispensable and therefore it would be irresponsible to abolish it. But on the other hand, the market economy’s negative effects must be compensated. Or, to put it more precisely: on one side the protection of humans, animals and the environment must be improved which is a purely governmental

---

[17] Long-term established supplier relationships also create mutual responsibilities among large industries, e.g. between rail suppliers and the rail, between car manufacturers and suppliers. The reason for this is that one also recognizes the mutual dependency and thereby develops responsibilities.

task. On the other side there is a deficit in distributional justice, since the money (the reward) is collected by those who have a direct access to markets, i.e. by business people and enterprises. The companies (employers or entrepreneurs) have paid for the work performed by their employees and have thus acquired ownership of the products produced. Consequently, employers or entrepreneurs also consider the money received for the goods on the market as their personal property which in fact it is—legally as well as morally.

From a realistic point of view the man power input happens within the communities under the conditions described in figures 2 and 3: cooperative, relational, reciprocal, etc. The consequence of these conditions is that the manpower input must be fairly compensated internally. This means that internal rules which enforce a distributional justice must apply, given that economic prosperity (in the form of the production of large quantities of goods) has been collectively created within the communities. Large and small communities, including single workers produce goods and offer them on the markets. In return, other community members or entire communities purchase these goods and pay a certain amount of money. The products are, so to speak, redistributed to the communities but only to those, where the demand exists. Thus, the economy operates in conjunction with the two spheres—communities and the society.[18]

Of course, this realization can be considered as trivial, but it is also characterized by the two spheres, the communities' social competence and the markets' functional competence. Markets do not think but they operate as a function of the communities' demand combined with the task to supply the communities with goods and services. On both sides, either on the demand or on the supply side, individuals think and decide

[18] The governments provide institutional support by providing market rules (purchase, payment, fairness of competition) and by installing subsidiary health and welfare systems.

in communities. We can say that both sides are steered by the communities. That means that the people in the communities decide and after that the decisions are controlled under the conditions of the markets (place, time, statute, law). Therefore, the communities not only influence the production from the supplier's perspective, but are also the recipients of the products and services and consequently control the process out of a customer perspective (e.g. discussing with neighbours or reading newspapers or advertisements). And both actions happen within the peoples' private spheres, not on the markets!

The procedure of the external division of work across the market economy and its markets, serves the communities in two ways: On the one hand it serves to stimulate the private economy's supply with the help of other communities which can produce products and services in a better and more efficient way. And on the other hand, the procedure enables communities to benefit from an efficiency gain resulting from a specialized production which in turn creates an added value. With the help of the markets this added value can then be transformed into a profit margin. Accordingly, the generated profit margin serves as a medium for further purchases on other markets. This does not solve the problem of just incomes and money distribution yet but it supplies the argumental basis for one.

3.8 The Money Problem

The last two sentences contain the complex issue of social justice. Theoretically, only if there is no monetary economy, no markets are available and man acts as a solely self-sufficient person, the money problem doesn't arise. But since this 'self-sufficient person' is only a hypothetical figure, the above core statement remains the same: '… the generated profit margin serves as a medium for further purchases on other markets.' Or put in other words: people need money in order to ensure their supply of food and other goods via purchases on the markets.

It is also clear where the money comes from and who receives it. Money comes from the markets and the productive communities (providers of products and services) receive it. The market activity is, so to speak, the primary justice, where the money is distributed according to the offered and performed service. This is the first step of performance-related justice. However, its lack of justice is immediately apparent: the distribution of goods is not only driven by performance but also driven by power: money is power. And the one who has most money is the most powerful one. And this underlines that the absence of compensation outside the markets must lead to an undesirable development. The cause of the above stated undesirable development can primarily be found in neoliberalism.

The markets' cash flow distributes income in a functional way to the suppliers which operate on the markets. But behind most of these suppliers there are many others who have been directly concerned in the performance of services. And all these people or parties have the right to obtain justice, too. However, it is obvious that this secondary justice can only be established within the communities, as primary justice through markets is insufficient.

The key that has to be applied when distributing money is always justice, everybody's feeling of justice, no matter whether it is for the distribution of money between suppliers and customers, between employers and employees or between suppliers and buyers. The question is, however, how can both, primary and secondary justice, be created? How can it be justified? How to make justice compatible with the other components as market efficiency, the overall postulated growth of the economy or globalization?

The answer to these questions can be given by increasing the transparency of insight into the economic system by adding a transparent insight of the money flow. Together with the flow of money, the cash flow which is a money cycle, it becomes a new, realistic model of a social market economy as will be developed in the following chapter—naturally, only if the aspect of justice is finally taken into account.

4

AN OVERALL MODEL OF ECONOMY

The model presented below is not a new conception. It is rather a further development of an existing version, as well as a combination and compilation of available knowledge (which has partly faded into obscurity because it has been slumbering in the archives for years but no longer appears in the current schedule of lectures or scientific papers).

The working hypothesis which is based on the concept, described below, can be formulated in a relatively short sentence: In economic history, numerous great and complex theories have been postulated. This means that many great and 'small' thinkers have formulated a lot of clever thoughts and concepts. Those theories were always in competition with each other. In the course of time, one theory could never overtake or replace the other. The number of theories steadily increased from century to century.

The Viennese economist Peter Rosner thinks that the history of the development in regard to economic thinking should be regarded as a learning process, where the theories are based on each other.[19] The thesis presented here is another one, namely that during the last three hundred years three complex theories were developed: Neoclassic Theory, Historical School of Economics and Keynesianism. In one view they are seen as competitors (Neoclassic School against Keynesianism), in an-

[19] See Peter Rosner:'The development of economic thinking', Berlin 2012, page 29

other view they stand side by side without inner connection (Micro-Economics and Macro-Economics). In the following section an attempt is made to combine these three theories into a single model—in to a complete and overall economic theory. That is, it is about to reconcile them with each other plausibly, conceding that such a far-reaching approach can lead to many blurs in detail.

Moreover, a social market economy model arises out of the overall model since the aspect of justice can be taken into account, i.e. the dual aspect of distribution becomes an integral part: On the one hand the distribution of money, or more precisely the commercial distribution on the markets as a system of distribution of money, and on the other hand the fairly equitable distribution of the sales revenues to the communities and in the communities and their members within the private economy.

4.1 A Brief Discussion of the Schools of Economics

In general opinion Adam Smith (1723–1790) stands at the beginning of our modern academic economic theory, he and his economic liberalism, the idea of free markets that laid or should lay the basis for the 'Wealth of Nations'. The economist and philosopher of the Scottish Enlightenment, A. Smith is generally regarded as the father of economic theories.

In Germany, the first half of the nineteenth century was economically marked by the beginning of the industrialization respectively the imitation of England's advanced industrialization. Friedrich List (1789–1846), was born and raised in the progressive Swabian town Reutlingen. He developed sensational technologic visions and solid economic concepts and published them in his famous book 'The National System of Political Economy,' and in many other essays. List even directly implemented his economic concepts by founding the first German industrial association—the predecessor of the BDI (Bundesverband der Deutschen Industrie)—and by politically enforcing his 'Zollverein' which contained both domestic free trade and high protective tariffs against cheap industrial products from England.

Emphatic philosopher and journalist Karl Marx (1818–1883), famous critic of the bourgeois society, took care of the progressive industrialization and its social consequences in the mid-19th century. His goal was to overcome unbridled capitalism and to end the exploitation of the proletariat. His socialist ideology, supported by the working class, became the nightmare of politicians. He literally forced the politicians to look for contrasting ideas which they found in the Historical School of Economics and in Christian Social Ethics. The Historical School was able to incorporate the solution of the social question into its doctrine, which is why protagonists like Gustav Schmoller (1883–1917), Lujo Brentano (1844–1931) and others were called 'academic socialists' ('Katheder-Sozialisten').

In Austria, economic liberalism found new supporters and around the turn of the 19th century its advocates started to attack the Historical school of Economics ending in the 'methodological debate' ('Methodenstreit') between Carl Menger (1840–1921) and Gustav Schmoller. Menger came out on top as Schmoller's concept was characterized by higher complexity, thus being inferior to Menger's model concept marked by simplicity! So classic liberalism started to dominate the scientific world of economics, especially as Neoclassic Theory was developed by using mathematical models.

Due to the First World War economic and political turbulences and several crises, John Maynard Keynes developed a new complexity of ideas and a theory of money in the 1920s in order to deal with the new modern problems in the macro economy. Keynes had been the spiritual father of the Bretton Woods Agreement (1944) which then stabilized the world's currency systems for three decades.

All other movements which have not been mentioned yet, are regarded as 'subsections' of these three great schools of thoughts founded by Smith, List, Schmoller, Marx and Keynes. This also applies to the Austrian school of Mises (1881-1973) and Friedrich Hayek (1899-1922). This also applies to the neo- and ordoliberalism of Walter Eucken (1831–1950)[20] which complemented liberalism with a strong state power in order to oppose the economic entities' 'evil' power, as well as to other well-known scholars such as Josef Schumpeter (1883–1950), Werner Sombart (1863–1941) and Milton Friedman (1912–2006).

4.2 The Three Worlds of Economy

The basic structure for an integrated view where the schools of thought can be placed is provided by the ancient Greeks, who made a revolutionary experience five hundred years before Christ when the economy shifted from the households to the markets, thus into the society at the same time. When the markets for goods developed, a money market evolved. But the money market was not solely used for the sake of the exchange of goods, also the hoarding of large amounts of money and speculatively investing became usual practices. That is why shortly after the evolvement of the money market the ancient Greeks had a bad experience: The bursting of a speculative bubble led to an economic collapse—which stimulated Aristotle to reflect on the disaster. As one of the results he defined the three independent areas which he named economy, catallaxy and chrematistics.[21]

The relationship between the three areas is easily defined: Household and home production are what we call 'economy' (from oikos=home). Economy is the place of production and storage, is the original householding. The newly developed markets, the place where goods and ser-

[20] Ordoliberalism is a German version of neoliberalism, which is due to the 'ORDO' yearbooks. These yearbooks were published in 1948 in order to spread neoliberalism.

[21] Oikos= the house, Katalage= to swap, chrematistics= comes from Chremata = money (Plato).

vices are offered and exchanged, are called catallaxy (from katage=to exchange). Both areas, economy and markets (catallaxy) are connected by the world of money and finance which is denoted as chrematistics. Chrematistics mainly act as a steering mechanism in regards to the distribution of goods.

It is not difficult to match the modern economic schools and their authors with the three ‘old’ areas. First Adam Smith, who is the king of the market economy: catallaxy which is considered to be the key to business. A central function of the market economy is distribution. The main players on the markets are the traders and rarely craftsmen. Therefore Adam Smith is the king of trade and commerce. In short, his idea was: prosperity through freedom of trade!

Friedrich List had focused more on production and organisation as well as the state budget management. He closely looked at the manufacturers’ calculations and paid greater attention to their interests. He wanted to avoid bad surprises for manufacturers by the offers of cheap, foreign goods and wanted to protect them from volatile prices, mainly having in mind that prices had to cover manufacturers' fixed costs. List therefore promoted protective tariffs. The manufacturer was in the center of List's great visions concerning the industrial and technical revolution and thus primarily focussed on the manufacturers prosperity.[22] In short, Friedrich List’s motto was: through prospertity to freedom!

In Adam Smith’s lifetime, a pre-industrial, cameralistic thinking was conspicuous. At that time, no attention was given to the connection between the population’s prosperity, the circulation of money and state economy. The feudal state didn’t feel responsible for the welfare of the population. At the end of the 19th century, the national share in the gross domestic product was ten to twelve percent, whereas the state expenditure’s impact on the economic situation was not really significant. At the

[22] Originally it was already the direct offer of the producer—and it was partly caused by digitalization to go back to this version.

time of feudalism welfare and compassion was a task for the towns, in particular the churches and the monasteries. Because of the fear and threat of political danger from socialist ideas and parties, the situation changed during the Imperial Era by implementing Bismarck's Social Laws. The core ideas were big employees' communities of solidarity, the state bearing only the costs of implementation. (The state only fixed by law the compulsory insurance for employees, which brought the revenues for the necessary insurance fund without debiting the own state treasury. What a wonderful idea!)

The most important protagonist for the third category is probably John Maynard Keynes, the discoverer of money control. The economy of the industrial age, which became highly complex, provided a new quality of state prosperity and responsibility. As a complement to this development, John Maynard Keynes developed a money theory where money served as a macroeconomic control instrument and even as a global management tool. While the previous theories offered more static models and ideas, Keynes was able to offer a more dynamic view on the previous contemplations in a macro economical way. Although all the comments on his extensive work come to the conclusion that Keynes didn't develop a uniform theory, there is no doubt that his political and scientific influence and his multifaceted ideas had a positive impact on today's society. In order to understand the entire system, further clarifications are required.

4.3 The Function of Money

The following is a plea for money and its monetary economy. The plea is not a biased 'pro' as it appears in the first moment, but rather opens up important possibilities to be able to establish justice. Money has fantastic features. It is only the question how to use these features in the right way, to fill the economies' specific tasks, namely to fulfil our basic human needs like: food, drink, protection from cold and heat, medicine and education and others. Furthermore, after having fulfilled the basic human needs the economy needs to provide socially useful products for the joy of life, such as dancing and music, entertainment, travelling, etc. All this can be bought with money.

Money has a magical power. Money is the ‘enabler’ of market economy and is the ‘enabler’ of the division of work and its wealth producing features. But that is not all. Money can be accumulated, it has minimal storage costs, cash and book money can be easily transported at no significant transportation costs. Moreover, money can be moved and transferred across continents at almost the speed of light. Money is invisible. Deposit money can be multiplied without breaks as the central banks showed us in recent years. Money is a medium. Money moves the entire world of services, goods and products. Money is a fantastic invention for those who have it and a horror for those who do not, or for those who have no chance to get it. The conclusion is that all people on earth need to have a minimum access to money. And indeed, in most cases a little bit of money is already enough to restore the dignity of man. That is exactly the point. However, in order to present a plausible system, further investigational steps are necessary.

The distinction between community and market/society is also essential with regard to money. Concerning goods and services markets have the task of distribution; concerning money their primary task is to gather it. At the end of the day the business man counts his money. He is glad when he is able to sell all goods during the day. In simple words: He distributed the goods to the customers and received money in return. The following day he starts to distribute the previously collected money. A normal profit and loss statement shows the system of distribution: The top section is to the sum of the revenues, that is the sum of the gathered money. The following positions show to whom the money was distributed: The first position is direct material and direct labour. The next positon are the general costs like rent, gas, power, etc. As the next position taxes (for the government) and interests (for the banks) are subtracted as well. And finally you can count the remaining profit, i.e. the businessman's or the owner’s income which also can remain in the company for investment purposes or for security in the future.

It is obvious from the above descriptions that the revenues are finally are distributed within the communities. But the markets also have the task of distributing the money. As goods and money are passed on from stage to stage along the value-added chain, the revenues in the markets are distributed among the suppliers or competitors. Thus the revenues are spread from market to market as well. And of course, the fair distribution of revenues also plays an important role here. If a fair distribution does not take place automatically—which is not the case—then the competitors and the contracting parties need to exercise fairness among each other which is not easy. There is only one way: communicating to one another, understanding, showing responsibility, making arrangements, forming communities. For these communications they need arguments, provided in the following section.

4.4 The Circulation of Money

Market economy is monetary economy.[23] Anyone who wants to fulfil his needs via the market requires money as a medium of exchange. The already described gigantic potentials of the external division of work can only be realized within the scope of monetary economy.[24] While the supplier provides goods on the markets in order to generate money, the consumer enters a market with money in his pocket to purchase certain goods or services. Market-economy and monetary econo-

[23] Financial management is the stricter sense; market economy only works with money.

[24] Whoever abolishes markets, like for instance communism, creates bitter poverty.

my are identical. The significant expression for this is the supply and demand curve of the neoclassic economic theory (but in a different interpretation): The intersection of the curves identifies the meeting point of each the market participants and their agreement (meeting point) for the exchange. The exchange entails two identical values—the monetary value and the physical value. Experts in law say '*do ut des*'.[25]

With the organisation of the complex processes related to the external division of labour across multiple markets, the development is linked to the development of a more or less regular flow of money. This flow of money is characterized by a further peculiarity: It is a cycle, more precisely expressed, it's a circulation of money. The first step is while the goods are moving in a single direction from the suppliers towards the customers/consumers, the money is moving in the opposite direction.[26] But whilst the goods produced are made for final usage or consumption, the received money's existence does not end. So a second step is necessary: Somebody has the money and it has to be redistributed and then consequently exchanged for other goods again, which means: All the users of the money, the households, the social systems, the governments, and naturally the employer, the entrepreneur also as an investor somehow has to have a chance to get the money back into his hands again. Only the latter is just and inevitable, since money cannot be consumed and is solely used as means of exchange. Like the conditions of the 'two worlds' the circulation of money can also be subsumed under the two categories 'community' and 'society (market)':

---

[25] Latin: I give, so you give.

[26] In the usual circular flow diagrams of economics, the monetary cycle and the flow of goods are mixed. Example: Erich Carell: 'Pure economics', 12th edition, Heidelberg 1966, page 115

Table 5: The Circulation of Money

Sector		Communities (internal)		Society (external)	
Description		**Private Sphere** **Production & consumption**		**Public Sphere / Markets** **Distribution of goods**	
		> > > > > > > > > > > > > > > >	> >	v v v v v v v v v v v v v v v	
Utilization	^	National budget	> >	Acrylic glass	v
Utilization	^	Parastatal Institutions	> >	Aluminium	v
Utilization	^	Enterprises (Production/Investmt.)	> >	Automobiles	v
Utilization	^	Households (consumption)	> >	:	v
	^	v v v v v v v v v v v v v v v v		Businesses from A to Z	v
	^			(Domestic and international)	v
Distribution	^	Health and welfare system		:	v
Distribution	^	Employees		Safety	v
Distribution	^	Owner		Sugar	v
Distribution	^	Enterprise		Zeppelin	v
	^	v v v v v v v v v v v v v v v v	< <	v v v v v v v v v v v v v v v v	v
Reward	^	Distribution of Money	< <	Collection of Money	v
Revenues		< < < < < < < < << < < < < <	< <	< < < < < < < < < < < < < < < <	<

The circulation of money can be described as follows: The dynamic power of the circulation of money is usually the market participants' demand, i.e. the suppliers' or consumers' demand. In both cases it is a matter of survival, on the customer's side the supply with goods and services, on the supplier's side the supply with money that is necessary for his survival. The central point is their meeting on the market and their agreement to exchange money against goods or services respectively goods or services against money. After the market transaction is completed, the goods are then moved to the households and organisations. In return, the salesman carries home the money as a 'reward' for his service performed. The suppliers are the money collectors. These sellers can be figuratively imagined as merchants, who count their money in cashboxes, before bringing it to the bank.

After that a process of distribution begins: One part of the money stays in the bank account in order to cover the material costs and future investments into the business. Then employees and owners (natural persons), both get a share of the business's payoffs which they transfer to their private households. Also the government takes its monetary share in form of taxes and charges and does the same as the natural persons do: The money is the income side of the household (national budget). The next position is the state's welfare systems. Their function finally is to secure and stabilize the money incomes of the private households.

In the next step the incomes become expenses, that means that the enterprises' money and households' money moves back to the markets, in order to be exchanged against goods and services and hence the circle is closed. ‘Consumption’ is a process in which the households, i.e. national budgets, private households and businesses distribute the money to the various sectors named above (sectors from A to Z). (Although, figure 4 lacks the presentation of the multistage value added chain, it can easily be imagined.) The arbitrariness regarding to the ‘distribution’ of money is the real core of free market economy: The demanders have the money and they are absolutely free to walk around on the markets and/or even to take completely other markets into their focus—they enjoy far more freedom than those offering goods, namely the suppliers and service providers which are heavily dependent on the demanders’ money. The suppliers cannot convert their products into other products at will. In other words, the notion of the free market economy refers to the demander which enjoys absolutely freedom of choice when facing a product offer. He can decide for himself what kind of good he wants to spend money on. On the other hand, the freedom of choice for the supplier is very strongly restricted, due to the fact that he can only offer his specialized services or goods because he is chained to his investments and his various obligations (employees and contracts of all kinds). The supplier can offer only his specific products or services.[27] The only thing he wants and expects is money.

It was John Maynard Keynes who was the first to describe the relationship between income and consumption, and Johann Silvio Gesell

---

[27] The supplier is the administrator of the valuable goods and knowledge. Supplier protection is as important as consumer protection.

discovered the importance of a regular cash flow.[28] The governments' and politicians imagination concerning the invention of taxes and other duties led to the fact that nowadays taxes and duties represent almost fifty percent of the total circulation of money. Keynes's and Gesells' findings were necessary, because the static, individual case-related models of economics cannot any longer cope with the new phenomena of economy. They had not enough access to important influencing factors of economy. This access could only be provided by conducting time series analyses examining the money movement. In the times of the German emperor, when the complexity of the political system and "its satellites" did not yet exist, and the state's share in the gross social product was not yet 35 percent, but only between 10 and 12 percent, Keynes's 'deficit spending' would not have made sense yet.[29]

---

[28] See John Maynard Keynes: 'General Theory of Employment and Money', London 1936

[29] Note: The representation of the money cycle in figure 5 gives an incomplete picture of the economy because only the moving part of the economy, the market economy, is depicted. Lacking is the entire property budget, what we understand as capitalism is real capital and financial capital. They consist of financial assets, of stores, of buffers and other sources of money, where the money is 'parked' over night or for months or for years (investment banking). One can, therefore, copy the scheme before ones mind's eye and imagine a corresponding asset world behind the market world, the real assets and the financial assets of the banking system, assets and liabilities.

In the banking system, an important characteristic of money manifests itself, namely that of being the common denominator for any and all. This common denominator makes it possible to express and summarize all items in figures with market value. It came from this ability that in Italy during the Middle Ages the basis developed of what we call accounting and it was at the same time the basis for the development of the banking system (first bank: Monte di Paschi in Siena, founded in 1472). The two towers of the Deutsche Bank headquarters in Frankfurt are called 'have' and 'should have'. Banking is essentially nothing more than a large bookkeeping system. However, this model does not represent the reality of the financial world alone, since the banking system developed to

4.5 Money Incomes and Expenditures Are Driving the Markets

Although the reputation of financial capitalism is bad, it has to be noted that the circulation of money is beneficial for economic development. Thus, we have to make further investigations focusing on the financial capitalism. If the monetary movements are cycles, the following question arises: What are the drivers and engines of the circulation, the money income or the expenditures?

Looking back at the former agricultural economy without money, it is the great lack of goods, the scarcity, the hunger, the simple physical needs that give the drive to struggle, to plan and to initiate production. Diagnosis is simple: The need creates demand and thereby the movement is triggered. This also applies to the economy's division of work. If the housewife did not go to the market or if the state did not need any weapons for the sake of its protection etc., no external division of work and no markets (and thus no cash flow) would exist. And thus, no cash flows would come into existence. There is one problem, though: without income there's no expenditure. That means that the households as well as the national budgets must be provided with money income in order to be able to encourage commercial service providers and producers to offer products and services on the markets. As Adam Smith already stated, it is the demand which triggers the market dynamics and encourages producers to produce the right thing. However, if we ask how the money income comes into being, then the explanation of Smith's 'invis-

---

become partially independently from the real business and so developed its own business world. Not only the margins of the real business are handled or stored, but money is made from money and financial bubbles have become independent (second's trading). This is the world of the bad reputation of chrematism (using money for acquiring money) in antique times and the bad reputation of the banking world and Wall Street finance capitalism today.

ible hand' is not sufficient. The key words are rather business, margin, profit, value creation.

4.6 Business, Margin, Profit, Creation of Value

The term 'business' (in German language: "Geschäft") is still common among businessmen, but in general language usage it is more or less outdated, because nowadays only a few people operate a daily business of their own. They rather serve large-scale markets or make deals. Among non-merchants, the term business is rather seen as indecent, because it sounds like an income without work or like an undeserved wealth grab[30]. But this is the point that needs to be corrected.

Businesses are the driving force behind the division of work. Businesses allow the business owner to earn money. By that, we mean profit. However, profit is not a true benchmark even though it is presented as such in the everyday language and literature. Although it is true that the business owner takes home the profit which means that he transfers it to his private household, he is often only one of many who do so, because all his employees participate in the generation of the profit and carry home their personal 'profits' on a monthly basis. The margin is the most important thing in business; it is the difference between input and revenue. Every profit, including the employer's and the employee's, is paid out of the margin. The margin is the pot out of which all stakeholders (owner, employees, banks, finance authorities, etc.) are paid who directly or indirectly acted in the value-added chain. This is the normal business of an ordinary businessman.

There is quite a simple calculation rule for what is called doing business in the field of retail. It is as follows: double the purchase price of the product and go to the market. Ideally, if the businessman has regu-

[30] Anti-trust lawmakers and authorities are increasingly convinced that they are able to detect consumer fraud, which has led to gigantic indemnity proceedings.

larly sold his current stock on the market and has collected the money then he is able to double his monetary assets. However, he has to spend half of his monetary stock in order to replenish his stock of products with an identical quantity. This does not alter the fact that his monetary assets have doubled before: One half of these monetary assets are covered by the goods in stock and the other half by the money ‘stock’ in the bank account. From then on the generated monetary stock supplies all those who benefit with money (Figure 2): The employees’ households (wages), the state’s national household (taxes), the businessman’s household (profit)—the already twice mentioned procedure is identically described again. Before paying out his profit to himself, the businessman decides, whether he wants to leave a part of the money in the company's account for further investments. Such investments then serve either to maintain operations or expand the business. If this regular margin making works on a daily, monthly or yearly basis, that is regularly, then this is a really good business: All stakeholders are adequately satisfied.

The principle of the business shown here is, however, does not solely apply to the retailer. This principle applies to all market suppliers and large corporations which participate in the external division of work. If, for instance, we have a look at the automobile manufacturers’ balance sheets, we can assert that they work according to the same principle: They require a margin of about fifty percent of the selling price in order to cover their ‘direct’ costs (material, assembly-line workers). The rest is put into the ‘overheads’, and finally also a dividend needs to be paid to the manufacturer’s shareholders. Thus, in the case of manufacturers, the added value increases by the cost of the ‘direct labour’ which is why regions with manufacturers are more affluent than those where only trade (characterized by less creation of added value) takes place.

4.7 The Distribution of Money in Private Economy

After the above considerations, it is clear where the added value creation is done: In the markets. The product margins create the added values. From there the proceeds are used as described above. Thus, the money moves to households, from where it is redistributed to various markets in order to perform its task, the provision of the people. But there is an important prerequisite, namely, the availability of money. Money needs to be available, so that demanders can satisfy their needs on the markets. For this purpose our banking system invented the creation of money, controlled by the central banks, as the second step. The first step is the printing of money by the central banks. This satisfies the money demand which is necessary to activate the circulation of money![31]

We can define a functioning economic system and its production of money as follows: The enterprises stabilise their revenues, the employees' tariff commitments stabilise the employees' incomes and the taxes drawn from the employees' income stabilize the government's revenues at all levels (federal government, federal states, and municipalities). Then again the state undertakes public expenditures regularly feeding private households with money as well as enterprises and organisations (examples: electricity, public transport, road construction, planning tasks, administration).

The regularity of incomes—that is, the stability of the cash flow—creates the creditworthiness of three major players: of the companies, the private households and the national budgets.

[31] An example of this is the now forgotten 40 Deutsche Mark, which each German received after the currency reform in 1948, so that he had money to shop. The next day the shop's windows were full of goods.

The banking system also contributes to the stabilization of the circulation of money by charging their debtors with interests and redemption payments. The state's growing importance in the course of industrialization strengthened its role as a money pump. When this system became weak after 1929 during the great depression, Keynes conceptualised the famous 'deficit spending'.

4.8 An Integrated Model of Economy

In the following illustration the preliminary findings are summarized. The result is the visualization of the cash cycle between private economy and market economy (*catallaxy*) on top and below the varying even contrary conditions under which the two parts operate. One can see the function of private economy and under what conditions it occurs—and below the branches of market economy and under what different conditions that rule there.

The schematic representation is insofar incomplete, as it only constitutes the active components of the economy (money and performances) and neglects the accumulation of money and tangible assets, namely the so called 'capital'. This chapter is not discussing the (fair) distribution of capital and wealth but rather discusses the distribution of income and services. The figure does not only give insight into where money distribution takes place, but also highlights the respective conditions, namely the harsh market conditions and the 'soft' internal conditions established within communities.

Figure 6: Monetary- and Market Economy

Sector		Communities (internal)		Society (external)	
Description		**Private Sphere Production & consumption**		**Public Sphere / Markets Distribution of goods**	
		> > > > > > > > > > > > > > > >	> >	v v v v v v v v v v v v v v v	
Utilization	^	National budget	> >	Acrylic glass	v
Utilization	^	Parastatal Institutions	> >	Aluminium	v
Utilization	^	Enterprises (Production/Investmt.)	> >	Automobiles	v
Utilization	^	Households (consumption)	> >	:	v
	^	v v v v v v v v v v v v v v v		Businesses from A to Z	v
	^			(Domestic and international)	v
Distribution	^	Health and welfare system		:	v
Distribution	^	Employees		Safety	v
Distribution	^	Owner		Sugar	v
Distribution	^	Enterprise		Zeppelin	v
	^	v v v v v v v v v v v v v v v	< <	v v v v v v v v v v v v v v v	v
Reward	^	Distribution of Money	< <	Collection of Money	v
Revenues		< < < < < < < << < < < < <	< <	< < < < < < < < < < < < < < < < <	<
		Private & Social Conditions		**Society & Market Conditions**	
Degree of freedom		Private Autonomy / Social Control		Government Supervision	
Relations		Familiar/friendship/ caring		Unfamiliar/anonymous/indifferent	
Connection		Social / Emotional / Relational		Functional	
Partner		Family / Service Providor		Customer	
Operation		Production / Preparation		Distribution / Excjange	
Result		Asset value / Exchange Value		Monetary Value / Creation of Value	
Division of work		***Internal***	**> >**	***External***	
Systematization		Planning Economy / long term		Equitable / Free	
Organization		Hierarchical / Organized		Equitable/free	
Methodology		Reziprocal / Altruistic		Parity / Selfish	
Decision		Long-term / Investment		Short Term / Purchase	
Principle		Cooperation / Coalition		Competition	
Regulations		Statutes / Voluntary submission		State Legislation	
Standard		Justice		Right / Law	
Income		Stable		Volatil	

The left side of the chart shows the private economy. Here social relationships and human interaction come into existence. It is easy to see that they all sit in the same boat, the households, the operations, the government and other organisations. All these communities of private economy are involved in the same cash circulation and finally all are supplied with goods and money out of the same source: market economy. The sum of the added values in the markets determines the living- and income conditions in the communities, in the private sector. In other words, only if the companies generate a critical mass of income and subsequently create significant added value, a good surplus of income can be gathered and distributed within the private economy sector.

The chart shows where the respective principles apply, but one must recognize that they are decided, managed and controlled on the social side and by the social institutions only. The social side is where you find the people acting and deciding, where you find the institutions managing, deciding and controlling, including the government (responsible for laws, market rights, urban design), and where you also find the companies and organisations (internally responsible for employees; externally for industry fairs) and their associations (cartels). And for all the various private and governmental social systems the same conditions (listed at the bottom left) apply which often are not taken into account, unfortunately. This also applies to the government, who took over the care for its employees and in addition established a welfare net (social welfare) for those outside society, to pick up those people who fell through the meshes of the normal social nets of families and companies (including employees' social securities).

The consequence that arises of the distinction between private economy and market economy is that the application of the theories of List/Historical School of Economics and Adam Smith/Neoclassic Theory is reduced to one side each. In other words, the market economy belongs to the market economists (Smith/Neoclassic Theory) and the multi-variant business and domestic economy belongs to the promoters of the ideas of private economy (List/Historical School of Economics).

The market laws certainly apply in the market, but due to the fact that they are restricted to market and monetary economy, they do not apply to private economy, not to communities, businesses and private or public households.[32] With regard to the 'external' economy the laws of the market have no validity at all. Their expansion into the field of the private sector based on the underlying assumptions that the 'market laws

[32] See Karl Polanyi: Ökonomie und Gesellschaft', 1. Ed. Frankfurt 1979. On the cover: the key argument that the new economic theory is only applicable to the market economy.

apply everywhere' and 'the market thinks' is grossly detrimental. These assumptions simply don't comply with the nature of normal interpersonal relations. 'Do ut des', the basic rule of the market, is the nature and principle of services rendered and services returned to an equal degree. A principle of this kind doesn't, or very rarely exists within a community. In communities the fundamental idea of reciprocity, that is to say the rendering of a service without the complementary compensating service, applies. Conversely, the claim for an equal distribution of goods, as practiced within and between different communities has no place in the markets (e.g. the claim for low prices). When social aspects play a role in the distribution of money among the markets, this cannot be a market rule but it rather represents a personal extension of the rules in the context of inter-personal relationships.

Following the chart above, the reader can observe two money distribution systems in market economy: the first system is the market system which distributes the money to the suppliers through the households and businesses' spending behavior. The second system comprises the communities of the private economy, including businesses, the state and welfare systems which build and establish internal distribution systems (payrolls, taxes, allowances, etc.) The necessity to introduce tariff autonomy proves that the markets' justice of income distribution fails to operate autonomously. This special form of freedom of coalition is necessary in order to give employees, by means of the right to strike, the opportunity to enforce a just and fair income from their firms and organisations.

The same also applies where the market alone does not function alone for the pricing and the distribution of money to create commercial income for suppliers and services. Those offering goods must have the freedom to form associations in order to fix quotas, set minimum prices or cause artificial shortage in order to enforce a fair compensation for the rendered services. A pricing or wage pricing which is solely determined through capacities inevitably slips into areas that make (economic) survival impossible. Certainly, low wages arise from an excess supply of employees, low commodity prices arise from overcapacities which after a certain time of growth as a rule accompany industrial mass production. This logical process is justified in the chapter 'The System's Weaknesses'.

Markets are not tangible. Markets or fairs are only 'events', mostly short-term events, which are set up in the morning and closed in the evening. It is the same with products: displayed in the morning, they have disappeared in the evening. Nowadays, internet markets which are subject to constant change have the same above mentioned characteristics. Markets have only these two anonymous functions: The supply with goods and the supply with money. However, all decisions regarding these two market functions are made by the people within the communities of private economy. For instance the state, the community, allows the weekly market, the farmer decides to put up a stand, the housewife decides to go there for shopping. There are only private decisions. The market itself has neither decision power nor any control but rather brings together all kinds of coincidences, like the decision of a child to buy a sweet. Thus markets generate volatile outcomes including price erosion and clearance sales. Quite naturally, people try to eliminate or prevent all these coincidences, in order to reduce uncertainties. Therefore, people build a 'weatherproof house' by occupying a permanent position in a firm, take out insurance and make commitments to long-term relationships.

In life and business the greatest uncertainties and risks are caused by nature. It is therefore anchored in the nature of the human being to eliminate uncertainties or at least minimize risks by all available means in order to escape from nature's rigours. Human activities begin with dressing with clothes, with the storage of stocks, the construction of houses and ends with education, science and technology. It is characteristic for the civil society of our times that we have accomplished this task in an optimum manner and have covered civilisation with a luxury veil of culture. The cultivated coexistence in an organised head community, i.e. society, is an important part of this veil of culture.

Production and consumption are done on the private community side, whereas the exchange of goods is the task of the public market side. Communities and people are the suppliers as well as the receivers of goods and services. If goods or services are delivered in poorer qualities, communities and people are the receivers of the poorer quality as well and if prices are lower and as a natural consequence of poorer quality, the communities and people get less money as well.[33] It does not matter that suppliers and recipients are not directly the same persons in that first moment because the effect hits them all on a time delayed basis. Finally suppliers and recipients must be identical, no question at all. To provide a current example in Germany, there is a painful connection between sinking market prices for food and groceries that combine with the declining wages in their production units—and as a consequence it necessitates statutory minimum wages. Due to the fact that an unpredictable price development creates unintended and unexpected damages (quality loss, loss of livelihood) can be avoided by 'artificial' stabilization of market prices through quantity steering, one must see the controlling and steering of quantities and market situations as it is organised by cartels (communities of branch members) also as an expression of developed civilisation and economic culture.

But at this point another conclusion can be drawn concerning the distribution of money collected in the markets and distributed along the added value chain from market to market: Even within these vertical structures, from customer to supplier, from markets to markets, human and social aspects are taken into consideration by the players when they personally know each other, when they are somehow familiar with each

[33] 'Prices are wages'

other. This is a normal human reaction: Through ‘knowing’ each other, people are regularly confronted with a feeling of belonging together, they regularly develop empathy. Consequently, this feeling gradually transforms anonymous external relationship into personal internal relationship which has certain consequences: Responsibility, altruism, giving, helping and the feeling of mutual dependence are developed. However, all these consequences depend on how intensively such relationships respectively even communities between markets are organised. So, even on markets human and social bindings can develop. And for sure this is absolutely necessary.

The task is now to develop a global solution based on the previous findings, based on the real economy (social side) and real *catallaxy* (market side). The ‘Historical School of Economics’ offers a suitable solution for this. The school found cartels to be well functioning stabilizers for real incomes and profits based on the model of the medieval guilds. Within its ‘Third Way’ theory, this type of market economy was called 'organised competition' and respectively 'organised market economy’. Organised competition was seen as a better model than free competition, because cartels have rather defensive manners (the community's moralizing effect) and thus prevented ‘cut throat-competition’.[34] Preservation and sustaining of competitors as part of the guilds (and cartels) task also hinders the development of monopoly positions. ‘Competitive economy in its present form (1928!) is a far purer way of competition than any kind of free competition'.[35]

In the age of the globalized Neoliberalism these effects are stifled and conscience is eliminated. It should be stressed that there is no evil intention behind it, just thoughtlessness, e.g.: why should I care about the over-exploited soils in Canada, when I can heat my house by means

[34] Georg Nikolaus Halm: ‘Die Konkurrenz’ (The Competition) Munich/Leipzig 1929, Page 23.
[35] Ibid.

of explored oil or buy cheap petrol? Why should I care about the degrading working conditions in the Bangladeshi factories, when I can buy a beautiful and unique T-shirt for a low cost? We, who live in a wealthy country, can easily organise citizens' initiatives in order to fight ecological destruction in our woods or other misdoings. But what kind of action can a poor country take against other peoples' wealth and their money power? What can the poor country do against its people's poverty? The collapse of a ramshackle factory and 400 dead persons in Bangladesh have alarmed the press and the world. But where is the resistance against the miserable working conditions or the organisational pressure from Foxcomm which is the largest Chinese company engaging one million employees? Why can't we find any power of resistance in Korea, the country with the highest suicide rate? This is precisely why relationship or even dense communities must be globally established between distant communities in order to enable solidarity.

4.9 Global Solidarity is Feasible

While tracing the track in which any product is produced, that can be bought and exchanged for money in a store, you always find a chain of production—and as a consequence a value chain. 'Value chain' signifies that the final purchase price of a product is allocated across the stages involved in the production and distribution processes. Although many examples have already been highlighted, it is worthwhile looking more closely at a certain product. Take for instance half a pound of butter as you can buy it in any supermarket. This product has experienced an incredible number of preliminary stages before the consumer is finally able to select it from the shelves: Butter is a dairy product. The milk is produced by cows. The farmer has set up a stable and a milking system for the cow (many upstream supplies). The stall is well lit and heated (many upstream suppliers). Even though the farm animals graze in the pasture, they receive medical supplements (thousands of upstream suppliers) by an official veterinary surgeon.

The same applies for the packaging which is composed of a mixture of paper and film. The wood which is used for the paper production, probably originates from Scandinavia, whereas the bauxite for the aluminium of the film comes from Canada which was then processed to aluminium by means of a massive electricity input in Germany. Both have been processed into a special foil by manufacturers. Last but not least that manufacturer also undertook the printing activities. The printing inks consist of components which are supplied by paint manufacturers, etc.[36] Regarding the gas production, we could trace back the delivery chain to a Siberian village. And so on.

All this only works out due to the fact that the money in the markets moves in the contrary direction to the commodity and after each step or processing stage a portion of money is left behind which thereafter can be distributed within the respective production community. Besides the horizontal distribution of money, there is also a highly complex vertical chain which equally cries for justice. In other words, when diamond polishers from South Africa, cotton or sugar cane plantation owners from South America or fishermen from Southern Europe do not receive a fair share of the money within the scope of the vertical value creation, the horizontal distribution within the communities will consequently suffer, too. That is the point. According to the ideas developed here justice of the markets is necessary and possible, namely in so far that from vertical and horizontal long term relations communities with their very own laws have to be developed. The development of free systems of solidarity by communities is the key.

---

[36] All of this is just a tiny section of the vertical reality and the production chains, but it states that the world of business (B2B=Business to Business) also consists of communities, connected communities, production and service units, which all have a different intensity of bonds.

It could also be put this way: The communities have the task to create for themselves margins in all steps—trans-regionally or globally—which subsequently ensure a more or less decent equitable margin distribution for all members of all communities.[37] Markets are not just therefore the responsible actors, who are commercial sellers and buyers, bearing the responsibility for creating an equal and fair distribution of commercial gain among every interdependent step of the vertical value chain. This especially applies to the long-term supply contracts. This is absolutely necessary since the horizontal distribution of income within the different production stages can only be achieved, if sufficient income is available. Or to say it in other words: A distribution of money cannot take place, if there is nothing to distribute. This is a matter of private organisation only. The government barely has any control function (except avoiding missuses) but rather has the task of providing legal foundations (freedom of coalition / freedom to form solidary communities: cartels and associations).

Fair prices are a must at all levels—a requirement which in case of a global context is difficult to meet due to the infinite distance between suppliers and customers. But among many others there is the following proven example: There exists a thousand fold daily solidarity between retailers and manufacturers in the field of regional long term delivery relationships, e.g., local retailers who are daily supplied by farmers around, since they are fully aware of their mutual dependence and consequently take this into account when both parties enter negotiations. Another example are agreements made in solidarity between manufacturers or craftsmen who have operated in the same markets for years and decades and who agreed about minimum prices in order to protect their weaker competitors, because they have become friends. National or even

[37] One of the communities responsible for the distribution is the state. Even if the state hardly creates any value (except by fees), it still can distribute value by means of taxation of the individuals' and communities' created value.

supra regional solidarity within associations of firms and businesses is in fact quite a common practice and clearly not an exceptional phenomenon. The people involved, including entrepreneurs and managers, are thus only organising what is absolutely necessary, namely the fair distribution of the resulting economic prosperity produced within the added value creation chain.

4.10 Interim Result

In the light of the foregoing, the economy is no longer a black box in which an 'invisible hand' has assumed control. It is true that the service- or product supplier does not know whether anybody in the market will purchase his product or service just as much as the consumer is vaguely aware of where to buy the goods that should later meet his needs. But as far as the 'money supply' is concerned, all are linked and connected to the same supply system which has become transparent by the overview displayed in figure 6. Business-, macro- and micro economics are unified. The great economic theories permeate the market side (Adam Smith), the operational side (Friedrich List, Historical School of Economics) and the overall control by money (John Maynard Keynes).

Money is the common denominator of market economy. The added value creation takes place in the first stage across the markets depending on the prices. Thus, the system of market economy is also a pre-distribution system for money respectively income, but with the addition that it ignores the social component and is therefore solely performance-orientated. Therefore the second stage implies that the distribution of money income takes place within and between communities which represent businesses, private households and the government household—summarized under the term private economy. (The money distribution to the private households is subsequently added and stabilised via legal solidarity agreements, that is transactions in social insurances or social welfare.) From the private economy (households, organisations, firms and businesses) the money is spread onto the markets, giving the vendors the chance to create new values. The second stage, namely the distribution within the communities, is indispensable, given that during the first stage the money has so far exclusively flowed towards the vendors. Vendors are represented by contracting parties, i.e. the enterprises and entrepreneurs. They bear the responsibility to ensure an adequate participation in results and earnings among all stakeholders who have been involved in the companies' input performance, also the vendors themselves, their employees, the social systems and the state. The state is not to be forgotten because it provides the businesses with a sustainable infrastructure including laws and justice and all kinds of reasonable security provisions. In general: All services which are normally delivered against payments have to get a fair share.

Now, the concept reconciliates the economic theories and puts them into the right context. The conclusion therefore is that agreements can be exercised within and between all kinds of communities. Condition is that these agreements must contribute to the welfare of the communities themselves and their members' economic well-being. Agreements made within communities are not problematic since this is allowed. The others should normally be made public through the media. Moreover, agreements made between communities should not be complicated either, since all agreements are made on a voluntary basis (associations and cartels) and consequently influence the welfare of the entire community positively. It is currently problematic though, due to the legal cartel ban which originates from the Anglo-American economic zone and is spread around the world. For this reason, Chapter 5 must provide a closer look at the mutually supportive groups' (in form of associations and cartels) usefulness and necessity.

What has been functionally described above is the concept of a social market economy with its threefold distribution effect which has been developed in Germans medieval cities. We can call it a three-fold distribution concept, because the first monetary distribution is exercised through the market (market economy) which, however, is steered and controlled by the communities.[38] The second monetary distribution can be found within the communities (private economy) within the scope of the private sector, and finally the third subsidiary monetary disposal occurs as transactions within the scope of the state's welfare systems. This is all man made, all made by the people.

Given that the above explanation explicitly contradicts the prevailing (mainstream) notions in sciences and politics, the following section will elaborate that issue in detail. It will especially discuss the topic from a historical point of view. Even though other states (Switzerland, the Netherlands, Italy, etc.) have developed a socially orientated market economy, I will cite Germany as an example, since its historical background was more accessible to me.

The following is a brief historical overview of the development with respect to the German welfare state and its cartel economy—from the 'Founders Crisis' in 1873 until the end of the of the Weimar Republic.

[38] In the case of syndicates steered among the communities, i.e. members.

5

GERMANY AS AN EXAMPLE

‘Shall the world be healed by German nature?’ This is a phrase that no one wants to concede, but it cannot be denied that no industrialised country of the Western world has recovered as quickly from the financial crisis of 2008/2009 as Germany did. Foreign heads of state congratulated Chancellor Angela Merkel on her success, which has been rightly credited to the German’s social market economy. But when the foreign governments sent inquiries to the Federal Ministry of Economics to ask ‘what is the Social Market Economy’, in reply they received the principles of *ordoliberalism*[39], just as they had been proclaimed by the alleged ‘fathers’ of Social Market Economy. But looking at the actions that triggered the fast economic recovery shows, that *ordoliberalism* is not the correct answer. Scrapping incentives for old cars and investment aid for kindergartens, as offered as governmental help in 2009, sound more like corporatism and do not really fit into the ‘frame of order’ of *ordoliberalism*.

In fact, the corporatist component is an elementary factor for the real and original social market economy because the co-operation of the industry members in form of associations, followed by the interrelation between these associations and the governmental organisations (ministries and chambers) are indeed part and parcel of this organisational form of the economy. Therefore, I will elaborate on the real nature of the economy’s structure which in advance can be described as a successful concept characterized by a cooperative, consensus-based collaboration

---

[39] The German variant of social liberalism.

between diverse communities as specified on the left-hand side of the scheme under figure 5 and 6. Due to the scarcity of all budgets, competition among competitors in the markets arises automatically and in consequence plays no significant role. What is far more decisive is the quite normal application of promotional strategies, implemented by sellers in order to attract customers. It follows therefore that this is the matter of real competition.

5.1 The Three Components of the Social Market Economy

The year 1946 is usually associated with the emergence of the social market economy. But in fact, 1946 was rather the ‘zero-hour’ of the first publication of the notion of ‘social market economy’ by Münster economist Alfred Müller-Armack. Thus, in 1946 the notion was formerly introduced, but the system of the social market economy already existed—and had so since 1927.[40] Experts in the field of social market economy contradict the above statement by claiming that the social market economy was only introduced after the Second World War, however, this must be countered because it is simply not true.

During the industrial age, the Social market economy was called the ‘Third Way’, can be assigned to three periods of conception: on the one hand it can be associated with the economic part which is seen as the most important part since it was able to generate prosperity. This prosperity driver was the cartel and federation business developed in 1873. The organised agreements between sellers ensured a high value creation in the markets. More wealth was created than ever before. The other two periods of conception are of social-political and social-state nature.

---

[40] Detailed description in: Florian Josef Hoffmann, ‘Die wahren Väter’, JF-Forum 14.8.2103, Page 18.

The year 1880, the year when a series of social laws started under Bismarck to be enacted during the coming decades and the Social encyclical, ‘rerum novarum’, introduced by Pope Leo XIII in 1891, were typical events representing the state’s social welfare system. So these years can be seen as its period of conception. Both introductions of laws covered the social-political side by having established statutory solidarity systems for the workforces (unemployment insurance, etc.) and by additionally linking the workforces’ revenues to the dynamics of the companies’ income development (autonomy in wage bargaining). The system was mutually reinforced because the increasing labour income automatically resulted in growing demand. Consequently, the term ‘economic growth’ was born.

With the help of these three components the cooperative, consensus-based market economy was born. It was a mixture, or the combination of diverse mutually supportive groups which created and organised immense unprecedented economic forces for the society: On the one hand, there are the cartels, in form of business associations which made the economy prosper and on the other hand there was the workforce that was characterized as being extremely solidarity-orientated: they formed their own employees' cartels which are commonly known as unions. The first collective agreement (already before 1890) ensured regular wages for the employees. A new type of being was created which was considered an example by the officials as a steady income was at disposal: the tenant. Thanks to the regular income the workforce became more creditworthy and more and more people could rise to the middle class. They could even build their own homes. ‘Prosperity for All’ was created but this phenomenon had no name yet. Today, it is commonly known as the ‘Social Market Economy’, born in 1946 and invented by the Münster economist Alfred Müller-Armack.

The following chapter will examine all three components in detail, since they are intended to serve as a model for global dispersion as it will represent a concept that will set an example with the purpose to be spread globally.

5.2 The Cartel Economy (Economic Component)

Cartel economy appeared like a thunderbolt. On May 8th, 1873 the railway speculation burst was triggered by a liberalisation of the Stock Corporation Act that was approved four years prior. This liberalisation turned into an economic disaster, pushing 41 banks into bankruptcy within the first six months. In the summer of 1873, the old gentlemen of the CV (‘Cartel Association of non-striking students associations’) came to the realisation that despite being long-time acquaintances they were still fierce competitors on the market. They then decided to emulate the cooperative tactics used by guilds which made medieval cities rich through establishing mutual support groups. Certainly, it is of significance, that many industrial entrepreneurs were very familiar with the craftsmanship.

Out of the CV founding initiative, within one year most of the German industry cartels came into existence, organised ALS associations which means solidary communities of communities. The cartels are responsible for transferring the Christian idea of solidarity into an economic context—and after only six years of implementation and reorganisation started an incredible economic success story.

From the end of the depression onwards, i.e. the year 1880, the German economy flourished with rapid growth. Germany experienced 35 years of continuous economic growth with a minimum growth rate of eight per cent per year. The middle class especially benefited from this economic prosperity. The middle class’s high educational level constituted the basis for a wide range of achievements in the Imperial era, from sciences, technology, industry, construction planning to performance. Unfortunately, the political and social structures of the Imperial era could not prevail over contemporary development. The achievements went to the politicians' heads. The political landscape was not prepared for that and was still living in the feudalistic structures while society had already reached the 20th century.

Referring to the model of the guilds[41] we can state the following: From the early Middle Ages onwards, society had a good grasp of the advantages produced by setting up communities. Communities have common interests which can only be achieved within the organisation (production, storage, supply). Although competition between individual members within a given economic community exists (as well as within a family), the reciprocal cooperation with the objective to provide value added input for everybody in return for a reasonable gain.

To all communities the following applies: The members have a common interest they represent quite egoistically in public which, but at the same time they respect and accept each other as equal partners. However, this ideal form is inapplicable only to organisation where equal rights are an impediment and hierarchical structures are necessary to maintain order and productivity. This is especially important in large collectives, primarily the state with its millions of individuals in the police and armed forces, legislation and so forth. Where equal partners stand side by side, equality and equal conditions must be set up as far as possible. An impressive example for this is provided by the guilds.

In Reutlingen's museum of local history a medieval guild room has been rebuilt. One can make two interesting observations: One point is that the wooden panelled walls are set with large portraits of guild members. It is conspicuous that all the figures are somehow equal. They all have approximately the same size and stature. The other point is that a large table is centrally placed. The table is surrounded by about thirty chairs. This would be quite normal, but here all the chairs have different heights and apparently are adjusted according to the guild members' sizes. The members' chairs were raised and lowered accordingly so that

---

[41] Despite being banned in 1806, the guilds continued to operate.

each guild member sat at an even eye level around the table—democracy in practice.

The most important tools to balance the power on the markets at that time were the agreement of minimum prices and the allocation of fair quotes. The intention behind this was to protect the weaker market members from the power of the stronger. The experience on the closed markets in the narrows medieval towns was that price competition was ruinous for most of the competitors. So minimum prices and quotes in quantities where found as a proper way to eliminate this evil. As all branches (guilds) were organised in the same way, nobody was economically harmed, except those that were not members. In 1873, when founding the industrial cartels, the principle of the medieval guilds, the equalization of power among the competitors, was taken over for the industrial branches. By applying this method, the main effect was that the stronger members give away power in favour of the weaker player, hindering the establishment of monopolies.

Nevertheless, an outstanding advantage turned out to be something else: the elimination of price competition urged the competitors into quality competition. So product qualities—like of the then world famous ‘Nürnberger Loden’, a special Frankonian textile material—during the Middle Ages became finer and finer from century to century. Due to the fact that the craftsmen's principle was taken over by the industries and their associations in the nineteenth century, as a result the German seal of industrial quality ‘Made in Germany’ was born after only a few decades.

Communities can be selfishly organised to the outside and can put their well-being before the well-being of all other communities. In fact, communities are only responsible for taking care of their internal community members’ well-being. At this point, an objection by the supporters of the cartel ban arises, stating that these understandings and agreements taking place ‘behind the consumer’s back’ lead to a situation in which the consumer will suffer an economic harm, since he will pay too much. This criticism is disproved by these two arguments:

- First: Acting on a market, no one can care for and supply oneself and other market participants at the same time. Acting on markets, both the supplier and customer have the right to think and act exclusively for themselves. Those who consider the welfare of the other market participant would ruin themselves as a principle. So the principle of egoism is mandatory for all market participants, i.e. all merchants, all offering market participants, all members of communities like cartels which act in the markets' external value creation.[42] And certainly, this applies to the consumer side on the markets as well anyway. (This rule does not apply outside the market area within the communities!)
- Second: All branch organisations (associations, cartels) must get the chance to regulate their market conditions so that they are able to optimize their own and their members' earning positions. Economically, they do this by striving for the Cournot equilibrium, which is the optimum price and quantity at a maximum value creation (not the maximum price, nor the maximum quantity). The consequence is: Adding up all added values of all actors and all branches, thus the overall prosperity is maximized, in consequence producing the maximum welfare for the entire state.

---

[42] Adam Smith expresses this insight in such a way that everyone who pursues his own interest in the market also contributes to the common good. This statement can be reinforced by providing an extremely simple example. A baker who sells his bread at half the price (doing something good for the consumer) and consequently doesn't earn enough money anymore is economically failing and will be a burden to the welfare. The he has to be fed by the money recipients which is much more complex because their workforce is eliminated. The description above is in line with the current development of the labour market in Germany, where food and many other basic products become cheaper and the precariat grows.

The latter means that under conditions of fair distribution peoples' individual income is maximised, the maximum supply with money on the other hand allows the households to supply themselves properly on the markets. In contrast, a price reduction leads to a decrease in value creation, i.e. the industries' profits. As a result households receive less money and demand on the markets is reduced. This price battle leads to a downward spiral in terms of the overall income level. Thus it is obvious that common Welfare is not damaged by price stabilization agreements, but by ruinous price struggles.

5.3 The Two Social Components[43]

5.3.1 The First Social Component: The Unions (Tariff Autonomy)

The second component is purely social: it is about the development of trade unions originating from the Workers' Associations which were orientated according to the guild constitution in the middle of the nineteenth century. This led to the establishment of the professional print association in 1849, followed by the creation of professional associations of the cigar-, textile- and metal workers, miners, tailors, bakers, shoemakers, woodworkers and builders.[44] The legal standardization took place in 1918, i.e. immediately after World War I which indicates that the preparations must have taken place before the war.

The trade unions' task is to ensure a fair distribution of the company's income. It is true that the employer is the one who 'collects' and generates the money on the market. However, he does not produce the offered products and services alone but is dependent on his employee's contribution. The conditions of these contributions are listed in Figure 2

---

[43] A part of the following explanations was published by the author in the article 'Die wahren Väter' in 2013.

[44] Source: Wikipedia: Unions in Germany.

and 3 (left column). Core conditions are reciprocity and rationality when contributing own performances into a common fund. Therefore a (more or less) just distribution of those proceeds has to take place that were the result of the common efforts. Of course, the entrepreneur is entitled to the biggest share, since the initiative, the risk and coordination of employees are his personal performance. Certainly, accruals must exist for investments but if employees do not get a just share of the finally ‘created value’, they should be able to act with non-violent pressure: With the right to strike.

5.3.2 The Second Social Component: The Welfare Legislation

The second social component is the welfare legislation which ensures the working class’s fundamental security by—on the one hand—establishing a statutory insurance for mutually supportive communities and—on the other hand—setting up the underlying principle of the so-called social help, as a form of final existential protection which becomes effective when the personal potentials of all kinds (labour income, wealth, insurance income of all kinds) are finally exhausted.

One of the biggest pioneers of all social systems was the above mentioned Bishop Wilhelm Emanuel von Ketteler (1811-1877) from Mainz also known as the ‘workers' bishop’. He was, among other activities, one of the founding members of the Catholic Center Party and had significant influence on the content of Pope Leo’s XIII first Social Encyclica. As a Prussian deputy, he also had a significant impact on Bismarck’s social legislation. The Christian Social Theory was derived from this first Social Encyclical and is of fundamental importance for the Social Market Economy.

After Bismarck’s start of the Social Legislation in 1880, a cascade of social laws followed almost year by year for almost fifty years. Listed below are the most significant regulations:

- 1883 Statutory health insurance
- 1884 Statutory accident insurance
- 1897 Craftsmanship Act
- 1889 Invalidity and old-age insurance
- 1891 Occupational Safety and Health Act
- 1901 Sunday and civic holiday repose
- 1911 Statutory employees' insurance
- 1918 Regulation for labour agreements
- 1920 Works Council Act
- 1923 Working time regulation (40-hour week)
- 1924 Reichfürsorgepflichtverordnung (predecessor of Social Welfare Legislation)
- 1926 Labour Court Act
- 1927 Employment agency/ unemployment insurance

Regarding the above list, it should be noted that all of these laws are—although in large parts considerably amended—still valid today. During the NS-era, the provisions led to the customary relabeling of its time and the freedom of wage agreements was temporarily eliminated. Fortunately, most of these actions and measures were reactivated after the end of the World War II, having survived the collapse of the German Empire as well as Hitler's reign of terror.[45] Over the same period (from 1880 to 1930) and parallel to the social legislation, the legislator laid the final foundations for a consensus-orientated and corporate market economy by introducing the Handicraft Act (1897) and the Cartel Regulation (1923).

The list of these laws can literally serve as an instruction manual for the introduction of a social market economy.

Therefore a short reflection on the spirit of the nineteenth century, the time of industrial and social revolutions may be allowed: Although

[45] Prof. Dr. Obermayer: 'Verfassungsrecht vergeht, Verwaltungsrecht besteht!' ('Constitutional Law passes where Administrative Law sustains!')

communism was conceived in Germany it was completely supplanted by the highly successful corporatist system of associations and chamber economy and the consensus-orientated economic system. The thousands of formations of new cooperatives, credit cooperatives, purchasing co-operatives, dairies, consumer cooperatives, forest cooperatives, and housing cooperatives exemplify this countermovement. Moreover, the founders of inter-trade organisations and industry associations also serve as good examples, due to the fact that they have succeeded in transforming the liberal chancellor Bismarck into a protectionist, an interventionist and supporter of a corporation between state and economy. The economic success was enormous: Germany experienced a thirty-five-year long economic boom during its Imperial Era until World War I broke out. Even after World War I, Germany witnessed the 'Golden Twenties 'in the 20thcentury which lasted for six years (interrupted by the bursting of a speculative bubble in the still liberal United States).

However, today it is not sufficient to simply repeat this success story, but it is rather important to export this success system of a corporate, cooperative, consensus-orientated market economy into the entire world, as described at the beginning of this chapter.

6

SUMMARY AND OUTLOOK

The global implementation of a social market economy means creating a fundamentally new equilibrium which is not the usual market equilibrium, but rather an intellectual equilibrium. It is equilibrium of the economic worlds, a general balance between market ideas, communities and finance. The predominance of the catallactic way of thinking must be hindered.[46] Even though the well-developed neo-classicism has penetrated the market, it has noticed that the market is not the only aspect to take into account. Therefore, in recent years behavioural economics have been developed. But instead, a detailed reflection on sociology and history would be much more appropriate. Society in the 20th century had been much more advanced (concerning its understanding and knowledge related to the fundamentals and advantages of community building) than we think. Both mentioned disciplines have been the intellectual fathers and mothers of social thinking in economy and have developed the so called German social market economy.[47]

Certainly the question arises, how the Anglo-American economic domination in the world can be pushed back, although its real world 'exporters' like Facebook, Amazon, Monsanto, Apple, Google and other

---

[46] A misconception which already has been criticized in a previous essay 'Dictatorship of the Catallaxy', see: Florian Josef Hoffmann: 'Die Diktatur der Katallaxie'; in GDI-Impuls Nr. 3 2015, page 82 ff.

[47] See: Florian Josef Hoffmann: 'Die wahren Väter', in JF-Forum, 16.8.2013, page 18.

players hold sway over the world. Apart from the fact that their economic power is backed by the political and military power of the 'world police'—the USA—these players will decide against abandoning their leadership. Is subduing these global players by means of the antitrust law a suitable solution? Probably not. All efforts and attempts to limit or regulate these global leaders by the cartel division's presidents, or EU Competition Commissioners, were unsuccessful and literally ignored by the Anglo-American business world. In fact, protagonists of the cartel ban have now a more or less representative function and manage public relations. For the purpose of self-preservation, they claim that they are the competent and powerful people who are able to deal with this problem, although their powerlessness has long been evident: Silicon Valley is globally seen and accepted as the new centre of power. Throngs of pilgrims trail off towards the home of many of the world's largest high-tech corporations. This can be compared to the hundreds and even thousands that moved to Gustav Schmoller, located in Berlin, before the First World War. Simply put, success attracts other success seeking people and organisations.

But the dominance of their catallactic way of thinking is misleading, because the value of the communities and solidarity is neglected. Responsibility is solely created within communities. People can only survive in communities. The market is just nothing more than the communities' supply tool which of course must be subordinated to the communities. The market is an extremely useful tool for the exchange of goods in a labour-intensive economy and exclusively focuses on efficiency. But the market is not able to cultivate communities into which people are integrated, but rather destroys them via the so called 'competition'. But the unlimited efficiency implies the dominance of the stronger and the neglect of the weakest. The competition gradually eliminates competitors until a peak of efficiency is 'reached', namely a monopoly. This is why Karl Marx demanded to establish a state monopoly under the scope of capitalism (STaMoKap).

It is better to install or maintain a primacy of the community complementary to the primacy of efficiency which means, that competitors stand side by side on the markets and compete against each other by focusing on quality and performance rather than prices. Beating a rival by employing a low price policy in order to gain additional market shares, represents a fatal outcome for the defeated competitor and its community.

This reflection on the valued of community, including the value of the community of states[48] and cooperative, horizontally and vertically coordinated actions is the way to slow down the fast progressing expansion of the enterprises and at the same time to break the power of already existing giants (monopolists). How will Amazon react, when the world's publishers join forces? How will Amazon react, when the respective market participants declare their solidarity? Why should it not be possible to make it mandatory for market participants to provide a limited assortment of goods, i.e. not selling in the terrain of other markets, as it is common in every weekly farmer's market. How will Aldi react when all its sausage suppliers declare their solidarity fight ('strike') for minimum prices? Even Google's almost infinite financial resources could be tamed by coordinating the communities' different interests. Be it Google's employees who 'confiscate' the gained excess profits by means of a right to strike, or even entire industries (e.g. automotive) which force Google to exclusively focus on its core business, namely search machine and advertising, or even the governments who regulate or hinder too liberal market access.

The smaller communities, businesses need the right of strike against the superior operators. Likewise, employees need well-functioning un-

[48] A prominent example in history is the predecessor of the EEC, the Franco-German Montanunion of 1951/52 (Schuman-Plan)

ions and the right to strike against their employers. No cartel ban or cartel bureaucracy can be as powerful and effective to produce common wealth as private communities committed in solidarity. Economy gains back humanity when employing solidarity in operational business and in communities, a method named ‘Organised Market Economy’[49].

[49] A term of the German ‘Historical School of Economics’

7

APPENDIX / DISCUSSION

The opposite point of view to the ideas represented here is economic liberalism, and the ‘supplier’ of its scientific arguments, the so called neoclassic economics. An extensive analysis of this position is avoided in the foregoing script, to maintain the flow of argument in which the depth of such a discussion would only interfere. Nevertheless, it is exactly this depth that is still necessary for the verification.

7.1 Organised Market Economy Versus Free Market Economy

In this book two things are being promoted, for one the welfare state, (the governmental community) that abstractly deals with things that the individual or the small community cannot cope with by itself. What is meant are the statutory solidary groups with the help of which the weaker ones mutually protect each other—it is the quantity that counts—and the social benefits, the immediate support for those that have fallen out of all social systems, whether private or governmental. The basic principle of the welfare state is its subordinate position, its subsidiarity. I.e. the governmental solidarity with the individual is only due if the privately organised solidary systems are not effective anymore, if someone has fallen out of all of them. That is primarily the family, secondly these are privately organised communities, as in clubs or companies of any kind, predominantly of course companies, the employer as provider, as well as his external organisations, the associations and cartels.

Cartel economy is that economy in which private economies collectively receive mutual benefits from each other and organise themselves. In a cartel economy, the communities of the communities, the companies, as in the associations and governing bodies, organise themselves. This applies to trading companies as well as production companies. Both components, the welfare state and collective economy together, form what is known as social market economy (which is actually a social capitalism, as the ownership of production goods is socially integrated).

The liberalism conceived by Adam Smith in its diverse terms, economic liberalism, neo-liberalism and ordoliberalism, is lacking the second component (whereas liberalism as guardian of the free state under the rule of law is not meant, but explicitly excluded, otherwise the baby would be thrown out with the bath water). As a consequence, 'this economy kills', it lacks social knowledge, it offers freedom, but in excess. It lacks involvement in the responsibility systems of communities that create a common good beyond the welfare of the individual.

'Wealth through Freedom' is the slogan of Adam Smith's supporters. The German economist Friedrich List responded with the counter slogan 'Freedom through Prosperity!' The first one is the traders' slogan, born out of the knowledge of those times that the opening of the borders to the colonies created infinite wealth—ignoring the local misery of slaves. Anyway, it was far, far away. The trader lacks the relation to production, to effort, to the product, to the production costs. The trader only sees the market and the profit provided to him by the difference between buying and selling.

The manufacturer, the producer, the craftsman, the farmer are different. They know about their efforts and their costs. And if the market does not provide enough for him to feed his family, his community, his children, he needs to come up with something, as in the 'children of distress'[50], to form cartels. He does not have another way out, because he is tied to his sources, his location and his soil. The producer has to organise himself. Unlike the trader who will look for another supplier that is free. Social market economy needs both, social involvement in communities and market economy to allow division of labour and generate value creation, i.e. a market economy, where the suppliers are bound and the demanders and customers are free in in their decisions. If the suppliers were also free, it would eventually be a flea market where anyone can show up as he wishes and may sell whatever and as much as he wants.[51]

7.2 The Dominance of the Neoclassic Theory is Evil

The sciences, especially neoclassical economics, have a significant share in the misconception of politics. It plays a central role in political economy, being an integral part of the standard teachings at universities. Neoclassical economics or micro economics is the theory with which economics explains the functioning of the markets, proceeding from the ideas of the classic liberals. Neoclassical economics is indeed an object of fascination, as it describes things in models and mathematically which can usually only be described and discussed verbally. The reason why the market-based side of economy can be deduced from mathematics is the simple fact that every buying process can be displayed by a simple equation. As already often described here and elsewhere, every

---

[50] Friedrich Kleinwächter: ''Die Kartelle', Innsbruck 1883, Page 157.

[51] The flea market syndrome is a typical sign of the internet economy, where supply is difficult, perhaps impossible, to regulate. The freedom of the internet is global and borderless which is the problem. There are also language barriers or taste barriers, allowing for regional management. As soon as these are overcome (English language), the internet is borderless—under the circumstances and with the consequences of a flea market. That is what one can hold out towards the supporters of the digital economy.

buying process is a trading process, in which both sides have identical money values in form of the price. Graphically, the trading process is the point where the supply and demand curve intersect (the basic statement of neoclassical economics).

Everything else is merely mathematical derivations of this one point and its contingencies. The mathematical stringency of the derivations suggests that the market laws definitely apply, but they only apply to the market, hence only have a very weak connection to the actual economics, the private economy, via the signal effect of quantities and prices. Drawing absolutes, as is common in economics until well into the communities, thus the actual economy is unworldly, becomes an ideology in its political implementation.

The political problem here is false labelling: The scientists of this branch of science call themselves economists, even though they operate within the area of catallactics. So in reality they are catallactists, not economists. By means of this presumption they outplay the real economists with mathematical stringency. This conflict explains the hostility between the two scientific disciplines. But liberalism in addition has severe practical weaknesses, as discussed in the following:

7.2.1 Unavoidable Compulsion to Economic Growth?

One of its biggest weaknesses is growth compulsion. The division of labour results in the manufacturers of capital goods not needed anymore after the investments are done. As a result the employees of the investment sector (mainly construction and production machinery) become unemployed. Our most important capital goods, our houses, are built for decades, even centuries. Once constructed, there is hardly anything left to do for the bricklayers and producers of construction materials. Industrial investments in machinery also last for a hundred years in some cases, as for instance certain textile machines. In sectors that do not grow anymore, producers of capital goods hardly have any chance to survive. One can avoid a disaster by expanding in foreign markets. Our German mechanical engineers for instance flourish with wonderful growth rates and export successes. It takes only a few years until the domestic end products, that are now being produced in low-wage countries with the machines and German know how, will flood the local markets and replace local producers. One can almost call it the China syndrome.

In order to avoid investment unemployment, political policy is normally implemented to foster economic growth. If it does not appear by itself, the state is tempted to create new, basically unnecessary demand by means of borrowing. The politics of growth promotion through borrowing (deficit spending) has been the fashion for decades in almost every industrial state, until state indebtedness got out of hand. Today it is suspended on the federal level in Germany and strictly limited in the state's constitution, with the result that the federal government is wasting away as a repair shop with its investments (bridges, highways).

7.2.2 Overcapacities are a Core Evil

The consequential growth fetish bears a further problem: overcapacities. Industrial production capacity has no natural limits. In industrial countries we can in a way produce everything in every quantity. The same applies to retail spaces. If there were no communal limitations to retail spaces in the form of planning restrictions, retail would be suffocated by space, like as it is partly already the case.

Of course, more factories or more effective areas create more volume and allow more wealth, but they create a new problem: they are always the death of scarcity, leading to permanent price declines, hence making fair prices unfair. With severe consequences: Price decline increases the pressure to improve efficiency, i.e. the pressure on companies to save costs. In industrial production, the unit costs can be reduced by constantly growing production units. This corresponds to the liberal economic theory which states: The weaker are eliminated. But what does elimination of the smaller supplier on the markets mean (often leading to bankruptcy or if they are lucky, they are bought or merged)? Elimination of the smaller ones means that the big boys become bigger, that the number of suppliers decreases. What else should remain but a monopoly, if out of an industry within a period of time spans of more than seventy years the weaker companies are being constantly eliminated? Just as we experience it in the present or have experienced it in the past many times. There is thus a direct and obvious connection between economic growth leading to overcapacities and producing progress in monopolisation. (The widening of the so called 'income scissor', the social gap, is ‘a natural’ consequence also.)

7.2.3 The Loss of Knowledge Makes Poor

As a result, new damages arise, because monopolisation in larger units includes a widely ignored problem: The vertical specialization, the separation of production processes into small steps, is connected with the loss of knowledge. It can be seen in practice, when the so called ‘overhead’, the top management of merged firms, is centralised and the doubling eliminated. The result is a permanent loss of leadership knowledge. In the increasingly merged monopolies of suppliers, superior knowledge concentrates in the hands of fewer and fewer. (Currently, politics intend to compensate for this by means of digital founders who are then often run into the ground in the tough business jungle.) For the few remaining companies, the demander becomes increasingly transparent (Google, Amazon), while the events become increasingly non-transparent for the demander himself and others. Due to the organisational or areal distance (growing division of labour in bigger companies) to the few companies at the top, fewer and fewer people have access to internal information, as in to superior knowledge which is reflected in the incomes (income gap). The companies become self-service stores for the elites.

And a further disadvantage can be observed: specialization may lead to improving performances and enhanced knowledge, but with specialization, universality of individual knowledge gets lost, i.e. everyone has problems perceiving connections, even in detecting the source of their income. The anonymously distributed money in large companies doesn't allow the beneficiary to detect and understand the preceding actions for those who are responsible for the creation of economic values.

7.3 The Hoffmann-Plan

The problem of overpopulation seems to become the greatest problem on earth not only in the long run. The solution can be found in countries where there actually is no longer a population growth but rather a population decline, like in Germany, in Italy or in Japan or other developed industrial countries. Analysis reveals that while in traditional or tribal societies children are part of the labour force and thus contribute income for the survival of the adults, the situation in so-called developed societies is completely different. There, children are not a source of money—at least not a direct source—but they are an 'investment'.

In so-called developed societies, like in Germany, the process of 'investing' in a child goes as follows: the first step is the abolition of child labour below the age of 14 supplemented with compulsory schooling. This is the public investment organised by the states. The second step is the private investment. It consists of a high school education, ending three years before the age of twenty. After that period society invests in the costs of university studies until the age of 22 on average. However, not only society invests but also the parents do. Parents and society pay for the lessons, the parents normally pay for the livelihood alone. Not only are the children unable to support the family financially, they are a substantial cost for the family throughout the entire training period.

Children are expensive, so the parents in our spheres completely or partially relinquish the idea of having children.

Analysis reveals: that if money income is restricted to adults alone, they cease to have children, depending on how expensive the investment in the children is, that is how long it takes for children to contribute significantly to life support. The introduction of compulsory schooling and its voluntary continuation is the main reason for the suppression of man's natural desire for children. During the learning or ‘investment’ phase, the children do not only cost money, they also are eliminated as co-earners—so the cost is twofold. Realizing this is not yet a help regarding African population development, since it is not possible to introduce effective educational (or pension) systems in a foreseeable period. It will take decades until population growth declines significantly—just as in Europe.

But there is a way to simulate the negative income effect by generating a general adult income. This then would be a household income in which the adults have to share in with the children—as a kind of soft ‘punishment’ for having children. This system is known under the name ‘Basic Income’ which is discussed in our country as an ‘unconditioned basic income’. It is a topic of much controversy. The main obstacle against the system is the impossibility to finance these mostly over-sized claims. So objections to basic income are normally justified because, in most cases, the required level of income to support such a system is unattainable.

However, the problem of financing can be ignored with the system proposed here. The proposition made here can be financed because it is a variant with very small amounts of money paid out to everyone. This low budget system is not applicable in highly developed industrial countries—there the incomes are already too high—but in most African countries it is because the cash income is often very low, so the low budget basic income system can have the desired effect. Even the smallest monthly allocation, paid out only to adults and not to children or young people (!), may prevent from being financially supported by one's own children. On the contrary, the adults start to calculate and see that it’s easier to survive with less family members than with more, especially because the children do not receive the basic income payment. They will rather use the money for themselves instead of sharing it with many other members of the family. Lower benefits from having many children could be replaced by greater benefits from having less. With media support such change of behaviour can be effectuated very quickly, even within months, when people are promised that the new basic income will be paid for a longer term or forever. Even the distribution of the money down to every single man or woman can be handled easily today: With ‘mobile money’ the distribution can be organised via the telephone companies. These companies work properly even in the so called “failed states” as Somalia.

As mentioned above, the normal problem of the basic income system is its ability to be financed. But this is no more problem here because already relatively small amounts transferred from developed countries can have the above-mentioned effect. For example, the basic income funds for the small African state of Gambia could be calculated like this: US-$ 2 per week paid out to every adult (!) in Gambia for 2 million people elder than 18 years, in total US-$ 4 million transfers per week respectively US-$ 208 million per year. This means it would be possible to reduce the population growth of an entire country—albeit small—with an annual cost of only about US-$ 200 million. And it would probably possible even to reduce population, not only its growth. For 660 million adult Africans the equivalent annual cost would be about US-$ 70 billion. For comparison: The gross national product of the EU states is about 17,000 billion US Dollars, which means that with 0.4 percent of the gross national product of the EU countries alone, the population development in Africa could be controlled and it would no longer be a danger for Europe.

Globethics.net

Globethics.net is a worldwide ethics network based in Geneva, with an international Board of Foundation of eminent persons, 173,000 participants from 200 countries and regional and national programmes. Globethics.net provides services especially for people in Africa, Asia and Latin-America in order to contribute to more equal access to knowledge resources in the field of applied ethics and to make the voices from the Global South more visible and audible in the global discourse. It provides an electronic platform for dialogue, reflection and action. Its central instrument is the internet site *www.globethics.net*.

Globethics.net has four objectives:

Library: Free Access to Online Documents
In order to ensure access to knowledge resources in applied ethics, Globethics.net offers its *Globethics.net Library*, the leading global digital library on ethics with over 4.4 million full text documents for free download.

Network: Global Online Community
The registered participants form a global community of people interested in or specialists in ethics. It offers participants on its website the opportunity to contribute to forum, to upload articles and to join or form electronic working groups for purposes of networking or collaborative international research.

Research: Online Workgroups
Globethics.net registered participants can join or build online research groups on all topics of their interest whereas Globethics.net Head Office in Geneva concentrates on six research topics: *Business/Economic Ethics, Interreligious Ethics, Responsible Leadership, Environmental Ethics, Health Ethics and Ethics of Science and Technology.* The results produced through the working groups and research finds their way *into online collections* and *publications* in four series (see publications list) which can also be downloaded for free.

Services: Conferences, Certification, Consultancy
Globethics.net offers services such as the Global Ethics Forum, an international conference on business ethics, customized certification and educational projects, and consultancy on request in a multicultural and multilingual context.

www.globethics.net ▪

Globethics.net Publications

The list below is only a selection of our publications. To view the full collection, please visit our website.

All volumes can be downloaded for free in PDF form from the Globethics.net library and at www.globethics.net/publications. Bulk print copies can be ordered from *publictions@globethics.net* at special rates from the Global South.

The Editor of the different Series of Globethics.net Publications Prof. Dr. Obiora Ike, Executive Director of Globethics.net in Geneva and Professor of Ethics at the Godfrey Okoye University Enugu/Nigeria.

Contact for manuscripts and suggestions: *publications@globethics.net*

Global Series

Christoph Stückelberger / Jesse N.K. Mugambi (eds.), *Responsible Leadership. Global and Contextual Perspectives*, 2007, 376pp. ISBN: 978–2–8254–1516–0

Heidi Hadsell / Christoph Stückelberger (eds.), *Overcoming Fundamentalism. Ethical Responses from Five Continents*, 2009, 212pp.
ISBN: 978–2–940428–00–7

Christoph Stückelberger / Reinhold Bernhardt (eds.): *Calvin Global. How Faith Influences Societies*, 2009, 258pp. ISBN: 978–2–940428–05–2.

Ariane Hentsch Cisneros / Shanta Premawardhana (eds.), *Sharing Values. A Hermeneutics for Global Ethics*, 2010, 418pp.
ISBN: 978–2–940428–25–0.

Deon Rossouw / Christoph Stückelberger (eds.), *Global Survey of Business Ethics in Training, Teaching and Research*, 2012, 404pp.
ISBN: 978–2–940428–39–7

Carol Cosgrove Sacks/ Paul H. Dembinski (eds.), *Trust and Ethics in Finance. Innovative Ideas from the Robin Cosgrove Prize*, 2012, 380pp.
ISBN: 978–2–940428–41–0

Jean-Claude Bastos de Morais / Christoph Stückelberger (eds.), *Innovation Ethics. African and Global Perspectives*, 2014, 233pp.
ISBN: 978–2–88931–003–6

Nicolae Irina / Christoph Stückelberger (eds.), *Mining, Ethics and Sustainability*, 2014, 198pp. ISBN: 978–2–88931–020–3

Philip Lee and Dafne Sabanes Plou (eds), *More or Less Equal: How Digital Platforms Can Help Advance Communication Rights*, 2014, 158pp. ISBN 978–2–88931–009–8

Sanjoy Mukherjee and Christoph Stückelberger (eds.) *Sustainability Ethics. Ecology, Economy, Ethics. International Conference SusCon III, Shillong/India*, 2015, 353pp. ISBN: 978–2–88931–068–5

Amélie Vallotton Preisig / Hermann Rösch / Christoph Stückelberger (eds.) *Ethical Dilemmas in the Information Society. Codes of Ethics for Librarians and Archivists*, 2014, 224pp. ISBN: 978–288931–024–1.

Prospects and Challenges for the Ecumenical Movement in the 21st Century. Insights from the Global Ecumenical Theological Institute, David Field / Jutta Koslowski, 256pp. 2016, ISBN: 978–2–88931–097–5

Christoph Stückelberger, Walter Fust, Obiora Ike (eds.), *Global Ethics for Leadership. Values and Virtues for Life*, 2016, 444pp. ISBN: 978–2–88931–123–1

Dietrich Werner / Elisabeth Jeglitzka (eds.), *Eco-Theology, Climate Justice and Food Security: Theological Education and Christian Leadership Development*, 316pp. 2016, ISBN 978–2–88931–145–3

Obiora Ike, Andrea Grieder and Ignace Haaz (Eds.), *Poetry and Ethics: Inventing Possibilities in Which We Are Moved to Action and How We Live Together*, 271pp. 2018, ISBN 978–2–88931–242–9

Theses Series

Kitoka Moke Mutondo, *Église, protection des droits de l'homme et refondation de l'État en République Démocratique du Congo*, 2012, 412pp. ISBN: 978–2–940428–31–1

Ange Sankieme Lusanga, *Éthique de la migration. La valeur de la justice comme base pour une migration dans l'Union Européenne et la Suisse*, 2012, 358pp. ISBN: 978–2–940428–49–6

Nyembo Imbanga, *Parler en langues ou parler d'autres langues. Approche exégétique des Actes des Apôtres*, 2012, 356pp. ISBN: 978–2–940428–51–9

Kahwa Njojo, *Éthique de la non-violence*, 2013, 596pp. ISBN: 978–2–940428–61–8

Ibiladé Nicodème Alagbada, *Le Prophète Michée face à la corruption des classes dirigeantes*, 2013,298pp. ISBN: 978–2–940428–89–2

Carlos Alberto Sintado, *Social Ecology, Ecojustice and the New Testament: Liberating Readings,* 2015, 379pp. ISBN: 978-2–940428–99–1

Symphorien Ntibagirirwa, *Philosophical Premises for African Economic Development: Sen's Capability Approach,* 2014**,** 384pp.
ISBN: 978–2–88931–001–2

Jude Likori Omukaga, *Right to Food Ethics: Theological Approaches of Asbjørn Eide*, 2015, 609pp. ISBN: 978–2–88931–047–0

Jörg F. W. Bürgi, *Improving Sustainable Performance of SME's, The Dynamic Interplay of Morality and Management Systems*, 2014, 528pp.
ISBN: 978–2–88931–015–9

Jun Yan, *Local Culture and Early Parenting in China: A Case Study on Chinese Christian Mothers' Childrearing Experiences,* 2015, 190pp.
ISBN 978–2–88931–065–4

Frédéric-Paul Piguet, *Justice climatique et interdiction de nuire*, 2014, 559 pp.
ISBN 978–2–88931–005–0

Mulolwa Kashindi, *Appellations johanniques de Jésus dans l'Apocalypse: une lecture Bafuliiru des titres christologiques*, 2015, 577pp. ISBN 978–2–88931–040–1

Naupess K. Kibiswa, *Ethnonationalism and Conflict Resolution: The Armed Group Bany2 in DR Congo*. 2015, 528pp. ISBN: 978–2–88931–032–6

Kilongo Fatuma Ngongo, *Les héroïnes sans couronne. Leadership des femmes dans les Églises de Pentecôte en Afrique Centrale*, 2015, 489pp. ISBN 978–2–88931–038–8

Alexis Lékpéa Dea, *Évangélisation et pratique holistique de conversion en Afrique. L'Union des Églises Évangéliques Services et Œuvres de Côte d'Ivoire 1927–1982*, 2015, 588 pp. ISBN 978–2–88931–058–6

Bosela E. Eale, *Justice and Poverty as Challenges for Churches: with a Case Study of the Democratic Republic of Congo*, 2015, 335pp,
ISBN: 978–2–88931–078–4

Andrea Grieder, *Collines des mille souvenirs. Vivre* après *et* avec *le génocide perpétré contre les Tutsi du Rwanda,* 2016, 403pp. ISBN 978–2–88931–101–9

Monica Emmanuel, *Federalism in Nigeria: Between Divisions in Conflict and Stability in Diversity,* 2016, 522pp. ISBN: 978–2–88931–106–4

John Kasuku, *Intelligence Reform in the Post-Dictatorial Democratic Republic of Congo*, 2016, 355pp. ISBN 978–2–88931–121–7

Fifamè Fidèle Houssou Gandonour, *Les fondements éthiques du féminisme. Réflexions à partir du contexte africain*, 2016, 430pp. ISBN 978–2–88931–138–5

Nicoleta Acatrinei, *Work Motivation and Pro-Social Behavior in the Delivery of Public Services Theoretical and Empirical Insights*, 2016, 387pp. ISBN 978–2–88931–150–7

Texts Series

Principles on Sharing Values across Cultures and Religions, 2012, 20pp. Available in English, French, Spanish, German and Chinese. Other languages in preparation. ISBN: 978–2–940428–09–0

Ethics in Politics. Why it Matters More than Ever and How it Can Make a Difference. A Declaration, 8pp, 2012. Available in English and French. ISBN: 978–2–940428–35–9

Religions for Climate Justice: International Interfaith Statements 2008–2014, 2014, 45pp. Available in English. ISBN 978–2–88931–006–7

Ethics in the Information Society: the Nine 'P's. A Discussion Paper for the WSIS+10 Process 2013–2015, 2013, 32pp. ISBN: 978–2–940428–063–2

Principles on Equality and Inequality for a Sustainable Economy. Endorsed by the Global Ethics Forum 2014 with Results from Ben Africa Conference 2014, 2015, 41pp. ISBN: 978–2–88931–025–8

Focus Series

Christoph Stückelberger, *Das Menschenrecht auf Nahrung und Wasser. Eine ethische Priorität*, 2009, 80pp. ISBN: 978–2–940428–06–9

Christoph Stückelberger, *Corruption-Free Churches are Possible. Experiences, Values, Solutions*, 2010, 278pp. ISBN: 978–2–940428–07–6

—, *Des Églises sans corruption sont possibles: Expériences, valeurs, solutions*, 2013, 228pp. ISBN: 978–2–940428–73–1

Vincent Mbavu Muhindo, *La République Démocratique du Congo en panne. Bilan 50 ans après l'indépendance*, 2011, 380pp. ISBN: 978–2–940428–29–8

Benoît Girardin, *Ethics in Politics: Why it matters more than ever and how it can make a difference*, 2012, 172pp. ISBN: 978–2–940428–21–2

—, *L'éthique: un défi pour la politique. Pourquoi l'éthique importe plus que jamais en politique et comment elle peut faire la différence,* 2014, 220pp. ISBN 978–2–940428–91–5

Willem A Landman, *End-of-Life Decisions, Ethics and the Law,* 2012, 136pp. ISBN: 978–2–940428–53–3

Corneille Ntamwenge, *Éthique des affaires au Congo. Tisser une culture d'intégrité par le Code de Conduite des Affaires en RD Congo*, 2013, 132pp. ISBN: 978–2–940428–57–1

Elisabeth Nduku / John Tenamwenye (eds.), *Corruption in Africa: A Threat to Justice and Sustainable Peace*, 2014, 510pp. ISBN: 978–2–88931–017–3

Dicky Sofjan (with Mega Hidayati), *Religion and Television in Indonesia: Ethics Surrounding Dakwahtainment*, 2013, 112pp. ISBN: 978–2–940428–81–6

Yahya Wijaya / Nina Mariani Noor (eds.), *Etika Ekonomi dan Bisnis: Perspektif Agama-Agama di Indonesia*, 2014, 293pp. ISBN: 978–2–940428–67–0

Bernard Adeney-Risakotta (ed.), *Dealing with Diversity. Religion, Globalization, Violence, Gender and Disaster in Indonesia*. 2014, 372pp. ISBN: 978–2–940428–69–4

Sofie Geerts, Namhla Xinwa and Deon Rossouw, EthicsSA (eds.), *Africans' Perceptions of Chinese Business in Africa A Survey*. 2014, 62pp. ISBN: 978–2–940428–93–9

Nina Mariani Noor/ Ferry Muhammadsyah Siregar (eds.), *Etika Sosial dalam Interaksi Lintas Agama* 2014, 208pp. ISBN 978–2–940428–83–0

B. Muchukiwa Rukakiza, A. Bishweka Cimenesa et C. Kapapa Masonga (éds.), *L'État africain et les mécanismes culturels traditionnels de transformation des conflits.* 2015, 95pp. ISBN: 978–2–88931– 042–5

Dickey Sofian (ed.), Religion, *Public Policy and Social Transformation in Southeast Asia*, 2016, 288pp. ISBN: 978–2–88931–115–6

Symphorien Ntibagirirwa, *Local Cultural Values and Projects of Economic Development: An Interpretation in the Light of the Capability Approach*, 2016, 88pp. ISBN: 978–2–88931–111–8

Karl Wilhelm Rennstich, *Gerechtigkeit für Alle. Religiöser Sozialismus in Mission und Entwicklung*, 2016, 500pp. ISBN 978–2–88931–140–8.

John M. Itty, *Search for Non-Violent and People-Centric Development*, 2017, 317pp. ISBN 978–2–88931–185–9

Florian Josef Hoffmann, *Reichtum der Welt—für Alle Durch Wohlstand zur Freiheit*, 2017, 122pp. ISBN 978–2–88931–187–3

Cristina Calvo / Humberto Shikiya / Deivit Montealegre (eds.), *Ética y economía la relación dañada*, 2017, 377pp. ISBN 978–2–88931–200–9

Maryann Ijeoma Egbujor, *The Relevance of Journalism Education in Kenya for Professional Identity and Ethical Standards*, 2018, 141pp. ISBN 978–2–88931233–7

African Law Series

D. Brian Dennison/ Pamela Tibihikirra-Kalyegira (eds.), *Legal Ethics and Professionalism. A Handbook for Uganda*, 2014, 400pp. ISBN 978–2–88931–011–1

Pascale Mukonde Musulay, *Droit des affaires en Afrique subsaharienne et économie planétaire*, 2015, 164pp. ISBN: 978–2–88931–044–9

Pascal Mukonde Musulay, *Démocratie électorale en Afrique subsaharienne: Entre droit, pouvoir et argent*, 2016, 209pp. ISBN 978–2–88931–156–9

Pascal Mukonde Musulay, *Contrats de partenariat public privé : Options innovantes de financement des infrastructures publiques en Afrique subsaharienne*, 2018, ISBN 978-2-88931-244-3, 175pp.

China Christian Series

Yahya Wijaya; Christoph Stückelberger; Cui Wantian, *Christian Faith and Values: An Introduction for Entrepreneurs in China*, 2014, 76pp. ISBN: 978–2–940428–87–8

Christoph Stückelberger, *We are all Guests on Earth. A Global Christian Vision for Climate Justice*, 2015, 52pp. ISBN: 978–2–88931–034–0 (en Chinois, version anglaise dans la Bibliothèque Globethics.net)

Christoph Stückelberger, Cui Wantian, Teodorina Lessidrenska, Wang Dan, Liu Yang, Zhang Yu, *Entrepreneurs with Christian Values: Training Handbook for 12 Modules*, 2016, 270pp. ISBN 978–2–88931–142–2

China Ethics Series

Liu Baocheng / Dorothy Gao (eds.), *中国的企业社会责任 Corporate Social Responsibility in China*, 459pp. 2015, en Chinois, ISBN 978–2–88931–050–0

Bao Ziran, *影响中国环境政策执行效果的因素分析 China's Environmental Policy, Factor Analysis of its Implementation*, 2015, 431pp. En chinois, ISBN 978–2–88931–051–7

Yuan Wang and Yating Luo, *China Business Perception Index: Survey on Chinese Companies' Perception of Doing Business in Kenya*, 99pp. 2015, en anglais, ISBN 978–2–88931–062–3.

王淑芹 (Wang Shuqin) (编辑) (Ed.), *Research on Chinese Business Ethics [Volume 1]*, 2016, 413pp. ISBN: 978–2–88931–104–0

王淑芹 (Wang Shuqin) (编辑) (Ed.), *Research on Chinese Business Ethics [Volume 2]*, 2016, 400pp. ISBN: 978–2–88931–108–8

Liu Baocheng, *Chinese Civil Society*, 2016, 177pp. ISBN 978–2–88931–168–2

Liu Baocheng / Zhang Mengsha, *Philanthropy in China: Report of Concepts, History, Drivers, Institutions*, 2017, 246pp. ISBN: 978–2–88931–178–1

Education Ethics Series

Divya Singh / Christoph Stückelberger (Eds.), *Ethics in Higher Education Values-driven Leaders for the Future,* 2017, 367pp. ISBN: 978–2–88931–165–1

Obiora Ike / Chidiebere Onyia (Eds.) *Ethics in Higher Education, Foundation for Sustainable Development*, 2018, 645pp. IBSN: 978-2-88931-217-7

Obiora Ike / Chidiebere Onyia (Eds.) *Ethics in Higher Education, Religions and Traditions in Nigeria* 2018, 198pp. IBSN: 978-2-88931-219-1

Readers Series

Christoph Stückelberger, *Global Ethics Applied: vol. 4 Bioethics, Religion, Leadership,* 2016, 426. ISBN 978–2–88931–130–9

Кристоф Штукельбергер, *Сборник статей, Прикладная глобальная этика Экономика. Инновации. Развитие. Мир*, 2017, 224pp. ISBN: 978–5–93618–250–1

CEC Series

Win Burton, *The European Vision and the Churches: The Legacy of Marc Lenders*, Globethics.net, 2015, 251pp. ISBN: 978–2–88931–054–8

Laurens Hogebrink, *Europe's Heart and Soul. Jacques Delors' Appeal to the Churches*, 2015, 91pp. ISBN: 978–2–88931–091–3

Elizabeta Kitanovic and Fr Aimilianos Bogiannou (Eds.), *Advancing Freedom of Religion or Belief for All*, 2016, 191pp. ISBN: 978–2–88931–136–1

Peter Pavlovic (ed.) *Beyond Prosperity? European Economic Governance as a Dialogue between Theology, Economics and Politics*, 2017, 147pp. ISBN 978–2–88931–181–1

CEC Flash Series

Guy Liagre (ed.), *The New CEC: The Churches' Engagement with a Changing Europe*, 2015, 41pp. ISBN 978–2–88931–072–2

Guy Liagre, *Pensées européennes. De « l'homo nationalis » à une nouvelle citoyenneté,* 2015, 45pp. ISBN: 978–2–88931–073–9

Copublications & Other

Patrice Meyer-Bisch, Stefania Gandolfi, Greta Balliu (eds.), *Souveraineté et coopérations: Guide pour fonder toute gouvernance démocratique sur l'interdépendance des droits de l'homme*, 2016, 99pp. ISBN 978–2–88931–119–4 (Available in Italian)

Reports

Global Ethics Forum 2016 Report, Higher Education—Ethics in Action: The Value of Values across Sectors, 2016, 184pp. ISBN: 978–2–88931–159–0

African Church Assets Programme ACAP: Report on Workshop March 2016, 2016, 75pp. ISBN 978–2–88931–161–3

Globethics Consortium on Ethics in Higher Education Inaugural Meeting 2017 Report, 2018, 170pp. ISBN 978–2–88931–238–2

This is only selection of our latest publications, to view our full collection please visit:

www.globethics.net/publications

ISBN 978-2-88931-224-5

Economic Justice and Welfare for All

Seeking Prosperity and Freedom

The title of the book promises 'welfare for all'. Of course, that does not mean luxury for all. No, that would be an endless waste that cannot be in anyone's interest. What is meant is something realistic, namely a reasonably fair participation of all people in the infinite and indescribable wealth of our God-given world. Each person, without exception, can be empowered as a human being to lead a self-determined, decent life, 'prospering to freedom'.

The basic idea is simple: the more people there are on earth, the more capable humanity is to make meaningful contributions to a meaningful whole. Motivated human resources are available on a massive scale.

Florian Josef Hoffmann

is a lawyer specialising in business law and antitrust law. He is head of the European Trust Institute based in Dusseldorf and previously served as president of the Gera Industry and Trade Chamber for East Thuringia. Hoffmann is the author of various books and articles in newspapers and magazines, he describes himself as a 'lobbyist for cartel-friendly competition law'.

Globethics.net