

# Use of the Social-Democrat Doctrine in the Preservation of Systemic Economic Order at the Beginning of the Third Millennium

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## Abstract

*We are living in a destabilizing period, of ideological fluctuations and lack of a real projection of ideas. In the economic world, referring to a way of organizing society that would allow the opening of some gates of a realm capable of brings inner peace, economic progress, social stability and prospects for as long as possible, in the face of greater mobility of ideas, of the demands of common and individual freedoms, amidst the forth coming internationalist and globalist transformations, that they will not return. As a result, there have been confusion, reorientation and search for solutions, both at macro and social level, to which artificial elements have been added to maintain widespread chaos, fueled by the onset of economic, financial crises and destabilizing, resulting in distrust due to the overthrow of the traditional system of values, the loss of state sovereignty, actions to change family relationships and more.*

**Key words:** economy, microeconomics, social democracy, economic laws, principles

**J.E.L. classification:** A13, F62

## 1. Introduction

Our work is one of doctrinal orientation and has several problems to solve during its development. To define the main concepts that contribute to the structuring of the theme and to highlight the principles and opinions found in the specialized literature, regarding the chosen theme.

Then, the work set out to present the objective it has to fulfill, our material providing part of the explanations, regarding what needs to be understood, at the level of economic theory, in terms of systems and economic order, how to study the relationship, between capitalism and democracy and the economic policy orientation of social democracy resulting from the interaction between values, fundamental rights and economic principles.

On the other hand, the economic policy programs of some serious political groups, of a social-democratic nature, are compared according to the criteria that define the economic order, in a social-democratic conception. At the same time, some considerations are made regarding the classics of economic thought, in which the context of their era is taken into account.

Finally, some doctrinal ways of social democracy are reviewed, which could be ways to solve problems of an economic-social nature.

The conclusions and the bibliography conclude this work.

## 2. Theoretical background

Social democracy or social-democracy, represents a doctrine, "a political, social and economic philosophy, which supports socialist reforms within liberal democratic systems, thus rejecting the revolutionary theories of communism and maximalism". "It appeared at the end of the century 19th" ([https://www.treccani.it/enciclopedia/socialdemocrazia\\_%28Enciclopedia-Italiana%29/](https://www.treccani.it/enciclopedia/socialdemocrazia_%28Enciclopedia-Italiana%29/)) and "is typical of center-left politics" ([https://www.treccani.it/enciclopedia/centrosinistra\\_%28Dizionario-di-Storia%29/](https://www.treccani.it/enciclopedia/centrosinistra_%28Dizionario-di-Storia%29/)).

Also, by social democracy we can understand "reformist socialism, inspired by the principles of parliamentary democracy, respecting individual rights of freedom (including market freedom) and a strong supporter of the welfare state, to achieve greater social equity and to correct defects". (Dahm et al, 2009, p. 16).

We have been accustomed, over time, to the fact that "freedom, justice/equity and solidarity - represent the fundamental values of social democracy, which only together can act in favor of a society in which these values can be realized. But also that these values of the foundation of social democracy are in a relationship of equality, condition, support and limit each other. The values of social democracy have been and are described and explained in detail, in various manuals, materials and specialist publications that start from the "foundations of social democracy", until today. On these foundations were built, developed and harmonized everything that man has created and exploited for his benefit, first of all, in the economic field and then, socially, politically and in other ways.

Shortly before the year 2000, some economists, but also influential political people and recognized as opinion leaders, in Europe, stated, with slight differences in tone, that it would no longer be appropriate to support left-wing economic policies or right-wing, but simply, let them be called modern economic policies. "Does this mean that in this field of politics there are no longer differences between liberals, conservatives and social democrats? Is there an economic theory of social democracy that differs from other currents? Or are there effectively no other qualifications besides modern and non-modern? Who can say about himself, that he supports a non-modern policy, and in this context, what does modern mean?" Someone said that - only the one who wins is modern. Extrapolated to economics and politics, one could say that a modern economic policy is one that is successful.

What are the tools by which this success is measured? "There are points of view that state that through the highest degree of well-being and growth, but there are also others that particularly emphasize equality and equity. Thus, the economic order must not lead to inequality, exploitation or lack of justice. At the same time, voices that refer to sustainability, the protection of resources and ecology, as a benchmark for earning and success in the economy, are receiving attention and are increasingly approved. Accordingly, growth should not mean irresponsible exploitation.

Our work wants to be indicative, for several questions:

- the basic theoretical part, can it use the concept of social democracy?,
- what is the economic order or what are the economic orders that could highlight the realization of this ideal?
- what is happening or what is being done, at the same time, in other places (countries)?
- what importance do all these theoretical problems have, regarding the concreteness of political projects, for the future?

### **3. Research methodology**

At the level of economic theory, some of the analyzes and conclusions of the most established economists must be taken into account, and we stopped at Adam Smith, Karl Marx and John Maynard Keynes, because the ideal typologies of economic liberalism, anti-capitalism and directed capitalism, derived from their conceptions, are evaluated from a contemporary perspective and through the prism of the objectives of democracy.

In terms of systems and order in the economy, it is recommended to study the relationship between capitalism and democracy, in order to be able to present the economic order, prevalent in Western states.

At the programmatic level, in terms of economic policy, the economic policy orientation of social democracy is developing, on the one hand, which resulted from the interaction and connection between values, fundamental rights and economic principles.

On the other hand, the economic policy programs of some serious, social-democratic political groups are compared, depending on their fundamental programs and documents, by virtue of the criteria that define the economic orders.

This ensemble is completed with a comparison between different typologies of economic orders from Sweden, Japan, Great Britain and the USA, with concrete policy proposals that can be taken as models in the areas of co-decision economic policy, privatization, industrial policy, environmental policy, minimum wage and decent work. (PSD, Hamburg, 2007)

The issue of an economic policy of social democracy is tangential to other different levels, addressed, in particular, with the question - by what, exactly, is social democracy itself distinguished.

A few ideas are required, as an answer to this question, an answer that I found in a material of a social-democratic political group in Western Europe, in which it is specified that: "Social democracy guarantees, not only civic rights, fundamental political and cultural rights, but equally the social and economic rights of all people. It ensures the fair social participation of all, through the democratization of society, especially through participation in decision-making (co-decision), through the preventive social state, based on the rights of citizens, as well as through a directed market economy, in which primacy is guaranteed democracy, towards markets." (PSD, Hamburg, 2007).

Considerations regarding these classics must take into account the context of the era of each of them. "Adam Smith formulated his ideas in the middle of the 18th century, in the era of mercantilism, that is, of that theory that taught monarchs that they could finance their luxury at court through control over trade and economic dirigisme. Therefore, Smith's skepticism towards the state was based on the experience of wasteful monarchies, interested only in their own enrichment - contrary, for example, to the behavior of a modern providential state." (Lungu et al, 2002, *passim*)

Marx's eloquent critique of capitalism in the middle of the 19th century "searched for an answer to the pauperization of the masses, in the stage of early industrialization and the first wave of globalization. At the present time, the perception of him is marked by the state socialism of the 20th century, which sometimes gives a distorted image of his ideas." (Lungu et al, 2002, *passim*)

Next comes Keynes who analyzed, in the 1930s, an economic liberalism that was obviously out of control, due to the world economic crisis, since then. Last but not least, the "General theory of employment, interest and money" "was an attempt to propose schemes to stabilize the economic system, so that other democracies do not fall prey to radical dictatorships. (Lungu et al, 2002, *passim*) With the crisis global financial crisis that began sometime in 2007, Keynesian thinking experienced a renaissance. Reflections on the regulation of a global financial market, as well as state investment programs are the subject of lively discussions.

In addition to the definite advantage of a good basic orientation, the study of the three great economists Smith, Marx and Keynes also presents another advantage, but this time, very practical. Many economic images and explanations that are familiar to us today and that we use frequently, without knowing their origin, truly bear the imprint of the three economists.

After reflecting on the fundamental economic policy theories, the question arises as to how an economic policy of social democracy can be supported on them, which has as its cardinal points, the focus on values. The guidelines of social democracy are a compass in this regard." (Meyne, et al, 2007, p. 27) Below we present some reports on the tensions that must be balanced in the spirit of social democracy.

#### *A. Productivity and growth - versus justice and social security*

Both the desire for property and the pursuit of one's own interests, self-interest, emanate a vast amount of energy, as we also find the idea in the great classics of economics, Marx and Smith. Given the concrete conditions, both the market and the competition, these are the two entities that ensure the conditions for the resources that are rarely found, to reach and be, exactly where they are needed, to be used, with the maximum possible productivity, a fact that has been shown to be noticeably more efficient than, say, a planned economy could be at a given time.

Viewed from another angle, the market, in its imperfection, creates, itself, an unequal distribution and is structurally unstable, with cyclical fluctuations and vulnerabilities to crises, as also observed in Keynes' theory. The idea appears that this is one of the reasons why the markets should be "framed" politically, in order to protect (damage) crises.

As a result, the social state has the task of protecting people, against the risks of the market, for a fair distribution (social-democratic conception) which should be materialized through progressive income taxes (to increase with income), as well as through inheritance taxes and wealth. Also, the state will have to supervise the economic cycles through its policy, regarding expenses, taxes and interest. This means that in periods of risk, even more so, in periods of economic crisis, public

expenditures increase, in order to maintain stable consumption and the population must be stimulated to invest with the help of accessible credits.

*B. Flexibility and innovation - versus dependent work protection and comprehensive social security*

It is known that competition and competition, regardless of the level on which it is located, stimulate, at least, to some extent, innovation. We admit that there may be inherent falls and crises that must be amortized, by creating a security system through protection against layoffs and access to social benefits.

Structural type transformations, which are profound in nature, can be rethought, only through a structural policy oriented towards the creation of new jobs.

*C. Ownership and competition versus social integration and regulation*

From practice, over time, it has been observed that the economic orders that renounced property rights over the means of production, as well as competition, were doomed to failure.

Every successful economic order was and is based on ownership and competition. But this does not mean that the owner has no social responsibilities. Ownership obliges.

Its use will aim, including, to serve the good of the community." In order to guarantee fairness on the market and avoid market dominance by certain actors, competition must be monitored and even regulated.

#### **4. Findings**

The basic values of social democracy must remain the three values: freedom, equity and solidarity. From a programmatic point of view, through the lens of social democracy, there can only be one answer. All three principles - with reference, firstly, to growth, secondly, to social balance and thirdly, to sustainability - must be brought to a common denominator. However, the direction is not yet drawn.

A modern economic policy, anchored in values, does not naturally use economic policy instruments, exclusive to the classical left or the classical right. A modern economic policy of social democracy, based on values, focuses, first of all, on the result. Its objective is the realization of a society in which the three fundamental values - freedom, equity, solidarity, as well as the fundamental rights: political, social, economic and cultural, are realized for all people." (Dahm et al, 2009, p. 17).

#### **5. Conclusions**

Overall, it means that the logic of the market can develop in a political framework against the background of an economic order based on the values of social democracy. Property obliges and is, at the same time, subject to the common good. Among other things, the guarantee is given by the fact that not only the capital owners, but also the workers participate in the decision in the enterprise.

Global economic stability is guaranteed by macroeconomic regulation, which means that the state contributes, through its budgetary and interest policy, to stable growth and a high level of employment.

From the right of ownership comes the right of independent activity. When taking the decision in the enterprise, not only the capital owners should participate, but also those who contribute to the creation of value, through their labor force.

Thus, the decision taken by the enterprise is limited by co-decision. There are four resulting dimensions: the establishment of a political framework, the development of market logic, participation rights and co-decision, macroeconomic regulation.

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