

# Virus lays bare the frailty of the social contract <sup>[1]</sup>

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## EXCERPTS

If there is a silver lining to the Covid-19 pandemic, it is that it has injected a sense of togetherness into polarised societies. But the virus, and the economic lockdowns needed to combat it, also shine a glaring light on existing inequalities — and even create new ones. Beyond defeating the disease, the great test all countries will soon face is whether current feelings of common purpose will shape society after the crisis.

As western leaders learnt in the Great Depression, and after the second world war, to demand collective sacrifice you must offer a social contract that benefits everyone. Today's crisis is laying bare how far many rich societies fall short of this ideal. Much as the struggle to contain the pandemic has exposed the unpreparedness of health systems, so the brittleness of many countries' economies has been exposed, as governments scramble to stave off mass bankruptcies and cope with mass unemployment.

Despite inspirational calls for national mobilisation, we are not really all in this together. The economic lockdowns are imposing the greatest cost on those already worst off. Overnight millions of jobs and livelihoods have been lost in hospitality, leisure and related sectors, while better paid knowledge workers often face only the nuisance of working from home. Worse, those in low-wage jobs who can still work are often risking their lives — as carers and healthcare support workers, but also as shelf stackers, delivery drivers and cleaners. Governments' extraordinary budget support for the economy, while necessary, will in some ways make matters worse.

Countries that have allowed the emergence of an irregular and precarious labour market are finding it particularly hard to channel financial help to workers with such insecure employment. Meanwhile, vast monetary loosening by central banks will help the asset-rich. Behind it all, underfunded public services are creaking under the burden of applying crisis policies.

The way we wage war on the virus benefits some at the expense of others. The victims of Covid-19 are overwhelmingly the old. But the biggest victims of the lockdowns are the young and active, who are asked to suspend their education and forgo precious income. Sacrifices are inevitable, but every society must demonstrate how it will offer restitution to those who bear the heaviest burden of national efforts.

Radical reforms — reversing the prevailing policy direction of the last four decades — will need to be put on the table. Governments will have to accept a more active role in the economy. They must see public services as investments rather than liabilities, and look for ways to make labour markets less insecure. Redistribution will again be on the agenda; the privileges of the elderly and wealthy in question.

Policies until recently considered eccentric, such as basic income and wealth taxes, will have to be in the mix. The taboo-breaking measures governments are taking to sustain businesses and incomes during the lockdown are rightly compared to the sort of wartime economy western countries have not experienced for seven decades. The analogy goes still further. The leaders who won the war did not wait for victory to plan for what would follow. Franklin D Roosevelt and Winston Churchill issued the Atlantic Charter, setting the course for the United Nations, in 1941. The UK published the Beveridge Report, its commitment to a universal welfare state, in 1942. In 1944, the Bretton Woods conference forged the postwar financial architecture. That same kind of foresight is needed today.

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