

DOES ANYONE remember *The Social Contract* written by 17th-century French philosopher Jean Jacques Rousseau, which underlies the legitimacy of governments, including our own. Noting that Rousseau treats compact and contract as synonyms, he states that “. . . Instead of destroying natural inequality, the fundamental compact substitutes, for such physical inequality as nature may have set up between men, an equality that is moral and legitimate, and that men, who may be unequal in strength or intelligence, become every one equal by convention and legal right.” He adds: “Under bad governments, this equality is only apparent and illusory. . . . The social state is advantageous to men only when all have something and none too much.”

It is this inequality, which has grown enormously over the last 40 years, that underlies the current unrest in our country. Rousseau was writing primarily about wealth but, today, one also must include the inequality in education, medical care, and the well being that wealth brings.

The media has chosen to call the unrest that led to the election of Donald Trump “populism,” with its decidedly negative left-wing connotation in the U.S., but Trump has company: Marine Le Pen (who heads France’s National Front), Silvio Berlusconi (the media mogul and former prime minister of Italy), and others around the world are on the rise, and they are anything but left wing. Even Deutschland has its Alternative for Germany party. Michael Müller, the center-left social democratic mayor of Berlin, has said that its ascent would be interpreted by the rest of the world as a “return of the right and the Nazis in Germany.”

In the U.S., we have the Alt-Right. In August 2016, Democratic presidential nominee Hillary Clinton called it a new label for white supremacy, leading Richard Spencer, who directs the National Policy Institute, to claim, according to *The New York Times*, that the days after the Clinton speech were “the greatest week we ever had.” Spencer maintains that “Race is real; race matters; and race is the foundation of identity.” His group was a strong supporter of Pres.-elect Trump. Should the Alt-Right be classified as part of the new populism?

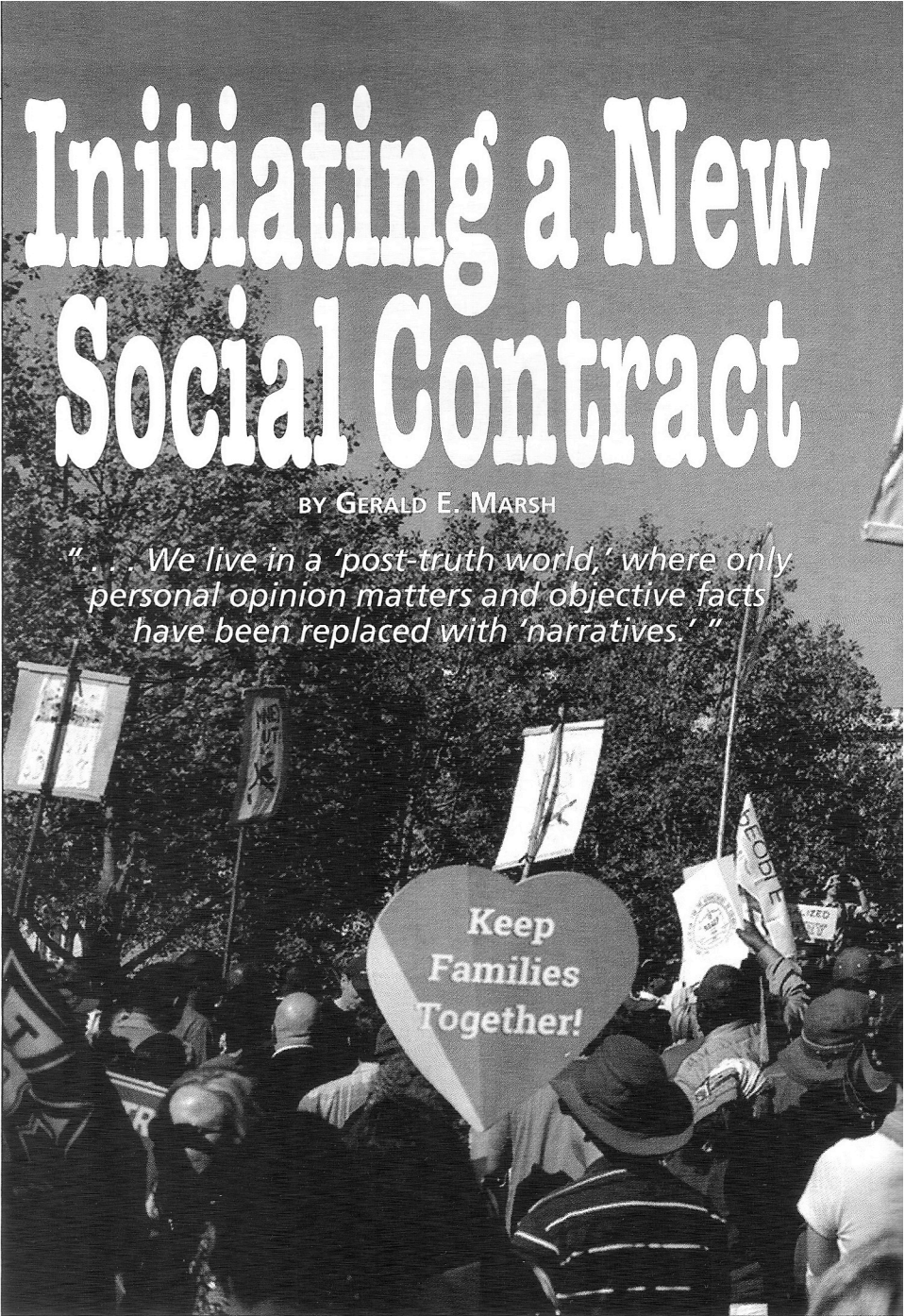
However you define it, populism in the U.S., as put by Wolfgang Münchau in the *Financial Times*, is a reaction to “an out-of-control financial sector, uncontrolled flows of people and capital, and unequal income distribution.” Moreover, it is about the growing lack of high-paying manufacturing jobs and the decay of social institutions that represent working people, as well as the failure of the current economic model to supply a decent life and the expectation that the future will be better.

Congress, plainly put, has failed the average citizen. “There was a time when people on both sides of the aisle could at least agree that ‘facts’ did objectively exist, even if they

Initiating a New Social Contract

BY GERALD E. MARSH

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American Civil Liberties Union

disagreed on what those facts meant,” said a colleague of mine recently. Today, though, we live in a “post-truth world,” where only personal opinion matters and objective facts have been replaced with “narratives.”

If a person believes something is true, that truth must be judged to be equally valid with any other. As stated by Philip Stephens in the *Financial Times*, “Dog-whistle racism and disregard for truth are the familiar calling cards of populist movements. What gives them force is a fusion of right and left. Today’s nationalists have tapped into the economic, social, and cultural grievances of working-class voters left behind by globalization.”

This is not a new problem. In 1965, when democracy, meritocracy, and technology were the catchwords of the day, journalist Ferdinand Lundberg wrote *The Rich and the Super Rich: Who Really Owns America? How Do They Keep Their Wealth and Their Power?*, explain-

ing, “What is happening as the average citizen looks on in disbelief is that an outworn, patched politico-economic system is cracking, while no serious steps are taken to ascertain the causes and remedies. The causes of American insufficiency, at home and abroad, are political, not economic, or at least political before they are economic. Better put, they are cultural. Serious problems cannot be solved on the basis of a consensus of value-disoriented dolts”—nor, it can be added, by a socio-political system based on identity politics.

The problems we face today are worse than when Lundberg wrote these words, as there have been additional structural changes in the economy—often put under the rubric of globalization—that derive from decreased cost for the transportation of goods from around the world and the availability of cheap worldwide communications. U.S. manufacturers looking to increase production naturally seek the least-



expensive means of doing so, which usually means seeking out cheaper foreign labor and, when possible, automating. In fact, the board of directors of most companies would remove any CEO whose goals include keeping jobs in the U.S. at the cost of hurting stock prices.

Trump declared on the campaign trail that he would stop the flow of manufacturing jobs out of the U.S. This is not possible without extensive changes to the current economic model. Import duties, for instance, immediately would raise prices for those already struggling to make ends meet. There is no apparent practical or politically acceptable way to reverse the effects of globalization.

What is needed is a New Social Contract. Pres. Franklin D. Roosevelt laid the basis for it in 1935 with the Social Security Act. Pres. Lyndon B. Johnson added to that foundation in 1965 with the Medicare program. It will take several more initiatives to enhance pro-

ductivity, allow worker flexibility, and contribute to overall well being.

The first is a portable pension system that gives employees immediate 100% vesting of employer contributions, allowing workers to move more freely among jobs without losing part of their retirement savings. At present, the governing law for retirement plans is ERISA, the Employee Retirement Income Security Act of 1974. Under it, there are various vesting schedules permitted, but 100% vesting in employer contributions usually takes several years, something that is extremely difficult in the increasingly "gig" economy.

Some segments of the population, such as private college faculty and research staff, already have this benefit. Employers of those working in the "gig" economy need to pay into the employee's retirement plan no matter how short the employment—otherwise this highly adaptable component of the work-

force will be punished for their flexibility.

The second is health care. The Patient Protection and Affordable Care Act, or Obama-Care, is not adequate and it often is anything but affordable. Instead of treating health care as a market commodity, it should be an integral part of the New Social Contract. The cost would be less than skeptics fear since most medical costs occur at the end of life and are, to a large extent, already covered by Medicare. Yes, there are deficiencies in Medicare, such as long-term nursing care, but these could be fixed—and while prescription drug costs partially are covered by Medicare, those under 65 also should be covered.

There is no justifiable reason for the U.S. to have the highest drug costs in the world. Congress has forbidden the Secretary of the Department of Health and Human Services from negotiating prices on behalf of Medicare beneficiaries. This needs to change. There are physicians whose patients fail to take their prescription medicines because they cannot afford to buy them. Under a reasonable social contract—which means a government single-payer system—the public would not have to choose between bread and health.

The most important reason the U.S. needs a New Social Contract is that, without it, the "indispensable nation," as then-Secretary of State Madeleine Albright described the U.S. in 1998, will not be able to continue protecting the international structures it put into place after World War II. "We see further than other countries into the future, and we see the danger here to all of us."

Congressional paralysis over the last eight years already has contributed to a diminished ability to ameliorate a world beginning to fragment along religious, ethnic, and tribal fault lines, as can be seen in Africa and the meltdown of the Middle East. The vast flow of refugees fleeing the conflicts by escaping to Europe already is threatening the coherence of the European Union. Millions of people are in desperate straits and, with unchecked population growth and poor governance, this flow of migrants and refugees is not likely to decrease.

The U.S. cannot possibly fix this meltdown, but if we could regain our strength—and public support—through a New Social Contract, we could develop a joint (with Europe) response to the many global issues that vex the world. While Albright may have been referring primarily to security issues involving military force, she also is correct in the broader context: without U.S. leadership there will be no effective policy to deal with the international problems of the 21st century. ★

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