

A New Social Contract: The Need for Radical Reforms in the Fight for Jobs and a Living Wage

By Carl Davidson

The Jobs and Living Wage movement spreading across the country is a response to three main features of today's economy: 1) the vast and growing inequality of income and living standards across the entire population, 2) growing insecurity in middle-income sectors due to downsizing and the redefinition of work, and 3) harsh and degrading poverty for the structurally unemployed and urban welfare populations.

The grassroots organizations and coalitions fighting these conditions have put forward a diverse collection of demands and programs. The New Party and ACORN, IAF, AFSCME, and a number of local labor councils, for instance, have launched mass campaigns in a dozen major cities. They are demanding a \$7.70-an-hour minimum wage for any business with substantial city contracts, subsidies or tax abatements. Other groups have focused on the federal government, and are pressing several bills in Congress that would create jobs by spending more funds on infrastructures--schools, roads, bridges--and restoring cuts in welfare. The Labor Party is trying to build support for a Constitutional Amendment guaranteeing jobs for all at decent wages.

While the various packages of demands, programs and legislation each have strengths and weaknesses, all of them can be endorsed as making a positive contribution to an immediate and desperate situation facing the poor and unemployed.

Yet as socialists we are called upon to do more than simply get behind the local movements. We have a radical understanding of modern capitalism that goes beyond the immediate need to defend its tattered safety net.

We understand, for instance, that the current job crisis and draconian cutbacks inflicted on the poor are not mainly the results of the usual ups-and-downs of the business cycle. Nor is it the consequence of lingering pockets of rural poverty bypassed in the country's transition to a modern industrial society. Those crises had been met, however inadequately, by the social contract wrung out of the ruling class in all the reform packages from FDR's New Deal to LBJ's Great Society. In exchange for a relative degree of class peace, this contract redistributed wealth downward in the form of social security, unemployment insurance, public works like rural electrification and the interstate highway system, collective bargaining, Medicaid, Medicare and AFDC.

The current crisis of the poor and unemployed is quite different from the cyclical crises of the past. Instead it is the consequence of some deep structural changes that have permanently abolished large numbers of jobs in the low-skilled blue-collar and middle management sectors of the labor force. While new jobs have been created in other service sectors, their skill levels and racially restricted location requirements have generally excluded the low-income unemployed from filling them.

The result is a growing sector of the inner city population that is being excluded from the labor force altogether. Their plight is exacerbated by a power elite that opposes full employment in any case. Every time the official jobless rate gets down to 6%, the Federal Reserve Board goes into a panic over

a fear of inflation, and adjusts interest rates to curb new job creation. To survive, many are forced into the underground economy, which in turn has led to the vast expansion of the prison population.

Some of the liberal elites are disturbed by this situation, which they describe as a “social time bomb.” However, the Gingrich-Clinton “bipartisan” right-center coalition currently in charge sees things differently. They want to make life even harsher for the poor, apparently with the hope that this will force their elderly to die sooner and their young people to have fewer children. They claim that the shredding of the safety net is for the more benign purpose of pushing people into employment. But since anyone with even a superficial knowledge of economic realities knows the jobs aren’t there, we have to conclude that truth behind “ending welfare as we know it” resides in the more sinister motive.

The situation facing progressives is quite difficult. The current policies and conditions have dramatically exacerbated the division of the working class into two broad groups. One is mainly white, suburban, strung out on credit but still employed and living under the relative comfort of the old social contract, even if its tattered and worn thin. The other is mainly minority nationality, urban and now living in nearly intolerable and hopeless conditions outside the social contract. One group is controlled by the carrot, the other by stick--and the racial dimension of the divide is the key to the establishment’s ability to maintain a relative degree of social stability.

In these circumstances, a progressive strategy based on simply restoring the old social contract and extending its reach by redistributing the wealth is not likely to be very effective. The recent defeat of single-payer national health care is instructive in this regard. The problem was that a good majority of the people already had health insurance of some sort. Many figured that if more people who couldn’t afford insurance would become insured, their piece of the health care pie was in danger of being reduced. Many listened sympathetically to the arguments for universal care, but few could be mobilized to do anything to win it.

What, then, can be done? Probably the best set of strategic guidelines for socialist activists in the mass movements was put forward by Karl Marx himself in the Communist Manifesto. Socialists, he argued, should take part in all the movements and organizations of the working class. But he added that they should distinguish themselves two ways. First, in the movements of the present, they should look to the needs of the future; second, in the battles launched by a part of the class, they should take care to uphold the general interests of the class as a whole.

We need to advance a new social contract rooted in this perspective. It can’t simply be a demand for socialism. It must be a set of demands and programs rooted in immediate needs, but standing a good chance of uniting a majority and pointing to future transformations. It must also be a social contract that engages the arguments of the right wing and exposes its bankruptcy. In terms of the Jobs and Living Wage moments, such a contract would include programs like this:

1. Jobs for all who are able and want to work.

This slogan itself expresses the limitations of the current labor market--the demand for work has outstripped the supply of jobs in unskilled sectors, while the supply of jobs is greater than the current number of qualified workers in high-tech sectors. When the market fails, the government must act, either by encouraging new capital formation, ie, new businesses in distressed areas, or by becoming the employer in public works projects. There is certainly enough work to be done, either in repairing old infrastructures, rebuilding and reorganizing the schools for up-to-date training, or launching new environmentally friendly projects like solar power or Mag-Lev inter-urban high-speed rail systems.

The right wing has resisted almost all efforts to productively deploy tax revenues as productive social capital in these areas, claiming it to be too expensive. At the same time, they do nothing to inhibit the wasteful investment of capital in speculation that creates no new value--the casino economy, crooked real estate deals, or the shifting of production to low wage areas with no environmental protections. All these practices should be exposed and attacked for making our current problems worse rather than better.

2. A minimum income for all who create value.

This slogan raises the need for a social living wage not tied to a traditional job. There are many activities that create value for society but fall outside the market. Raising children creates value in the form of the next generation of workers, scientists and entrepreneurs. Organizing sports and cultural activities create value by raising the level of a community's physical and mental health. Students who work to expand their knowledge are creating value. Society should compensate those who create value for society, either indirectly through subsidies to the nonprofit sector or directly through a negative income tax.

A social minimum wage or income along these lines could drastically reduce the need for both a job-based minimum wage and the bulk of the current welfare system. An employer-paid minimum wage has two drawbacks: first, you have to have a job to get it; second, it prevents some small businesses from forming, except as part of the underground "off-the-books" economy. A job-based minimum wage of some sort would have to be maintained to prevent major businesses, such as the fast food industry, from taking advantage of the social wage as a public subsidy for themselves. But the rate could be considerably lowered, especially for small local businesses in distressed areas.

The social minimum wage is available to any taxpayer over the age of 18 who is creating value. If the person also takes on additional work with a private business, he or she would only have the social wage reduced in gradual increments. Thus there would always be an advantage--but not an overwhelming necessity--to finding regular employment even at relatively low wages.

The social wage would not apply to everyone. Healthy people who both refuse to work or to create value in any reasonable way would, by their own choice, be excluded. A small number of people, of course, are unable to either hold a job or create value in other ways due to physical or mental illnesses. These people should receive decent care through an appropriate combination income and medical and social services. Addicts seeking to recover, for instance, could receive medical and social services, but no cash.

But an incomes policy of this type--linked to positive endeavor and open to most of the population--would be far more likely to unite a majority of the workers, youth, the elderly, the unemployed and small business. Each of these constituencies would have a direct connection with its success.

3. School for all who want to learn

The changing nature of work today is demanding both top quality education of the young generation and continual training for the labor force generally. Our public schools and community colleges and universities must be open all year and become learning centers for the entire community, with childcare facilities, afterschool programs and evening classes open to all who need new skills and want to learn. The curriculum should be developed with the joint participation of labor unions, community

groups and local businesses to insure that students are being trained in up-to-date technologies for jobs that are in demand.

Student fees should be minimal. The cost of education of this sort is neither a luxury nor a consumer good. Rather, it is a social investment in human capital that will be recovered many times over in the course of a worker's lifetime. In fact, employed workers should receive shorter hours and additional pay for their afterwork studies, while unemployed should receive the social minimum income while they are studying. Schools, however, are only open for those who want to learn; anyone attending school mainly to avoid work, socialize with friends or otherwise interfere with the majority who do want to learn should be excluded.

4. Basic health care for all.

The present U.S. Health care system is one of the main factors aggravating problems in welfare and unemployment. By placing the burden of health care costs on private employers, the country loses in three ways. First, employers are given incentives to work fewer employees for longer hours, since overtime rates are usually less than additional benefit packages for additional workers. Second, those on public assistance who would like private employment are held back because the employers most likely to hire them are least likely to have decent health benefits. Third, the taxpayers suffer by footing the bill for the poor without health care in the most inefficient and expensive ways. These fetters on the public health and productivity of all workers need to be removed. Expenditures for basic health care for all are not a luxury, but a necessary investment in social infrastructures that creates more value in the long run.

The New Social Contract as a Universal Toolbox

These four sets of structural reforms--in employment, income, education and health--form the basis for a new social contract. The new contract can also be described as a universal toolbox, providing every citizen with a much more equitable means of making a living. It differs from the old social contract by basing its features on the needs of a society in transition from an industrial order to a post-industrial, knowledge-based order. The key requirement for the success of the old social contract was a long-range overall rise in the quantity and remuneration of industrial jobs, even as the numbers fluctuated in the short range. Its components--unemployment insurance, welfare, social security--were meant to even out the fluctuations.

The technological revolution in the productive forces has seriously eroded, if not abolished, those prospects. The new social contract is addressed precisely to a permanent contraction in industrial jobs at the center of the labor force, along with an expansion high-tech and unemployable sectors at the top and bottom of the labor force. Its key component is expanding the social infrastructure for the growth of human capital, rather than dampening the rough edges of industrial capital. It provides every person with access to the means for developing their own value-producing skills, talents and interests while making a contribution to society at the same time.

The new contract, in sum, favors providing a universal toolbox for all over a safety net for a few. It stresses creating more equitable means for creating wealth over a simple redistribution of wealth.

Demanding a new social contract along these lines is a radical proposition in two ways. First, in the most common use of the term "radical," it is likely to be denounced or brushed aside as "pie-in-the-sky" or utopian, as unworkable or unaffordable. Second, in the true meaning of the word radical, it

“goes to the root” of the problem, reveals the inner workings of what caused it, and points to a way out. The truth is the utopian solution is actually the more practical solution. The real reason radical reform meets with resistance, however, is its implied dramatic shifts in the balance of forces in society. It enhances the consciousness, organization and fighting capacity of labor and its allies against the most divisive and parasitic elements of capital. While most liberals and even some conservatives could be won as allies for certain components of the contract, the partisans of the working class, especially the socialists, are the ones to press the issue forward. The time to begin is now.