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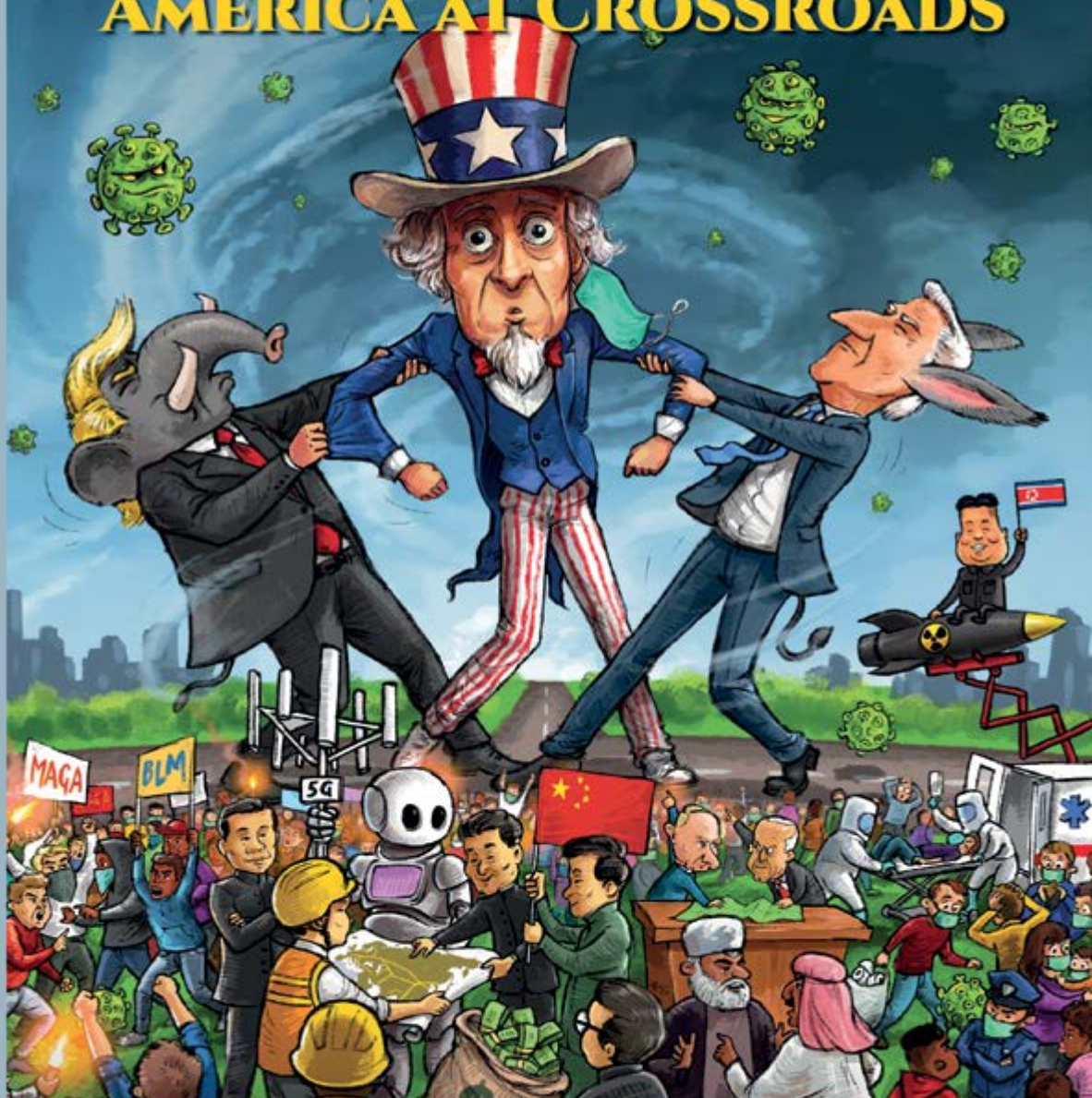
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# HORIZONS

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## AMERICA AT CROSSROADS



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# REVIVAL AND RESILIENCE

## THE CASE FOR A NEW SOCIAL CONTRACT IN AMERICA

Neera Tanden

EVERY 80 years or so, America faces a crisis that reshapes our government, our economy, and our society. The Civil War came 74 years after our Founding and was fought over the nation's original, disastrous decision on slavery and race. 70 years later, the country faced the Great Depression, a crisis that ravaged our economy and was redressed by Franklin D. Roosevelt's New Deal, which reshaped domestic economic relations and created a strong national government for the first time.

Now, 87 years on, the United States is facing two pandemics. One arrived on U.S. shores at the beginning of the year and—in a matter of weeks—radically altered our country. More than 223,000 Americans have died as a result, with millions more facing unemployment and economic uncertainty. The other has long been the ugliest feature of American society, and in the past few

months has received the spotlight it rightly deserves. Racial inequity has blighted America since our nation's birth, but the murders of George Floyd, Breonna Taylor, and countless other Black Americans—combined with the disproportionate impact of the COVID-19 pandemic on people of color—has made the magnitude of the injustice all the more apparent. Racial inequity is deeply embedded in the American way of life.

When it comes to a long overdue restructuring of our economic and social order, America is at a crossroads. We have the opportunity now to address COVID-19 and the massive economic dislocation it has created in a way that creates fundamental fairness and justice for all Americans, including people of color who have been too often left behind. The manner by which we address these problems can profoundly reduce structural inequalities.

*Neera Tanden is President and CEO of the Center for American Progress and a former Director of Domestic Policy of the Obama-Biden presidential campaign. Parts of this essay were published in earlier form in Democracy Journal in June 2020. You may follow her on Twitter @neeratanden.*



*In signing the Affordable Care Act in 2010, Obama laid the foundation for a new social contract*

### SHARED FATE

What is unique about the COVID-19 pandemic is the specific way in which the virus ties our fates together. A single carrier can infect dozens, perhaps hundreds, and can do so when she or he is asymptomatic. That means each of us can be affected by the decisions of any single person. Someone who contracts the virus and chooses to self-isolate can stop the spread. Equally, someone who chooses to interact with others even when sick can ensure the virus continues to transmit. Each transmission can drive an outbreak. Our response to this virus, therefore, is only as strong as our weakest link. It

binds our fates together, more so than any economic or natural disaster.

By extension, our health-care system is also only as effective as the care it provides for our most vulnerable people, and our national response is only as effective as the states that take the least government action. Radical individualism doesn't work during a pandemic because when people in states like Texas or Florida do not adhere to guidelines and outbreaks develop, it takes all of us much longer to recover.

At the same time, the reality of the virus has exposed massive economic and racial inequalities in

our society—from who can get a test to who is forced to go to work through the pandemic. It has exposed the moral distortions of a market system that so little values those who provide vital services in a crisis. Grocery store workers, nurses, caregivers, food plant workers—these roles are valued least in our society; they are subject to low pay, and they are also disproportionately carried out by people of color. As a result, it comes as no surprise that Black and Latinx Americans have been hospitalized at a rate of almost five times more than that of their white counterparts, according to recent CDC figures. This virus has shone a harsh light on the structural inequalities people of color face in the healthcare and economic systems, and it makes it painfully clear why these communities find themselves in a more precarious position as a result of the virus.

To exit from this crisis, we need to fix the broken parts. And to fix what is broken and rebuild stronger than before, we need a new social contract for the twenty-first century, one that updates the New Deal, and one that includes all Americans. It is high time to rethink the relationship—the basic bargain—between the individual, companies, and our government.

**ORIGINS OF THE OLD SOCIAL CONTRACT**

Prior to the Great Depression in 1929, the U.S. economy was an exemplar of laissez-faire economic organization. Almost all social and employment risks were borne by the individual. If a worker was injured at work, she bore the cost of that injury.

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If a senior citizen was no longer able to work and had no savings, she would be left destitute. For many, it meant hunger and impoverishment.

The subsequent New Deal reordered that relationship to shift away from individual risk and, instead, toward shared risk. It also redefined the relationship between individuals and the federal government by creating work-related social insurance, and between the federal government and businesses by expanding federal regulatory authority.

These changes were further developed during and after World War II and had a profound and continuing economic impact. Between 1950 and 1980, the share of income flowing to the top decile of the income distribution dropped by 10 percentage points. Around 1980, however, we saw a cutback on shared risk with the rise of market fundamentalism. Distribution of income and wealth reverted to

1930s levels. The one key expanse of shared risk since the 1980s has been the Affordable Care Act, which provided health insurance to millions of Americans, the largest expansion since Lyndon B. Johnson’s passage of Medicare and Medicaid in the 1960s. Yet many Americans still have no health insurance; and millions more have no access to paid leave. If they get sick, they risk impoverishment from medical bills or the loss of pay. Yet what makes the experience of the coronavirus pandemic different is that when someone bears that risk alone we all end up worse off.

That is why it is urgent to rethink our social contract for the twenty-first century so that we can reduce risks and ensure greater safety in the long run. We must rethink the roles and responsibilities of workers, employers, and the government. If we do, we can foster safety, security, and long-term prosperity so that each American gets a better, fairer deal.

**A NEW SOCIAL CONTRACT FOR COMPANIES**

For decades, the dominant ethos of American companies has been the theory of shareholder supremacy:

the notion that returning value to shareholders, who are often global, is the sole purpose of the firm. Indeed, this became a legal standard in the 1980s for companies chartered in Delaware. Companies have openly

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argued that their goal is not to help the country that made their profits possible, but instead to return value to shareholders. This has led to the rise of stock buybacks, a practice whereby companies buy their own shares to reduce those available on the open market and, in doing so, cause the stock price to soar. The

practice has become so widespread that, after the massive tax cuts in 2017, companies did not invest or build their reserves (for a time like now), but instead bought their own stocks to inflate the price for shareholders.

Shareholders bear both the risk and the reward of their investment in a company. They argue, therefore, that they, and not the workers, should get the profits. The theory goes that all this is legitimate because the company itself, in fact, exists for shareholders, and therefore has no responsibility to its workers, its consumers or—heaven forbid—the country in which it resides.

But in the sweep of mere days of the pandemic, the idea that companies exist for shareholders and that they alone bear the risk was completely undone. All of a sudden, the United States was bankrolling a half-a-trillion-dollar fund for major businesses. Why? Because we as a country couldn't let these companies go under. American taxpayers became the underwriter for American business. And since then, the Republican-controlled Senate has sought to protect those companies at the expense of their workers. In their proposed legislation—the perversely named “HEALS Act”—they pushed for corporate immunity from employee lawsuits related to COVID-19, while at the same time reducing unemployment insurance.

What this lays bare is the one-way relationship that American corporations have with America. When it's good for them, they are global companies whose sole responsibility is toward their shareholders. But in more dire times—when they need a bailout—they suddenly become all-American companies in need of all-American support, often at the expense of their workers. And that is why we must rewrite the rules to redress this one-way relationship: if American taxpayers can bail out

American companies, then American companies can consider the needs of their employees and communities, not their shareholders alone.

Instead of maximizing shareholder value, companies need to rewrite their corporate charters so they

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value more stakeholders. In other words, let's reform corporate governance so that the mission of companies is to focus on workers and their communities, as well as shareholders. Senator Elizabeth

Warren has proposed an Office of United States Corporations within the Department of Commerce. She would require any corporation with revenue over \$1 billion—only a few thousand companies, but a large enough share of overall employment and economic activity—to obtain a federal charter of corporate citizenship.

This charter would tell company directors to consider the interests of all relevant stakeholders—shareholders, but also customers, employees, and the communities in which the company operates. This would shift the role of companies away from shareholder-focused entities to organizations with some responsibility to the country and its citizens who provide them with so many benefits. A company

that focuses beyond its shareholders to its employers and community is more likely to think of its workers as critical assets rather than disposable costs. It is also more likely to hold on to its employees longer, perhaps increase wages rather than cut them, and as a result strengthen the standing of communities and families across the country.

It's also important to address the level of taxes that companies currently pay. Corporate tax has fallen from more than a third of the federal revenue in 1945 to just 6 percent in 2018. Trump's radical cut to corporate taxes in 2017 was the most recent hammer-blow to exacerbate that decline. Therefore, if we are to raise taxes to pay for new social programs going forward, the first in line to pay a larger share should be companies that got a massive tax break so recently.

**UNIVERSAL BENEFITS**

Unlike most industrialized countries, the United States stands alone in not ensuring that all its citizens have health insurance coverage, paid leave, and access to paid sick days. In our country, for the most part, these benefits are options that large employers often offer; but they are not required. That changed to some degree

with the passage of the Affordable Care Act in 2010. Now, millions more people get health-care insurance even when their employers don't offer it.

Nevertheless, despite the progress that has been made, the nation's lowest paid workers are the least likely

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to benefit from those supports. Those workers are more likely to be people of color and women. We live in an upside down society where the highest paid workers get important benefits like generous health insurance and

paid leave—and the lowest paid employees get none.

The coronavirus makes this system not just immoral, but dangerous. Lower wage workers who don't have access to paid leave or sick days are likely to be forced into making a decision between their health and economic hardship. However, given the nature of this virus, each decision doesn't only affect that person. It affects dozens of people, and possibly hundreds—or even thousands.

When one person at a meat packing plant goes to work sick, he can infect everyone at the plant. And when everyone at that plant is sick, they can infect the food supply chain. This is

the risk we all share when we place the onus on the individual during a pandemic, but it's a risk that most directly impacts certain communities. As mentioned above, essential workers are disproportionately people of color; they are the ones often operating at the heart of our essential infrastructure, without access to adequate health-care or paid sick leave. And it is that structural inequity that means for risk to reach all corners of society, it likely will first permeate in these communities.

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That is why, in the face COVID-19, it is time for the United States to ensure that everyone has health-care coverage, paid leave, and sick days. We can do this in ways that respect the choice and pragmatism of the American system. Nevertheless, such a system can ensure that all workers get to see a doctor when they are sick, that they can stay home when they have symptoms consistent with COVID-19, and that they experience no economic penalty when they put their health and the health of other Americans first.

We have the ability to provide health-care coverage to all Americans, while at the same time ensuring that people can keep private insurance through their employer if they wish.

The way forward is Medicare Extra, a program that would set up a public insurance option via Medicare that would provide much more affordable healthcare, with coverage for dental, hearing, and vision, all with no deductibles and minimal copays. The plan would achieve universal coverage, be open to anyone, and would incorporate the ACA and other individual coverage. It would also allow people who work for large employers to keep their coverage if they chose to do so. For those who are uninsured, as well as those who are currently purchasing insurance through the Obamacare marketplaces, or who are Medicaid beneficiaries or newborns, they would automatically be enrolled in an improved Medicare program, one that would continue to cover seniors as well. And this system could be put in place for a fraction of the cost of Medicare for All.

But addressing direct health-care provisions is only part of the battle when it comes to workplace benefits. During a pandemic, we all have an interest in people not working when they are sick. Yet the opportunity to stay home and recover is a lot easier if you have access to paid sick leave—a benefit that 24 percent of U.S. civilian workers, or roughly 33.6 million people, do not

have, according to the federal Bureau of Labor Statistics.

This is why we need universal paid leave in the United States. The temporary paid leave proposed in the HEROES Act that passed in the House represents a start, but the magnitude of this pandemic demonstrates that if we want to protect all Americans in the future, we need to make this permanent. We should ensure paid time off for all workers to care for themselves or a sick relative. The same, of course, goes for the birth of a newborn or for an adopted child. This is also critical to ensure that, during a pandemic, people who are sick quarantine themselves.

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This proposed national paid leave program should apply to workers across the United States, regardless of their job or where they live. By doing so, we'll also redress the inequalities in a system where fewer workers of color have access to the security of paid leave than white workers do.

**THE CARING ECONOMY**

The virus can also reshape the social contract in terms of the kind of economic security we as a country offer every American. But it also must reshape the kinds of opportunity we offer them as well. We can do that

by changing the nature of the social contract so that the government has a real role in ensuring decent jobs for all Americans. At the beginning of the pandemic, Congress chose to supplement wages in the face of this crisis, but as we've seen the pandemic move from a short, urgent crisis to a longer catastrophe, stop-gap fixes have expired. Those in the Senate have refused to act with the urgency and the leadership this pandemic requires and, as a result, the economic situation for many Americans is getting worse. Therefore, we must fundamentally rethink our government's role in directly supporting jobs so that any future progress can be made permanent.

At the time of writing (September 2020), the current unemployment rate is still over double what it was prior to the onset of the pandemic. The way out of this economic depression is to create a fair, just jobs agenda, and to ensure that critical infrastructure, such as schooling, child care, and healthcare are robust enough to withstand long-term challenges. That means investing in a range of jobs that will make our economic recovery more secure. And in the long term, it means ensuring we better prepare for—and avoid—future national catastrophes. Both areas of investment will ensure that we maintain

demand through our recovery, which is central to revitalizing an economy that still relies on domestic consumption for a majority of its economic activity and growth.

In other words, we must inject support in the right places. We need to ensure that Americans can live without fear of losing their homes or losing their savings, and that state and local governments have the resources to play their part. The HEROES Act that passed the House does a comprehensive job in addressing those concerns. It maintains supplemental unemployment insurance of \$600 per week for Americans; it ensures a moratorium on small-business and non-profit debt collection; it provides for a moratorium on evictions and foreclosures; and it envisions a stimulus of almost \$1 trillion for state and local governments. In contrast, Senate Republicans have offered none of those provisions and, as a result, are gutting demand and economic recovery.

Their inaction is impeding a decline in unemployment and it stands in the way of intermediate goals that can support our economy and, in turn, support more Americans going back to work.

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The reopening of schools and childcare facilities, for example, are critical to ensuring that parents can work. But to safely do that, we must keep children more spread out; that means increasing staffing ratios by hiring more teachers and more childcare workers per child. The same is true for long-term care facilities. To be safe, we need wider distances between seniors and staff. That means more space between workers and more staff per senior. Ultimately, it means hiring many more people in the caring economy.

Caring jobs in healthcare and child care are disproportionately performed by people of color and women; boosting investments in the caring economy will likely ensure we rebuild back more fairly for all Americans. And as we invest more in childcare and in our schools, more educators per child will also mean a higher quality educational experience for children, which can improve outcomes well into the future.

Unfortunately, in the short term, none of these measures have been put in place. The Senate and the White House have jumped the gun by encouraging institutions to re-open without the necessary safety

regulations in place. As a result, we have seen a resurgence in cases. We have witnessed college campuses and high schools open and close because of outbreaks. We have seen the American health and economic recovery not only stutter, but regress.

If we are really going to bring jobs back then we have to get the basics right. We have to invest in Americans, in our small businesses, and in our local and state governments, and we have to ensure that we have the parameters in place so that schools and child care facilities—the gateway institutions to a fully thriving economy—can re-open safely and effectively.

We also have to ensure that the workers in the sectors that have been hardest hit have a robust recovery plan. While every sector has been hurt, the truth is that our economy is really in a service sector depression. So let's have a jobs plan focused on the service sector that brings people back into the workforce in a way that can ensure we are safe. After 9/11, we hired tens of thousands of transportation safety workers and created a whole new department to keep us safe. Now we have to think of another bold strategy for a new form of safety.

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The first thing we must do is to hire 200,000 new health-care workers for testing and tracing through a new "National Health Service Corps." We need to test 500,000 to a million people a day if we are going to effectively manage this virus over the long term, especially if, as many predict, it continues and grows

in the time ahead. New health personnel can contribute to testing on a massive scale and also do the detective work when it comes to contact tracing. As we've learned from previous outbreaks, contact tracing is a critical element of containing the virus; and with the large-scale racial disparity of virus impact—African Americans are over two times as likely to die from COVID-19 as whites—if we concentrate our hiring focus on those who come from communities hardest hit by the virus, then we can hire health personnel that have built-in relationships in these communities, stifling spread. Not only would such a program provide a vital frontline in combating the virus, it would put crucial paychecks in workers' hands, boosting demands for goods and services.

Second, we need a fleet of workers to ensure the safety of public spaces throughout the country. Many countries, including Israel, have been hiring staff to continually clean public transportation, public locations, and

frequently traveled locations. These workers ensuring our safety as we reopen through radically improving public sanitation deserve decent pay for the vital work they do.

**DIRECTING DOMESTIC PRODUCTION**

Job creation should, however, extend beyond those areas and address critical needs in production as well. During this crisis, Americans have experienced the vulnerability of a supply chain where market efficiencies have created too few producers of goods. For example, at one point near the beginning of the pandemic, testing slowed down because there was essentially one domestic producer of the appropriate swabs for the coronavirus testing kits. That translates to a world where more people die because we don't have adequate testing and, as a result, we don't have the ability to contain the virus.

This pandemic has exposed inherent weaknesses in an all-too-fragile globalized economy where huge demand spikes cannot be met within the United States. Domestic production is the only kind of production our country can really control. Throughout this pandemic, Trump should have used the

Defense Production Act to mandate that the private sector mass-produce the necessary arms in this fight. Where there has been no domestic capacity, the government should have created public-private organizations to do mass production of all the apparatus needed for testing, personal protective

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equipment, cleaning supplies, and all essential goods required for our country to protect itself and fight the virus. The government has set up companies before and it should have done so now.

With the recent resurgence of cases, those supplies are in desperate need. Instead, they are nowhere to be found because Trump did not do the work—and continues to not do the work. This action would have created new hiring opportunities for hundreds of thousands of Americans and it would have made us much more prepared to handle the virus. Now, we don't have those resources and we are paying for it.

Building resiliency also means working to avert future disasters. That's why we should build back in a way that puts people back to work but also addresses our climate needs. We have the opportunity to make changes now that not only move us toward a more sustainable model, but one that

is more robust and better equipped to handle future disasters.

Renewable energy is 100 percent domestically produced. It also doesn't generate the pollution that has sickened communities for decades with greater instances of asthma, lung disease, and cancer. Those communities are disproportionately communities of color and many of them are the ones hardest hit by the coronavirus. The connection between the effects of pollution and COVID-19 are real and the result of a system that does not value clean air and water as a right for everyone.

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A clean rebuilding of the country must increase public transit so that people can be spaced farther apart and not in close quarters. Put people to work retrofitting public buildings, workplaces, and elsewhere to be more energy efficient and resilient to extreme weather, build charging stations and the grid that's needed for renewables, and make sure these jobs are unionized with decent pay.

This crisis has also laid bare the supply-chain challenges of a global economy. To build for a stronger future, we must bring back the manufacturing sector to support a clean economy. Solar panels,

wind turbines, and batteries for electric cars can and should be built in the United States by workers supported by good paying, high quality jobs.

During the New Deal, the Roosevelt Administration's Civil Works Administration hired 4 million people in the space of two months, which would be roughly 10 million people in today's economy. FDR and his aides recognized that mass unemployment creates a downward spiral for demand that makes economic recovery nearly impossible. Workers belonging to the

Civil Works Administration (CWA) laid 12 million feet of sewer pipe and built or improved 255,000 miles of roads, 40,000 schools, 3,700 playgrounds, and nearly 1,000 airports. Numerous parks, public buildings, and projects were built that still form the cornerstones of communities—small, and large, rural and urban—around the country; New Deal projects like the Tennessee Valley Authority as well as the CWA contributed to American prosperity for decades to come.

What are the public investments we can make today to put people to work and address the needs of our country? One area is education. We can put people to work now to refurbish schools all around the country. But we

can go beyond that to imagine a series of new public universities to meet the growing demand for higher education in the decades to come. We can build a series of public universities throughout our country in rural and small town areas that haven't seen growth. Universities also create a positive economic growth cycle in these communities.

If we are willing to rethink our social contract so that our government has a responsibility to ensure decent work on an equitable basis for all Americans, we can better ensure a safer, faster, and fairer economic recovery and build up demand.

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**RACIAL INEQUITY**

In this moment, the free market fundamentalism that has captured so much of our national discourse will mean longer and greater economic pain and human suffering. It will also do nothing to address the racial inequity that has meant that some communities have been vastly more impacted by the coronavirus pandemic than others.

The protests on racial inequity in the United States in recent months have been prompted by police brutality and the unequal treatment of Black

Americans by law enforcement. Like the coronavirus pandemic, this is also a matter of life and death.

Legislation to address this injustice is critical. The passage of the George Floyd Justice in Policing Act in the House in June is a starting point, but

there is a long way to go on the state and local levels as well before we can make significant inroads into curbing police brutality.

If we are really going to implement systemic change and radically reconfigure the treatment of Black people in our society, then we must take action that is far more wide-

reaching. We have to recognize that inequity suffered by Black Americans is not a result of individual action or choice, it is institutionalized. The inequity is built into our system of governance. It is a system that has led to the typical white family having ten times the wealth of a typical Black family; it has meant that a typical non-college educated white household has more wealth than a typical college-educated Black household. Wealth remains highly concentrated along racial lines, and that has a run-on effect for people of color when it comes to accessible

and affordable healthcare, child care, and employment, not to mention the treatment of people of color in the criminal justice system.

A renewed social contract is morally compelled to work for all Americans, not least for those who, for too long, have suffered at the expense of others' prosperity. It is on the federal government to ensure economic recovery reaches every corner of the country, every community, and leaves no group behind.

**SOCIETAL RECONFIGURATION**

A new social contract provides new responsibilities for companies, individuals, and the government in a reformed compact that reflects the needs of a modern economy in the twenty-first century. It recognizes that forcing workers to work in a meatpacking plant without tests for the coronavirus, without resources if they are sick, without being supplied with personal protective equipment, is the modern day equivalent of Upton Sinclair's 1906 novel *The Jungle*.

Instead, we must rethink our economic relations with a shared perspective. That requires us to not only address the

challenges directly prompted by the coronavirus, but also the long-standing, underlying structural inequities that have exacerbated this crisis and forced some communities into a more precarious situation than others. When one American is forced to choose between her health and her livelihood, the

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pandemic makes that a threat to all of us.

This crisis has shown that the federal government cannot simply leave states to their own devices. A libertarian response is a failed response. It is one that would—and has—left families out in the cold, businesses unsupported, and hospitals scrambling in com-

petition with one another for supplies. It's what made the Senate HEALS Act, which planned to allocate precisely zero dollars to state and local governments—a moral and governing travesty. Collective, concerted action, across all levels of government, is vital. And this is not a new concept. When our country has faced its most pressing challenges in the past, an all-hands-on-deck approach has always proven to be the answer.

The Great Depression was the most catastrophic financial disaster our country had ever seen. From 1929 to



1933, America witnessed extraordinary hardship. At its lowest point, some 15 million Americans were unemployed, nearly one in four workers at the time, and half of the country's banks had failed. President Herbert Hoover encouraged the private sector to increase spending and he tried to pressure the Federal Reserve to cut interest rates. Yet he stopped short of any federal relief for the unemployed, ceding that responsibility to state and local governments. That libertarian approach only served to perpetuate the crisis as demand dropped and the economy spiraled downwards. It took a change in presidential administration and a deeply ambitious federal economic plan, a plan far beyond what the country had ever undertaken before—the New Deal—to finally turn the tide on the economic fallout. Roosevelt's actions show that at a time of such unparalleled crisis, the best course of action is for the federal government to step up and coordinate a response across the country. Today, we have an opportunity to build on the New Deal and create a new social contract that redresses the economic and racial inequality we've accepted for far too long.

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The Trump Administration has offered the precise opposite. Where we need a concerted national plan to fight the virus spread, we have 50 state plans with many based not on science, but politics; where we need a reliance on facts and evidence, we have a reliance on voodoo medical claims and conspiracies; and where we need competence and public-mindedness, we have incompetence and grift.

Perhaps, in November, we will see Donald Trump become the Herbert Hoover of our day. Not only may this crisis bring in a new president, but we could also see a new wave of progressive reforms in the face of a failed theory of libertarianism, the ideology of a dying era. The virus has highlighted glaring flaws in our current system. And what comes in its place must be a reimaged social contract that not only leads us into recovery, but paves the way for a new future. It must be one that reconfigures the relationship between government, corporation, and citizen; one that ensures that the spotlight on racial inequity does not dim, but instead leads to long overdue change; and one that presents a more fair and just way forward. ●