America’s Social Contract

Is America’s current social contract up to par? From traditional society to modern society, America has managed to end up with a part employer-based and part government-based system. What does this mean? It simply means that American employers provide healthcare and pension plans to most workers, and the government provides Social Security, which is public pension, and Medicaid and Medicare, which is health care for the poor and elderly (Haltstead and Lind 66). This might seem like a good idea, but in fact it has lead to many problems that must be resolved quickly.

Problems with the Current Social Contract

The current United States social contract has created many problems for the American citizens. It is possible to see many of the problems when examining the employer-based part and government-based part of the contract.

The employer-based part of the social contract is in fact a “historical accident.” It is a historical accident because during World War II employers could not raise wages; so, the employers gave employees health insurance to receive tax breaks (Halstead and Lind 66). This created the basis for the current United States employer-based health care system. In turn this system has lead to many problems. These problems include: 1. constant change in insurance companies, 2. increases number of unemployed Americans, 3. increased use of temporary workers, 4. depletes the opportunity for genetic testing for employers and insurers. Due to job mobility and a decrease of life time employment with a single company, Americans are under a constant change in insurance companies (Halstead and Lind 67-72). This leads to a poor relationship with the workers and physicians, because workers are being bounced to different physicians every time they accept a new job. Next, there is an increasing number of uninsured Americans. According to the Census Bureau, there are 46.6 million uninsured Americans (www.cbpp.org 2006). This is an outrageous number that continues to increase. There is also an increasing trend of hiring temporary workers instead of full-time workers. Temporary workers are hired because the employers do not have to provide health insurance or pension plans for these types of employees (Halstead and Lind 70). The last problem discussed is the depletion of the opportunity for genetic testing for employers and insurers. The study of genetics has grown by leaps and bounds through the years, but it may not be a wise decision to use genetic tests. According to the Center for Disease Control and Prevention, “even though the numbers of opportunities for disease prevention using genetic testing will increase with time, the risks of testing, which include insurance loss and employment discrimination, currently make testing problematic” (Steinberg 2007). This employer-based system has created disastrous situations for the citizens of the United States.

The second part of the current American social contract is the government-based system. This part of the system consists of the government “assuming responsibility for
public pension,” which is called Social Security (Halstead and Lind 66). This Social Security system is also a historical accident. In Franklin D. Roosevelt’s New Deal, he proposed a public pension system was fully funded before retirees received payouts. Instead of following FDR’s original idea, the Social Security system was altered into a “pay as you go” system. This changing of the original system called for younger citizens to be taxed to pay the retirement income of elders (Halstead and Lind 79). Now in the twenty-first century there is a serious problem, due to a greater number of elderly than younger people. Social Security is currently under a huge financial burden. If this system is not fixed or reconstructed, there will be even bigger problems for the future, such as no retirement fund. There will still be money going into the system, but definitely not enough for people to live on.

**How to Fix the Social Contract**

In order to assure that Americans have insurance and a pension plan, some sort of action plan must be implemented. Halstead and Lind provide a solution to the failing social contract. They suggest that the United States abandon the current employer-based and government-based system and adopt the citizen-based social contract (Halstead and Lind 72).

The citizen-based social contract that Halstead and Lind suggest includes both healthcare and pension. The first part of the contract to resolve the healthcare problem is citizen-based healthcare. This would allow for individuals to flow from job to job with ease. The employee could keep the same doctor and health insurance provider from job to job. Halstead and Lind explain two models to choose from: 1. single-payer or 2. a two-tier system (Halstead and Lind 72-73). A single-payer system is a system in which the government provides healthcare for individuals through general taxes. Halstead and Lind feel that this is not the system for America, although it would be an improvement. Instead they think that the United States should have a two-tier system. A two-tier system is a combination of mandatory self-insurance with government safety nets. In this system the government would demand that all individuals purchase a basic healthcare plan. For those who could not afford the basic package, the government would provide assistance (75). The advantages to this citizen-based healthcare plan are universal coverage, full portability, citizens get to choose health insurers, free companies from burdens of being a miniature welfare state, negates the need for temporary workers over full-time workers, and encourages new medical technologies (78).

The second part of the proposed contract is citizen-based retirement plan. This type of system calls for “public pension... based primarily on individual savings rather than on an intergenerational transfer system... with assistance when necessary from the government” (Halstead and Lind 86). This two-tier system they suggest includes individual saving accounts with means-tested government safety net (87). A two-tier system requires a mandatory 5% savings of each person’s income. If the individual can not save this percentage, then a means-test will be provided by the government to see if the individual needs assistance. If the results show that the individual needs help, then the government will provide assistance. Along with this mandate, a set of rules will be applied to the retirement accounts. These rules include: 1. individuals will not be able to take out of their account until a government set retirement age, 2. basic annuitization will be set to guarantee not all of the saved money can be taken out at once, and 3. individuals choose their own investment strategies and risks (88). This system will allow every
person, regardless of employment status, to save, because it is tied to the individual not the employer.

In a nutshell, a citizen-based social contract is like car insurance. It is mandatory to have car insurance in order to drive or the driver will be punished. The citizen-based social contract, if implemented, will work the same as buying car insurance. For instance, if an individual decides not to buy insurance, they could be subject to tax penalties (From, 2000). The government could also implement tax penalties for those who choose not to save 5% of their earnings.

**Testing of the Current Social Contract**

As mentioned earlier, Halstead and Lind do not agree with the current part employer-based part-government-based social contract needs to be changed. Is this the case? In this section of the paper I will measure the quality of the United State’s healthcare compared to other developed countries. I will do this through developing theories and testing derived theories from the hypothesis.

The first hypothesis is this: Due to America’s current part-employer-based part-government-based system, the United States will have a greater infant mortality rate compared to other developed countries. Infant mortality rate was chosen to measure because it is an excellent indicator of the quality of healthcare of a country (OECD Factbook 2007). The independent variable, which is the variable that does the changing in a theoretical model, is the quality of the healthcare system in a country (effective or ineffective). The dependent variable, which is the variable that is changed in a theoretical model, is infant mortality rate (high or low). The relationship in this proposed model is negative, because as a country’s healthcare system effectiveness decreases, then there is an increase in infant mortality rates. The results of this test can be observed in Chart 1.

![Chart 1: Infant Mortality](image)

The numbers are from the CIA World Factbook.

As one can see the United States has the second highest infant mortality rate. This chart shows that our hypothesis is supported. These results also show support for Halstead and Lind’s argument that the United States need to adopt a new system to replace the current part employer-based part government-based system.

The second hypothesis is this: Due to America’s current part-employer part-government based system, the United States will have a lower life expectancy rate compared to other countries. Life expectancy was chosen to measure because it too is an
excellent indicator of a country’s healthcare status (OECD Factbook 2007). The independent variable in this model is the quality of the healthcare system in a country (effective or ineffective). The dependent variable is life expectancy (high or low). The relationship in this model is positive, because as the quality of healthcare in a country decreases, then life expectancy also decreases. The results for this test can be found in Chart 2.

![Chart 2: Life expectancy]

These results also show support for Halstead and Lind’s argument that there needs to be a new healthcare system in the United States. The results show the United States with the second lowest years of life expectancy. This means that individuals in the United States have the second lowest life expectancy numbers.

Both of these studies support Halstead and Lind in a need for change among the United State’s employer-based healthcare system.

**America as a Generous Welfare State**

Now that we have tested the current social contract’s quality, is America a generous welfare state compared to other developed countries? The welfare state will defined as a measure of social expenditure. Social expenditure is “a percentage of GDP that measures the extent which a government assumes responsibility for supporting the standard of living of disadvantages or vulnerable groups” (OECD Factbook 2007). Public social expenditure is made up of “cash benefits, “in kind” provision of goods and services, and tax breaks with social purposes” (OECD Factbook 2007). These social benefits could be given to low income homes, elderly, handicapped, sick, etc. So, does the American Government provide the citizens with a generous welfare state? The results to this question can be observed in Charts 3 and 4.

![Chart 3: Welfare State % of GDP and GDP per Capita]
<table>
<thead>
<tr>
<th>Country</th>
<th>Welfare State % of GDP</th>
<th>GDP per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>14.8</td>
<td>$34,320</td>
</tr>
<tr>
<td>Sweden</td>
<td>28.9</td>
<td>$24,180</td>
</tr>
<tr>
<td>Switzerland</td>
<td>26.4</td>
<td>$28,100</td>
</tr>
<tr>
<td>Poland</td>
<td>23</td>
<td>$9,450</td>
</tr>
<tr>
<td>Portugal</td>
<td>21.1</td>
<td>$18,150</td>
</tr>
<tr>
<td>Japan</td>
<td>16.9</td>
<td>$25,130</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>21.8</td>
<td>$24,160</td>
</tr>
</tbody>
</table>

The numbers are from the OECD Factbook 2007

Chart 4: A Graph of Chart 3

These final results show that America, compared to other developed countries, is not a generous welfare state. The United States GDP per capita is the highest at $34,320, but the country’s % of GDP that goes towards welfare is the lowest in the sample at 14.8%. This shows that America is not a generous welfare state, and the implementation of Halstead and Lind’s citizen-based social contract, with two-tier models for healthcare and pension, would be a good plan and improvement.
Works Cited


