

MODULE 15

Building of a social contract

Duration: 1.5 hours

Prerequisites: Modules 2, 3



Key questions:

1. What is a social contract?
2. Why is there a need for a contract?
3. What is the origin of the social contract?
4. What is the role of ideologies in influencing social policies?
5. What is the role of religion in influencing our vision of society and social protection?
6. What other factors influence social protection policies?
7. What is a welfare state?
8. What are experiences from different countries?
9. What is the basis for social contracts in different countries?



Objectives:

This module aims to explain why a social contract is needed and how it came into being. It describes different factors which have played a role in influencing our vision of society and social protection policies and schemes. It talks about a welfare state and explores the varied experiences of countries in designing social policies and social protection systems. The fact that the ABND exercise relies on a national dialogue will guarantee that the vision of society and the social contract are reflected in the recommendations of the ABND.



Overview:

This module starts with a presentation on the building of a social contract in a country and its relevance to social protection. It continues with an open discussion on the basis for social contracts in different countries.

The social contract in a country has a huge impact on the designing of schemes and the process of creating awareness on social security. This module aims to present and discuss the principles on which social protection and social insurance are based, such as those of solidarity and shared responsibilities. It is very important while advocating for the SPF to the population or the government that people should accept the idea of contributing for others and not only for the most destitute. Behaviours are shaped by mentalities. Thus, how people think is how the social contract is shaped.

What is a social contract?

A social contract is an implicit agreement on how to live together in a society. It defines the rights and duties of all parties involved. An exchange of duties and responsibilities must take place for the social contract to be complete. For example, when people pay taxes, the government is expected to provide public services financed from the taxes. Social policies and taxes are part of the social contract.

The definitions of rights and duties are not fixed and must evolve as societies progress and advance. As former Prime Minister of the Royal Thai Government, Abhisit Vejjajiva, mentioned in the Davos Forum, “Thailand is still in the process of drafting the social contract, of defining the tasks and the objectives of the government”.

Why is there a need for a contract?

The philosophical theories behind the social contract start at the origin of society. The origin of society is the state of nature, i.e. a state of human life without any political or social order.

Thomas Hobbes was an English philosopher of the seventeenth century who first articulated the social contract. In his book *The Leviathan*, he explains that in the state of nature, human beings are fundamentally equal. This is not the meaning of the term “equal” in the present-day sense, but equal because anyone can kill anyone. It does not matter how strong a person is because a weaker person can kill them by offering a poisoned drink.

In the state of nature, human beings are fundamentally equal and unrestrained. They can do whatever they want and violence is morally acceptable. However, in this state of fundamental equality and freedom, life is a story of continuous fear and violence. According to Chapter XIII.9 of *The Leviathan*, life is “solitary, poor, nasty, brutish and short”. It is a “war of all against all”. Human beings did not have time to improve their livelihoods or perform productive activities such as agriculture because they always lived in fear of being killed or harmed and had to always prepare for their defence. Thus, there was need for some kind of mutual agreement in order to have better lives.

What is the origin of the social contract?

Being rational, human beings decided to create the social contract or an agreement for society to live in harmony. The social contract came into existence as an agreement where the ruler has to take care of the masses and guarantee their security and the people have to give up their freedom. According to Hobbes, an authoritarian state called the Leviathan is needed to make people respect the social contract. However, this aspect has been criticized by many other philosophers.

It can be seen that there is a choice to be made between total freedom and security. However, society may not mean the end of all freedom. According to Hobbes, freedom is when the law is silent. But for Jean-Jacques Rousseau, the French philosopher of the eighteenth century, real freedom begins with the law. What people lose as a result of the social contract is their natural liberty, i.e. the liberty to do what they want. In exchange, they gain civil liberty, propriety, and moral liberty.

According to Rousseau in *The Social Contract, Book 1*, moral liberty makes man truly the master of himself, to be driven by appetite alone is slavery, and obedience to the law that one prescribes for

oneself is freedom. This is freedom under our will, as we do no more than obey ourselves. This vision may be shared by governments and citizens, and influences the way social policies are designed.

What is the role of ideologies in influencing social policies?

People may have different opinions on what is best for them, the distributive role of the government, and whether the welfare state contributes to justice. In his book, *Economics of the Welfare State*, Nicholas Barr explains that there are three main ideologies, namely libertarian, liberal, and socialist. They have different aims and, accordingly, a different conception of the role of the government and the way goods and services should be distributed.

- The primary aim of libertarians is individual liberty and they consider that the best way to achieve it is by having private markets.
- For the liberals, the objective is to maximize the total utility of the people and hence the total happiness.
- The socialists want to achieve freedom and fraternity and, most importantly, equality.

These aims impact the way that these ideologies consider the government.

- The libertarians favour minimum intervention of the state. They are not in favour of the idea of a welfare state because it stifles individual freedom. To them, the pursuit of social justice is fruitless and dangerous because the notions of just and unjust can only be applied to circumstances which have been caused by people's actions. Hence the outcome of impersonal forces like markets and the distribution of goods can be determined as good or bad, but not as just or unjust. Thus, the notion of social justice has no meaning for them. Also, social justice could jeopardize the market order.
- The liberals give a greater distributive role to the market. They see it as an equalizing force, but support it only when it serves to achieve society's goals. However, the objective of maximizing total utility of people has been criticized by John Rawls, an American philosopher of the twentieth century, because it may justify causing harm to the least wealthy person in order to raise the total happiness. Rawls considers justice as the primary aim of policy.
- For the socialists, the state has a significant redistributive role. Distinctions can be made between democratic socialists, who favour a mixed economy where private markets have a role as long as they are moderated by state intervention, whereas socialist Marxists consider that the market is inherently in conflict with society's aims.

Tending towards one ideology over another will alter people's vision of society and social policies. A central element in Barack Obama's health care reform of 2010 was universal coverage and the health insurance mandate, i.e. people must have medical insurance or pay a tax. Although many arguments were raised, it could be argued that there was an ideological split between the proponents of universal coverage and people who could be seen as libertarians. The Republicans declared that this was an "infringement on the rights of individuals".

What is the role of religion in influencing our vision of society and social protection?

One of the chief factors influencing how people view society and social protection is religion. Different religions advocate different beliefs and therefore may have different views of society. However, it can be seen that almost all religions advocate similar principles regarding solidarity and sharing with people in need. For instance, in Confucianism altruism is one of the highest values and an obligation. The welfare of society is above the welfare of the individual.

Buddhism states that people should get rid of their egoism to achieve peace and inner harmony. The notion of interdependence is very important. A famous discourse of the Buddha uses the analogy of two acrobats, one balancing on top of the other, to affirm that “by protecting oneself, one protects the other”. The acrobat has to balance oneself correctly to ensure that both are protected. When seen the other way around, i.e. “by protecting the other, one protects oneself”, it is apparent that one must protect the other to ensure that one remains safe.

Charity is also one of the five pillars of Islam and it can be considered as informal social protection and support. “Zakat” is the obligation to share one’s wealth with those in need. In Islamic states, people have to give 2.5 per cent of their wealth, which comprises annual savings and precious metals. Non-payment is equivalent to waging war against the state. Thus, it can be seen that these religions emphasize solidarity and rebalancing of wealth.

In recent years, influence of the global market, in social and economic terms, has diluted religious feelings, as well as cultural and family relations. This has to be considered while designing a social protection system. Depending on the extended family for support was a good model in the past. However, with changing demographics and social behaviour, this is no longer sustainable.

What other factors influence social protection policies?

Religion does not entirely explain the framework of society, social contract, and social protection. In Singapore, the influence of religion does not shape social policies and behaviours to a great extent. The government has a limited role when it comes to social and health protection and the responsibility for social protection lies mostly with individuals and families in the form of compulsory savings. This is also because there has been a strong modernistic influence towards individualism, which has influenced the social security system. In the United States of America and France, a majority of people are Christians, but they have different opinions about universal social protection coverage.

After the economic crisis in 2008, social protection gained momentum in the global agenda and many countries focused their attention on strengthening their social protection systems. Another major influencing factor in developing countries is availability of fiscal space and government revenues, which may be limited. This plays a vital role in deciding between universal and targeted coverage, or in opting for fully subsidized or partially contributory schemes.

For social insurance schemes to work, people need to accept the idea of contributing for others. It has been found that there is a lack of awareness among people on how social insurance can benefit everyone. People may be unwilling to contribute, especially when they do not utilise the services. This can make it difficult to successfully implement contributory social insurance schemes and requires major campaigns to change the mindsets of people.

In the 1980s, the idea of a welfare state started gaining momentum in developing countries. A welfare state is necessary to support the poor and for income redistribution. Rich groups are taxed more, in exchange for which the welfare state protects people. Social protection is aimed at protecting the poor and near poor, which will indirectly protect the rich. If no help is given to the poor, the rich will be affected as they may have to hire people to protect them and their possessions. With more skills and in better health conditions, the poor groups can contribute more effectively to the overall development of the country.

What are experiences from different countries?

In Thailand, the monarchy plays an important role in society. It is believed that there should be a mix of policies with universal coverage guaranteeing a minimum level of benefits to all and targeted schemes addressing specific vulnerabilities. For instance, the Universal Coverage Scheme (UCS) provides basic health care coverage to all people not covered by other public health programmes. At the same time, there are separate non-contributory schemes which provide an allowance to the elderly, the disabled, and people with HIV/AIDS.

In Indonesia, the social security law of 2004 stipulates universal coverage and the Constitution talks about providing social security to all. It is, however, considered unaffordable to pay for the non-poor, which is why the idea of universal subsidized social protection coverage for not-so-poor informal economy workers has not gained much ground.

What is the basis for social contracts in different countries?

A discussion on the factors and principles which influence the social contract and social policies in participating countries is then facilitated. People may be invited to share their views on topics such as the factors that shape their vision of society and of social protection, whether equality or freedom plays a greater role in the design of social protection policies, preferences of governments for universal or targeted schemes, compulsory or voluntary schemes, and so on.



Takeaway message:

A social contract is needed to ensure harmony and security in a society. When people give up their natural liberty, i.e. the liberty to do what they want, they gain civil liberties and the right to be protected. The different ideologies, such as libertarian, liberal, and socialist, have different aims, different views on what works best for the people, and the role of government. This shapes the social policies and social protection systems in the country. Many other factors, such as religion, global social and economic influences, and availability of financial resources, also shape national social protection systems.

The social contract in a country impacts the design of social protection programmes and the awareness generation process. The social contracts in different countries will inform whether social protection systems will focus on universal versus targeted schemes, contributory versus subsidized schemes, or social insurance and solidarity versus individual accounts.



textbook



e-box

Resources:

	Master module 15 – Building of a social contract		
	Presentation – Social protection and the social contract		
	Video of the presentation		
	Part 1 – What is the social contract?		
	Part 2 – Factors shaping our vision of society		
	Part 3 – Questions and opinions		

e-box available at: <http://www.social-protection.org/gimi/pages/abnd/>