

THE NEED FOR A NEW GLOBAL SOCIAL CONTRACT

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A new global social contract has to make up for the abuse of the vast majority of the population by neo-liberalism's social contract that has led to the extreme concentration of income and wealth. Markets concentrate wealth, while State action is required to redistribute it. Since neo-liberalism abhors redistribution, the best that neo-liberalism can offer is "trickle-down". It sounds like a cruel joke, and it is indeed so, but the best that neo-liberalism has to offer is crumbs that fall from the table of the great banquet of the capitalists. That is why its "method" of poverty reduction is growth, more growth, more crumbs.

There have been historical exceptions to the neo-liberal social contract at times when a crisis of extreme concentration arises and capital gets frightened. In these circumstances, reformist liberalism predominates.

After the Long Depression that ended in 1890, the Sherman Anti-Trust Act was passed in the United States and the Rockefeller oil monopoly, the Carnegie steel monopoly, the Harriman railroad monopoly, among others, were broken up, and several countries followed suit. This was a confrontation between the government and the most powerful business interests in the country.

After the Financial Crisis of 1907, the progressive federal income tax was passed in the United States in 1913, after a long political battle, by means of the 16th Amendment to the United States Constitution.

During the Great Depression that began in 1929, Social Security was organized. With a payroll tax affecting both the employer and the employee this represented both redistribution and mandatory savings for the workers. The United States followed Germany in this, where social insurance had existed since 1881 as one of the reforms of Otto von Bismarck.

After the financial crisis of 2007-2009 and the Great Recession that followed, there was no redistribution. The Dodd-Frank Act in the United States and Basel 3 of the Bank for International Settlements addressed the systemic risk of the banking system, resulting from State "bailouts" of banks during the crisis. Inequality contributed to the crisis, worsened with it, and was aggravated by the response to the crisis. As always, the capitalists sought to pass on the cost of the crisis to workers, retirees and the unemployed, as well as small entrepreneurs. In the Great Recession, Greece is a clear example.

There was no reform because capitalism no longer feared communism, socialism, trade unions, the Soviet Union, or even reformist liberalism. Without a counterbalance, without any balance, capitalism did not take anything into account other than its own selfish, egotistical interests.

This is how we reached the 1% and 0.1% concentration and hyper-concentration of wealth in 2020,

even before the COVID 19 Pandemic, the Great Confinements, the Great Depression 2020 and the beginning of the Second Cold War. Inequality has accelerated. In three months Jeff Bezos of Amazon earned \$29 billion and later \$14 billion a single month, while in the same period 50 million U.S. workers applied for unemployment insurance.

Many unemployed people will not find their jobs again but rather a bankrupt company or one with radical downsizing, or a robot, algorithm or the internet of things doing their job, and possibly 20 jobs. Artificial Intelligence has been coming for a while, but the capitalists can speed up entry now that the workers are absent.

The increased use of the internet for everything in the confinements will continue to a large extent in the future, as well as the loss of jobs to artificial intelligence, both of which presage a crisis of extreme inequality if there are no strong redistributive policies.

Unlike during previous transformations, artificial intelligence will come faster and stronger and 40% of jobs will disappear in the next 15 years. By 2035, 40% of the world's jobs may well be filled by some system based on artificial intelligence. This change will be the greatest in industrial history, even more so than the change brought about by the introduction of electricity.

From the above, it is clear that the new global social contract has to prioritize human beings and their needs before the unlimited, endless and meaningless profit and accumulation of the capitalists. This is not sustainable in a Planet with finite and degraded resources. Nor is it socially sustainable that wealth is concentrated in a continuously smaller group, reaching such extreme inequality that it carries the seeds of its own destruction.

The Christian and Solidarity-based Project of the Sandinista Revolution can offer relevant experiences. In 9 years following 2007 when President Daniel Ortega Saavedra returned to power, the Revolution managed to reduce poverty from 48.3% of the population to 24.9% and extreme poverty from 17.2% to 6.9% in the second poorest country in Latin America and the Caribbean.

These advances were due to both tangible and intangible factors.

The tangible factors:

- Sovereignty, independence, self-determination
- Peace, stability, and citizen security
- Inclusion
- Redistribution
- Capitalization of the poor
- Restoration of rights
- Investments in public goods
- Growth with poverty and inequality reduction

The intangible factors:

- Consciousness and social support
- Organizational and mobilization skills
- Voluntarism

- Protagonism of the poor
- Political will

Policies and programmes combine these factors, both tangible and intangible, according to national and local conditions, while learning and adjustments occur according to results and changing conditions in implementation.

ANNEX

Some Examples of Advances

- Sovereignty, independence, self-determination
Sandinista principles
- Peace, stability, and citizen security
Barrier against organized crime, drug cartels, maras
Defeated U.S. backed 2018 coup attempt
Lowest homicide rate in Central America: 8 per 100,000
Lowest car thefts in mainland Western Hemisphere: 92 (2016)
- Inclusion
Women: Davos Gender Gap Index: 90th (2007), 5th (2019)
Caribbean Coast: Two autonomous regions, North and South
Indigenous and Afrodescendants: 37,859 kms.2 ancestral land titled in 23 territorial governments (314 comunidades)
- Redistribution
Universal, free health and education, subsidized water, electricity (US\$845 a year for family of 5)
Subsidized urban mass transit (US\$580 a year for family of 5)
- Capitalization of the poor
Poor rural farming families (8,111 families)
Urban small merchants, artisans, service providers (136,811 credits at 5% per annum).
- Restoration of rights
Electrical coverage: 54% households (2007), 98% (2019)

Renewable energy: 26% (2007), 77% (2019)

- Investments in public goods
 - Highways, rural roads, streets, bridges and overpasses
 - First highway in history to Bluefields, principal Caribbean city
 - Airports, ports, Bluefields port project (first major Caribbean)
 - Parks, internet in parks, sporting facilities, playgrounds
 - Historical and cultural
- Growth with poverty and inequality reduction
 - 5% GDP annual growth average 2010-2017 (3rd highest Latin America)
 - Increase in minimum wage 2007/2018 (Net cumulative, 264.7%)