

CONTEMPORARY SOCIAL CONTRACT – SOCIAL LIBERALISM (NEW SOCIALISM)

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My proposal of a contemporary social contract is a development of an outline of a program entitled, „The Social State versus Neoliberalism“. A contemporary social contract must employ positive elements of capitalism, such as workers' ownership of stocks, as well as of socialism, such as self-rule. The framework of the new social model arises from philosophical and sociological thinking of the society as a whole. Its central components could be articulated by economists, and political science can assess its political implementation. By considering Rousseau's Social Contract, I put forward criticisms of capitalist neoliberalism, which advocates deregulation of the market and enables a minority to enjoy great profits. I examine the foundations of its functioning-namely financial capital: a) Oligarchy of a few banks in collaboration with various corporations, especially oil companies, which employ false theories b) Unsupervised judgments of self-established agencies, especially those that determine creditworthiness c) Hidden rule of self-made technocratic associations. I conclude: In capitalism there is no democracy. A new socialism is needed to balance capitalism. In particular, we need market regulation in support of state and public institutions: a) Worker-owned stocks b) Partnerships between public and private c) Citizens' participation in governance. Concretely, the following actions are required on a local and global level: a) A call to resist the power of financial capital b) Abandoning the saying that the state, unlike the entrepreneur, is a poor governor c) Strengthening the secular state.

Key words: neoliberalism, financial capital, social contract, new socialism.

Suvremeni društveni ugovor – društveni liberalizam (novi socijalizam). Suvremeni društveni ugovor treba koristiti pozitivne elemente kapitalizma (npr. radničko dioničarstvo) i socijalizma (npr. samoupravljanje). Okvir novog društvenog modela nastaje filozofskim i sociološkim promišljanjem društvene cjeline, središnju komponentu mogu osigurati ekonomisti, a politolozi naznačuju političku primjenu. Uz osvrt na Rousseauov društveni ugovor prelazi se na kritiku kapitalističkog neoliberalizma (deregulacija tržišta da bi njime upravljala nekolicina profitera) ukazivanjem na njegovo temeljno funkcioniranje - financijski kapital: a) oligarhija nekolicine banaka i s njima sprega korporacija (naftni lobi na temelju lažne teorije), b) neprikosnoveni sudovi samozvanih agencija za kreditni *rejting*, c) podzemno vladanje još samozvanijih tehnokratskih udruženja. U kapitalizmu nema demokracije. Novi socijalizam kao protuteža kapitalizmu (regulacija tržišta u svrhu podupiranja društvene države): a) radničko dioničarstvo b) javno-privatno partnerstvo c) građanska participacija. Aktualan je na unutrašnjem i globalnom planu: 1) poziv na otpor financijskom kapitalu; 2) napuštanje floskule da je država loš gospodar, a privatnik ne; 3) jačanje sekularizacije država.

Ključne riječi: neoliberalizam, financijski kapital, društveni ugovor, novi socijalizam.

My idea of a contemporary social contract came up first in a lecture entitled „The Social State Versus Neoliberalism“ I

held on June 12, 2012. and remembering J.J. Rousseau's *Social Contract*. In the lecture, I presented a critique of neoliberalism. In

particular, I identified the main negative aspects of capitalism and tried to indicate the basic principles of a social state. In this vein, my efforts could be understood as an attempt to find a role for Rousseau's Social Contract as an outline of an ethical and political community. The task now is to unify all positive aspects of liberalism and self-rule socialism, which is the best version of socialism, and to formulate a model for a contemporary social contract—of a different kind of society.

Rousseau himself identified basic economic and social indicators in imagining a more just state and therewith a more just society. It is well known that his views are in tension, in particular his enlightenment call to return to nature and his demand for a society of citizens who are not in the state of nature. It was also claimed that these views about the state are in contradiction with his other works (1: 439). However, Rousseau himself was aware of the tension and tried to justify it. He held that human beings moved away from nature through everything they created, but they were not made happy by it. Discoveries in science emerged from vices; for instance, geometry came out of avarice (440). To all negatives of human creation he opposed an idealized state which is the goal of his social contract. However, he noticed that his future society was to be very rigid and that every individual was to be subjugated to the state, which is incompatible with a return to nature. That is why he sought to justify his position by saying that the tension is understandable in light of human beings' actual state (439). Perhaps he realized that the call to a return to nature is an idealized view and that it can only be a normative criterion or, as N. Abbagnano puts it a "norm of judgment" (440). Finally, it is undoubtedly the case that freedom enjoyed a place of prominence in his social contract. The role of freedom was to discipline unsettled drives (443), but this

means a return to the right natural human being.

Certainly, his views remain important today: Private property is the source of poverty and inequality. The common good and public welfare and freedom are important duties of society (442). However, freedom is not boundless but consists in disciplining unsettled drives. Another important view is his warning that institutional magistrates are also a source of inequality (440).

Of course, it was difficult to image the creation of a social contract in his time, but even today, despite greater calls for cooperation of opposed political parties, it is no less difficult to imagine the creation of a social contract.

How, then, is it possible to talk of a contemporary social contract—of an appropriate shaping of the social community? It is apparent that philosophy can outline the idea in general terms. Sociology can identify the social principles in creating an appropriate model. Economics can formulate the core of the new society, that is, economic support. Finally, political science can pave the way to political application.

To even imagine a better community, we first must undertake a thorough critique of the actual state of affairs—in our case of neoliberal capitalism. Critiques of capitalism have been around; the first and most fundamental critique is Karl Marx's three-volume *The Capital*, which takes aim at the functioning of capital through supply and demand (I, 1867, II, 1885, III, 1895). An effective and perennial critique of liberalism is John Dewey's work of 1935 *Liberalism and Social Action* (2:91-97 ; 3:57-64). Our attention must immediately turn to a fundamental and much-heralded neoliberal *credo* – the deregulation of markets. *De facto* free markets do not exist; markets are subject to manipulation. This first happened in the market of real production, but at least

since the '80s of the last century, the most egregious manipulation extends to a virtual marked of financial capital. From then on, the fictional world of monetary transaction is discovered. The best known manipulators of real production are exporters of crude oil. For instance, in the '70s, in light of the war between the Arab States and Israel, there is an embargo on exports of crude oil, which leads to a price hike of 70%. OPEC directly affects supply and demand by fixing increases or decreases in oil production. In collusion with banks, the price of crude oil is artificially raised. (Oil tankers to unknown destinations fluctuate in price during their journey!) But in fact, the oil lobby founds all these actions on a false theory of the sole origin of crude oil from fossils - a theory dating back to the 19th century to Lomonosov. It was a convenient theory for the US, because it favored their banks. Another theory is also Russian in origin (4). It points out two deficiencies in the first theory: Resources are not limited, and crude oil can be found in greater depths through fissures. In 2007, rumor had it that the Gulf of Mexico was the new Saudi Arabia.

Recently it emerged that crude oil can be found in America in special rocks called *shells*. As is well known, there are many other sources of oil, and even coal can be used to produce diesel. Of course, it is also well known that other groups manipulate the prices of other products.

The greatest manipulations, however, happen in a virtual market, which was created by financial capital, and this marked stands above the real markets. The great economic crisis of 2007 was sparked by the financial market, because it relied on: 1) banks, 2) credit rating agencies and 3) a technocracy that is closed to the public.

Re: 1). Through ten banks, financial capital oversees the world economy. The most famous bank is Goldman Sachs. Since the discovery in 1973 of the Black-Scholes formula, and especially since the Reagan and

Thatcher administrations in the '80s, all banks start financial speculations with fictitious means, especially stocks. A true gambling craze emerges. In this dangerous and brazen high-stakes roulette, banks rely on said formula, which is used to calculate less risky investment options, so called financial derivatives (5). In the wake of the great economic crisis, the rating agencies give positive marks to the best known banks. Those banks, however, begin to fail because of their unsuccessful transactions - mostly mortgages. To make matters worse, the only successful means of saving the banks is to replace their losses with public funds, and that means through ordinary people - taxpayers! That is to say, someone played, won or lost, and when he lost, those who paid for it were those who never even saw the game. To increase the irony, Black and Scholes won the Nobel prize in 1994!

It is obvious that banks have to be subject to control. Jefferson, even, noticed this, arguing that financial centers have to be controlled. However, neoliberal governments are still hesitant to introduce taxes on bank transactions. In the EU, a new law concerning bank oversight barely passed, and Chancellor Merkel (from the neoliberal right) succeeded in keeping the law from going into effect for another year!

It is obvious that a few people rule the world - about 6,000 of them, none of them elected. Hence, neoliberalism not only denies democracy but also turns democracy into oligarchy.

Re: 2). In a joint enterprise, banks in the US and UK formed financial services companies which researched the financial markets. Their agencies focused especially on assessing the *credit rating* of banks, business associations and even countries. With the interests of their banks in mind, they determined and continue to determine their creditworthiness. The *credit rating* mercilessly determines the interest rates on borrowed money. Three agencies are best

known: Standard and Poor's, Moody's Investor Services and Fitch Ratings. The first and third are American agencies and the second is jointly American and British. To show that these agencies are the right hand of certain banks, that is, their direct tool, it will suffice to give one example. Standard and Poor's is part of the well-known company McGraw-Hill (6).

That their assessments can be mistaken is proven by the fact that many banks went under and that the earlier mentioned crisis continues, despite the fact that these agencies gave those banks a high rating. Thus we should not be surprised by M. Monti's statement on television that we can do without these agencies. This statement also reveals that there is competition between three groups, which are pillars of financial capital, for Monti is a member of these so-called secret organizations—of the third group.

Re: 3). In the '70s, there is an increase in the number of societies that are closed to the public or, as they are also called, of secret societies. This is fueled by Carter's trilateral committee (USA, Japan, Europe) in whose shadow was one of the richest people in the world, W. Rockefeller and who proclaimed a globalized economy. Their groups and members are known. For example, the group Bilderberg has 150 members and was founded in 1954 (7). This group held a meeting in 2011 in St. Moritz, and its agenda was publicly known. These are, in fact, technocratic societies with leading financial experts whose members are placed in positions of power in countries that are in financial crisis—like Italy's Prime Minister M. Monti and Greece's Prime Minister A. Samaras. Their task is to find a way for the country to repay its debts by maximally disciplining its people and, through the people's sacrifice, finance the wastefulness and irresponsibility of a small number of banks. However, if it is not possible to implement these plans, that

country is abandoned, as M. Monti is currently doing.

It is clearly apparent that capitalism is obsessed with profit as the highest good. A consequence is pervasive inequality as a common phenomenon, where there is no justice and no democracy.

Contemporary China is the ideal synthesis of the negative aspects of capitalism and of primitive communism. But it is interesting that neoliberal capitalism is equally heartless and focused on the same goals, so that it is unsurprising that it gets along so well with China in economic questions. Soon they will share their work habits—in China workers work 7 days a week, 12 hours a day—and the emerging lifestyle is a return to slavery. That is why the Slovenian sociologist R. Močnik soundly concludes that we have no choice and that we have to exit capitalism (8). The Slovenian philosopher S. Žižek emphasizes that it has been known for 20 years, though this had dawned on many only recently, that nothing good can be expected of capitalism (9).

In sum, the only alternative we can imagine, echoing Dewey, is a social liberalism or, put much more precisely—a new socialism. What's at issue is a true transition, for that alleged transition from socialism to capitalism which is associated with this term—that transition is a euphemism for a fall back into 19th century capitalism when criminal privatization allowed the formation of a class which replaced production mainly with import. Hence that alleged transition was no transition, but a free fall in every respect—especially economic and moral. The only proper sense of 'transition' would be to speak of a transition from a neoliberal capitalism to a new society. This will mean to proceed according to the model of a new socialism, which will have immediate and long-reaching goals.

Given that the current situation is disastrous and offers no other options, an immediate goal would be to urgently and desperately look for a way to diminish public debt and in that way regain independence of the judgments of rating agencies. In tandem, it would be important to jumpstart real production and to secure an equal participation of citizens in the common good. Furthermore, it is necessary to persistently and systematically look for ways to control the financial sector. In this, economic and social means are important:

Workers' stock ownership,
Public-private partnerships,
Citizens' participation in governance in all parts of society.

Important indicators of a social nature of a state are:

Equality before the law,
Equal rights to education,
Equal rights to health care,
Equal rights to a dignified old age.
Persistence in maintaining clean air, water and environment.

To ensure all of this, what is important is an education in citizenship, for, what's at issue now is, as I said, a true transition which requires understanding what a citizen is. This is especially needed in our archaic south and semi-archaic rural parts.

Comparing this outline of a model of a new society with the current state of humankind, the following emerge as immediate demands:

A persistent and persisting fight against financial capital,
Removal of the prejudice that the government is poor at governance, whereas the private individual is not,
The realization of a persistent need to fight for secular state.

From the earlier discussion, it is clear why a) is required. The prejudice stated in b) is illusory for its generality; what is real is that governments and individuals can be poor at governance and that both can be good.

I now turn to a justification of c): It is of absolute necessity to keep in mind the need for a resolute separation of church and state, because religions, as institutions, are by nature discriminatory against basic principles of citizenship. Religions reject the separation of a public and private sphere. Religious allegiance belongs to the private sphere and no one must impose the norms of his religion onto all of society. Thus the state is not concerned with religious allegiance if it seeks to avoid deeper discrimination. Some members of our parliament do not pay heed to this as they seek to smuggle religious norms into the laws of citizens, because allegedly 90% of those citizens share a religious allegiance. Attempts to stop the process of secularization, especially in education, date back to the end of the 19th century (10:31). And in fact education is most important in establishing cultural and political standards. The position of the church also has not changed, since it consistently seeks to eliminate the last module from health instruction, which is concerned with gender equality and responsible sexual conduct—both marks of civilized citizenship. It appears, thus, that the church is opposed to both. Religious institutions in general are a dangerous economic and political power, because they hold sway over the masses. This is evident on a daily basis throughout the world. They in fact pose the greatest danger to the survival of humankind; consider only the merciless feuds among sects within the same religions, not to mention battles between religions which go as far as mass killings and terrorism. Because of their ancient origins from myths and legends, because of their thorough immersion in traditionalism and because of their strong adherence to dogmas, religions cannot be but discriminatory. All kinds of discrimination begin with the first and fundamental, and that is uncompromising discrimination against women. This must date back to the

troglydites, and certainly to the rule of Hammurabi. This is demonstrated by his laws: a husband can do anything he wants with his wife if he is unfaithful. And this attitude persists until today. Women are the second sex—as proclaimed by the Bible and by sharia law. They are belittled even by Christian philosophers such as Augustine, not to mention that they were proclaimed witches and burned at the stake even as late as the reign of Maria Theresa. Today there are numerous ways of belittling women. Duplicity is at its pinnacle when on television you can hear that wearing veils and head scarves is the latest fashion or when one woman alone says that circumcising 150 million women between the ages of 5 and 15 is tradition! Even from the altar of the Catholic church in Udubina, on August 26, 2012, you could hear a similarly disappointing message. The reading from the Gospels which was, to

increase the irony, read by a woman, stated: women, be obedient to your husbands as you are to the Lord...

This, indeed, seems to be exactly what awaits us if we don't try to build a model of a contemporary social contract and if we don't seek to bring into being a freer and more just society with economic equality and social providence, free from prejudices from old times, which prevent mutual understanding and progress. The danger that the world is facing is best brought out with the observation that a large part of the world already endorses a theocracy, and many people strive in this direction, buoyed by religious fundamentalism (no matter what the religion) and by militant and often warlike efforts.

From this perspective, a state of citizens in which democracy rules looks, for now, a distant goal indeed.

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