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The path toward the abyss: the dissolution of the old social pact, the emergence of new technologies, and the challenges for progressive policies

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There are at least three existential challenges to contemporary societies, as we know them, namely, first, the complete rupture of the social pact, which characterized Glorious Decades after WWII in most of Western societies; and second, the deepening of the patterns of informatization and 'intelligent' automation with the associated modifications in labor relations and mechanisms of social control. All that, third, is coupled with a climate crisis that might have well reached a tipping point toward a global ecological disaster. The end of the social pact went together with the ubiquitous diffusion of a neoliberal ideology, which poisoned all the domains of social and political life. This paper discusses such existential challenges, together with some urgent policy way outs.

Keywords: *Social democratic pact, Income and power distributions, Social conflict, AI-based technologies, Neoliberalism, Green New Deal*

JEL codes: *A14, P16, O30, Z13, Z18*

1 INTRODUCTION

There are at least three existential challenges to contemporary societies, as we know them, namely, *first*, the complete rupture of the social pact, which characterized *Glorious Decades* after WWII in most of Western societies; and *second*, the deepening of the patterns of informatization and 'intelligent' automation with the associated modifications in labor relations and mechanisms of social control. All that, *third*, is coupled with a climate crisis that might have well reached a tipping point toward a global ecological disaster. Here I shall briefly discuss the first, and even more briefly the second one, ending with some urgent policy implications.

2 THE 'SOCIAL DEMOCRATIC' PACT AND ITS END

It is useful to go back where it all began.

Once upon a time, in the aftermath of WWII, the three *Glorious Decades* were characterized by a high-income growth fueled in Europe by the reconstruction, and in the USA not only by military expenditures but also by infrastructural and social ones.

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On the technology side, the sustained rates of growth were based on the rapid growth of a few fundamental technologies, e.g., automobiles, petrochemicals, electrical consumer durables, capital equipment related to mechanized mass-production, and ‘Tayloristic’ productive processes. On the political side, the ‘Tayloristic’ workers themselves have been, despite profoundly different institutional arrangements across countries, one of main actors of some kind of ‘corporatist bargain’ involving some political commitment to full employment by the major Western governments, a more or less explicit indexation of real wages on productivity increases, associated with a relatively tight control of corporations upon labor processes guaranteed by the control of the trade unions upon the shop floor.

On the consumption side, the baskets for the majority of the population in developed economies were enlarged to include new durables and/or the substitution of durables for traded services (e.g., substitution of automobiles for public transportation). Notably, this enlargement was allowed by both rising income levels and the ‘corporatist arrangements’ on real wage rates: roughly, wages were fully indexed to productivity growth so that functional income distribution between wages and profits remained approximately constant.

Contextually, the smooth working of the forces endogenously generating aggregate demand within the ‘economic machine’ were allowed, among other things by what are sometimes called ‘optimistic animal spirits’, i.e., relatively high levels of investment generated both via the accelerator and autonomously, in relation to the opportunities offered by technical progress and new potential markets.

The ‘social elevator’ was working, not too smoothly, but it was working.

All this was part of most Western countries of an implicit or explicit *social pact*, which we could generically call a ‘*social democratic pact*’ or a *New Deal*. The pact, notwithstanding marked differences across countries, involved some complementarity among the objectives of *liberté*, *égalité*, and *fraternité*. Unions strongly guaranteed the foregoing patterns of income distribution. Full employment was a commitment of both the ‘left’ and the ‘right’. Health, education, and welfare, at least in Europe, were considered *universal rights* that the State had to provide.

Half a century ago, it would have sounded like a plain truth that the balance between public and private powers had changed in favor of the former (Shonfield 1965). In such mixed economies, even the provision of basically ordinary goods – such as steel or ships – in some countries was normally shared between public and private actors. Many European countries had agencies for planning their whole economies.¹ The generation of scientific knowledge was run as a *common*, even if the word was not used at the time.

The State itself for the first, and so far, the last time, had stopped to be ‘the managing board of the capitalist’ – paraphrasing Lenin – and became for a few decades a locus of mediation of conflicting interests. Part of this mediation was, among others, redistributive, highly progressive fiscal policies. Not everyone knows, for example, that with President Eisenhower, the highest marginal bracket on personal income was 92% and the tax on profits around 60%!

Of course, it was not all a rose garden. Conflicting interests were bound to persist. Nature continued to be considered – indeed at an accelerating rate – just ‘a source of raw materials and a sink for human waste’ (Brock and Taylor 2005). And, last but not least, deep inequalities remained. This is what, in the study by Dosi et al. (2025), we call the ‘moon vs the ghetto’ problem, using the vivid expression of Nelson (1977): the post WWII history showed that it has been much easier to send men to the moon than tackling

1. The French, for example, had indicative planning as a general principle for policies.

the problem of poverty and destitution of the ghettos. Still, the power of politics somewhat curbed the disruptive power of the unbridled pursuit of profits.

Such a 'glorious' socio-economic regime ended in most Western countries by the late 1970s or soon thereafter. There are many convergent factors, some of which we shall mention below. However, in my view, the major one rests in the very nature of its previous success.

Collective expectations rose more than proportionally with respect to the actual achievements, and social conflict intensified. Even some social democracy-inclined intellectuals began considering socio-economic setups 'beyond capitalism'. For sure, the ruling classes, and with them also a good deal of the middle classes, got scared and deemed all that as the demonstration that the social compromise could not work as a guarantee for the *status quo* to persist: better going back to the older liberal-authoritarian practices of the previous century. Indeed, acute if pessimistic analysts of capitalist social relations had diagnosed long before a fundamental clash between the latter and full employment conditions: see, among others, Kalecki (1943).

Soon after, the Soviet Union disintegrated and with it disappeared the silent threat that had provisionally tamed the greediest inclinations of unbridled capitalism.

Such a quick and profound socio-economic transition had been favored and, in turn, drove other major transformations.

First, most of the West underwent an accelerating *deindustrialization*, even if not by all countries and at the same rates – with the USA experiencing the fastest rates and Germany and neighbors the lowest – and China became the 'world factory' (more on that in Dosi et al. 2021).

This secular transition in the real economy, *second*, was not at all 'caused' but was certainly fostered by the so-called 'globalization' of the world economy. It started with *financial* globalization whose origin may be dated back to the end of the Bretton Woods system of international currency governance in 1971, later fostering the development of *global value chains* in production typically under the control of multinational corporations, in turn, owned by a few globalized financial giants.

The liberalization of capital movements clearly turned out to be one of the main drivers of instability and a precursor of financial and economic crises (Stiglitz 2002). In the 'real' (that is not solely financial) economic domain, global value chain distribution has resulted in an international division of labor that worked in favor of a few high-skilled workers and much more so of capital owners in both developed countries (where the middle class lost out) and developing countries (where factory workers are massively exploited), exacerbating inequalities and social divides. A large share of the value of international products and services is still created in establishments located in developed countries, while the low value-added phase of the production process has tended to be offshored (Timmer et al. 2014; UNCTAD 2018; Riccio et al. 2025).

All this yielded the progressive sterilization of the ability of single States to govern monetary and fiscal policies. Much more than that: the growing globalization has increasingly de-linked (a weakened) political domain and a (dominant) economic one and, with that, the de-linking between popular representation and the loci of decision-making, increasingly nested in an unaccountable international technocracy. This is at the heart of what Rodrik defines as the trilemma among globalization, sovereignty, and democracy (Rodrik 2011), in which the three cannot apply at the same time.

Third, the transition between the two socio-economic regimes is marked by a dramatic change in income distribution with a trend divergence between labor productivity growth and wage growth (Dosi and Virgillito 2019).

I mentioned above that under the *glorious regime*, the degree of indexation of wages to productivity was roughly equal to one. The rupture begins in the late 1970s in the USA,

associated with a longer term weakening of workers' unions, but it happened, although with different intensities, in all Western countries.

The growing gap between productivity and wages meant a falling share of wages in aggregated incomes and a symmetric massive growth in the share of profits. More in detail, inequality soared also in the distributions of wages themselves, with the lower tail even falling in real terms.

Within overall profits, the lion's share has gone to *financial* profits, first of all of sheer financial companies, from banks to private equities and asset managers, holding major property shares of the most important listed corporations and of utilities.

However, even 'real' companies – that is companies producing *something*, even if quite 'intangible' – have been experiencing unprecedented market capitalizations completely unrelated to the value and price of the products they sell. Their extremely high capitalization basically does not rest not on any 'market fundamental' – whatever that means – but on the speculative bets of financial markets.

More generally, a fundamental dimension of the rising inequality has been the rapid *rentification* of the economy and of society.

Concentration and 'monopoly capitalism' are well-known traits of capitalist development (Hilferding 1910; Sawyer 2018) – a stage of capitalism characterized by oligopolistic market structures and concentrated finance. However, what we call the 'rentification of capitalism' (Dosi and Virgillito 2019; Dosi et al. 2024) has recently acquired new disturbing dimensions.

The concept of rentification we use is much broader than the concept of financialization, which it encompasses. The latter properly refers to the changing balance between real and financial spheres of the economy. The former concerns the very mechanisms by which social product is generated and appropriated.

Rents have always existed – as per the 'law of rent' expounded by Ricardo (1821) – but have historically been considered a parasitic tax on the process of transformation of inputs into outputs: in Ricardo's example, capitalists hire workers to plant and harvest corn, but in order to do that they have to pay some share of the value added to the 'rentiers'. This is not to say that such forms of rent have disappeared. On the contrary, rents related to real estates and land have recently enormously increased. However, when capitalism becomes *rentified*, the processes of value creation and value extraction become increasingly de-linked. Indeed our notion of rent includes (i) not only the classic 'Ricardian' rents, but also (ii) most of financial returns, as they do not bear any link with production activity of any kind, but are simply the outcome of speculative activities, and (iii) the introduction of a 'price' for entities or activities, which previously had (almost) free access. The latter no longer relies on any production or transformation, but instead on three other processes, namely, *exclusion*, *commodification* of previously non-economic activities, and their *appropriation*. Therefore, rentified capitalism is a configuration of capitalism based on the progressive rentification of the spaces of the social fabric.

Drawing upon Dosi and Virgillito (2019) and Dosi et al. (2024), let me better define the three major mechanisms of rentification, namely:

- EXCLUSION: restriction of the rights to use previously non-rentified assets;
- COMMODIFICATION: pricing of previously non-market services and universal rights (health, education, justice);
- APPROPRIATION: creation of artificial scarcity by redefinition of property rights.

Exclusion works by creating fictitious value for physical and immaterial assets, stemming from limitations to accessing them. This is clearly the case of real estate rents. After all, an apartment in Manhattan and a house in the Bronx satisfy the same basic need; however, thanks to exclusion, their exchange values are dramatically (and increasingly) different.

Exclusion concerns, more generally, all positional goods and services (Hirsch 1976), where the value comes from the very exclusion of other potential users (e.g., visiting the Galapagos Islands alone).

Another major driver of rentification is the commodification of activities that were previously (fully or partly) outside the market domain: health and education are two major cases in point. In contemporary capitalism, digital appropriation in particular consists in the extraction and collection of individual immaterial assets (mainly data) with the aim of monetizing them. Together with appropriation, exclusion, and increasing commodification, today appears to make ever-higher claims on the total social product in the form of huge rents. Progressively, the concentration of property rights on rentifiable goods has been rising and, with that, the (private) appropriation of spaces has enlarged and therefore the exclusion domains have expanded.

A specific type of rent has dramatically grown over the past four decades, associated with Intellectual Property Rights. A tightening regime of IPR – often justified, with hardly any empirical support, as the ‘lesser evil’ fostering innovation – has been a major domain of commodification of knowledge, and with that its transformation into a major source of rent, quite independently from the generation of the novel knowledge itself.

Pharmaceuticals, which we analyze at length in the study by Dosi et al. (2023), is an excellent case to the point. The very history of the pharmaceutical industry highlights that there is no necessary link between the profits/rents accruing to monopoly capitalists, as defined here, and rates of innovation, and even less so between the latter and the appropriation of knowledge via patents. In recent decades, a tightening of IPRs has been associated with a *lower* number of breakthrough innovations. On the contrary, the explosion in patenting activity does not map into any corresponding growth in innovative activity. Pharma patents have increasingly constituted legal barriers to protect intellectual monopolies rather than an incentive and a reward to innovative efforts.

Still, this is the tip of a growing iceberg. At least, the pharma industry is supposed to produce something that is incumbent and new drugs. Conversely, an increasing share of ‘economic activities’ are extremely ‘information-intensive’ ones and basically concern the transformation of sheer information into marketable sources of rents: what else do Google, Facebook, X, etc. do?

2.1 And together comes a major technological revolution?

Relatively independently from the foregoing dynamics in the political economy of Western societies, the last half a century has seen the emergence of a constellation of information-based new technologies that increasingly interact with the socio-economic dynamics of the distribution of power and income in our societies.

This is not the place to discuss whether we are witnessing a ‘fourth industrial revolution’ (a few more remarks are in Dosi and Virgillito 2019; an argument for an affirmative answer is in Damioi et al. 2025). Whether it is a genuine revolution, we are certainly facing some major transformations.

First, ‘artificial intelligence’ is converging with standard computer-controlled automation of production. In my view, contemporary AI continues to be far from ‘intelligent’. Still, robots find it very hard to clean a toilet! More modestly, such convergence is deepening an older trend toward ‘leanness’ in the production system, which hardly represents a paradigm shift. Rather, the drive toward customization, reduction of inventories, elimination of bottlenecks, tracking of errors, intensification, and saturation of working time remarkably strengthens the first wave of ‘lean production’, which began in the late 1970s.

What might hint instead at a paradigmatic change concerns the massive collection and the use of information to achieve control over the details of the production activities of the workers and even their social life more generally. In this sense, *Big Data meets the Big Brother*.

In Dosi and Virgillito (2019), we discuss the archetypical case of the Foxconn factories in China, which are basically jails cum compulsory work. Reading the reports on the working conditions there (Ngai et al. 2015), one immediately thinks of Engels (1845) on the condition of the working class in England in the mid-19th century, but with a major difference. Nowadays, we have a sort of *old taylorism cum big brother*, which allows a much more detailed control over the entire life of the workers. Every factory building and dormitory has security checkpoints with guards standing by 24 hours a day. All employees, whether they are going to the toilet or going to eat, must be checked. Physical and verbal violence is systemic, and workers are harassed and beaten up without serious cause. Obviously no collective organization is permitted.

Another form of total control is that whereby the worker is basically an appendix of the machine that controls even the details of the physical movements of the workers. Amazon here is the archetype (see Stone 2022; Zuboff 2023; among others). Workers are monitored through various systems, including handheld devices that track their productivity. Maximum speed is required to pick, pack, and ship items. Workers are monitored through various systems, including handheld devices that track their productivity. Breaks even for vital functions are minimized. Failures to meet the targets might lead to dismissal.

Second, there is a fast emerging form of labor relation, which we could call *digital taylorism* (Dosi and Virgillito 2019), often centered in *platforms* which centralize information and deliver instructions. Think of Uber, Deliveroo, and the like. Here, typically, there is no workplace, and the mythology is that ‘you are your own boss’. In fact, this boils down to the transfer of the entrepreneurial risk from firms to workers with the transformation of the latter into fake ‘self-employed’, managed not by people but also by an algorithm that communicates with workers via smartphones. One straightforward consequence is the general disappearance of both collective and even individual labor contracts (which are sometimes reinstated only by the courts of law).

Third, even if artificial ‘intelligence’ is still rather stupid, it is very good at finding patterns and correlations (whether true or fake is another matter). By doing that, it can easily substitute human information processing (e.g., financial analysts, accountants).

More generally, and more frightening, it can easily support a system of *total social control*, not only of the details of individual behaviors of the entire population but also of their underlying inclinations, and indeed shape them.

2.2 Where will all this lead?

In the study by Dosi and Virgillito (2019), we dramatize the alternative and suggest that nowadays we are at a historical crossroad where one path might be like the film *Blade Runner*, – an age of medieval techno-feudalism governed by a plutocracy, which owns machines and robots, who enjoys high standard of living and nearly unlimited power, together with the most part of the population deprived of the benefits of technology and basically of the very citizenship status. The much more rosy alternative is that predicted (better, hoped for) by Keynes (1931), whereby new technologies could allow the elimination of the most brutish and alienating jobs, with much more free time and a much fairer division of labor and distribution of income over all the population.

Which road will be taken shall depend on the political processes, which of course impinge on the dynamics discussed above.

What is scary is that the incumbent patterns of development of the new technologies left to themselves (that is left in the hands of the mega oligopolies which master them), first, tend to further disintegrate and increase the ‘fluidify’ the social fabric; second, further worsen the balance of power between social classes; and, third, have already shown how dangerous they can be in the hands of irresponsible authoritarian elites.

Besides all this, an acute environmental crisis looms, which might be very near, or even past, its tipping point.

3 A NEW SOCIO-ECONOMIC ORDER? THE SCOURGE OF NEO-LIBERALISM AND ITS (UNRECOGNIZED) CHILDREN

All the foregoing patterns heavily converged in speeding up the dissolution of the ‘socially benign pact’ we sketched above.

So, for example, globalization and Global Value Chains have been accompanied by a dramatic reduction of the power of labor unions and an equally dramatic intra-national and inter-national distribution of income between wages and profits (More in, e.g., Mahutga et al. 2025; Riccio et al. 2025).

At another, complementary level of observation, rentified capitalism goes even beyond the creation of pseudo-wealth (Guzman and Stiglitz 2016) via speculation and sheer financialization (Epstein 2005), meant as an increasing penetration of financial motives and financial activities into the real economy, affecting corporations and individuals. The rentification of capitalism is inherently linked with dispossession from *social and economic rights*. Such dispossession is exerted on the rights to decent pay, rights to decent housing, rights to decent pensions, and rights to decent healthcare. ‘Rights’ are substituted by ‘markets’, even in everyday language (the ‘demand and supply’ for education, healthcare, and even justice ..., the ‘political market’, the supply and demand of political programs, etc.).

All that led to the surge and diffusion of a class of ‘capitalists-rentiers’, which a good share of the population has been forced to join, although in marginal positions, precisely because of the transformation of the ‘rights’ into marketable commodities (think of pension funds and private health insurances). In that, however, power has been and is extremely concentrated in a handful of international private equities and information-based oligopolists.

We have already mentioned the erosion of the power of political actors, in particular of the States, in terms of trade, monetary, and fiscal policies, with a crucial impact also upon their capacity to redistribute income via the tax systems and fulfill the above ‘rights’.

The States turned back to be the ‘managing board of capitalists’, with such frequent revolving doors between Wall Street and top political positions that probably were not observed even in Victorian times.

We have here all the ingredients for the *dissolution of the social democratic pact*, basically everywhere in the West, even if with different modes and speed.

Historically, scholars have distinguished varieties of capitalisms, in terms of the nature of the particular institutions governing production, exchange and income distribution, and the relationship between the State and the private actors (Boyer 2005; Hall and Soskice 2001; Hollingsworth and Boyer 1997). Thus, one identified proximate archetypes such as a (more market-based) Anglo-Saxon type, a (more ‘corporatist’ and politically coordinated) Continental model, and a Mediterranean one.

These different institutional types affected of course also the nature of the social pact, whenever present.

My conjecture is that these differences have dramatically declined since the neoliberal turn in the eighties, with a convergence toward the wildest form of capitalism.

Wage compression has invested all Anglo-Saxon, Continental, and Mediterranean capitalisms, and together the balance of power has turned everywhere in favor of the capitalist-rentier class. Financialization has spread everywhere, conquering domains previously pertinent to the State, such as welfare, pensions, life insurance, and health.

The quick transformation of the socio-economic regime came together and was legitimized by an overarching ideology, namely, *neoliberalism*, which, notice, is not just a set of economic policy prescriptions but also a *weltanschauung*, a philosophy (I am tempted to say a religion) covering all aspects of social life. It is much more serious than silly statements such as those on the free market society as ‘the end of history’ (Fukuyama 1992), a sort of petty Hegel having the climax of history in Wall Street.

The roots of neoliberalism rest in the most extreme economic theory, such as von Hayek and Milton Friedman, who were bred in the American rightist think-tanks, such as the Hoover Foundation, the Free Enterprise Institute, and the like. It finds formal grounds in the Chicago approach to economic theory, but diffuses as a metastasis on the entire culture and society. This is not the place to mention the plethora of absurd but formally sophisticated models apotheotic of the miraculous virtues of the unconstrained pursuit of profit (more generally, ‘utility’, however defined) concerning, e.g., sales of organs, suicide, torture, and marriage, basically all aspects of life. The normative message is that the best of possible worlds is one in which unbridled markets expand also in those domains which were previously ‘rights’, and with that all social relations become precarious and *fluid*. ‘Society does not exist, only individuals’ (M. Thatcher). ‘The State is not the solution but the problem’ (R. Reagan).

Egalité and *fraternité* disappeared from the collective objectives, and *liberté* was reduced to *economic* freedom. This also has become the ideology of a globalized elite, intolerant to any idea of nation state (except when sharing the militaristic drives of the imperial one, or dreaming of one that does not exist any longer).

I am not an expert of political sociology, but I continue to be astonished by the speed at which so many ‘progressive’ intellectuals switched coats, and with that how fast ‘*social democratic*’ and ‘democratic’ parties and unions betrayed, or at the very least heavily watered down their programs and demands, if any. And so comes also the ‘third way’ – the Blair, Clinton, the ‘second’ Mitterand, Schroder, Holland, and the rest.

We could call this ‘neoliberalism with vaseline’.

In any case, the (ex) center-left fully took up the responsibility of the social failures of neoliberalism itself. Income and wealth inequalities have exploded. The ‘social elevator’ of educational mobility basically stopped everywhere. The general expectations of a better life ahead worth to be conquered, which characterized the baby boomer generation, quickly cooled down and turned into the general resignation to a worsening future by the subsequent generations. Working conditions for a significant part of the population became more precarious (see also below), together with a shrinking relatively well-paid, industrial working class, and an equally shrinking middle class of well-paid white collars.

With that, the uncertainty and a collective perception of fear grew, quite independently from any objective threat (it is striking in this respect to compare in most Western cities the perception of the rise in crime rates with the actual ones, which generally actually fell).

The (ex) center-left does not seem to be aware of any of that. It comfortably flirts with the globalized elite I mentioned above, and equally comfortably with its ‘meritocratic’ discourse, which at the end boils down to the notion that the only task of public policies is to offer ‘fair’ initial conditions to everyone. Hence, if you succeed or you fail is your business: again, a sort of vaseline version of Victorian Darwinism. Personally, I cannot

understand this masochistic stubbornness. As B. Sanders put it, ‘the democratic party has betrayed workers, and the workers have left the democratic party’. In Italy, only 7% of the blue-collar workers vote for the democratic party.² It is easy to conjecture that the degrees of fidelity are inversely proportional to the degree of betrayal.³

However, the general political problem here is that we still have universal suffrage: despite a growing percentage of non-voters, there are too many citizens who continue to fail to identify in the idea of one own self as the ‘median’ anonymous consumer/voter/citizen/... who maximizes its randomly acquired preferences in anonymous economic or ‘political markets’. This idea of *homo economicus* expanded to become a general anthropology of human beings, but this exists only in the imagination of economists and neoliberal political scientists.

Indeed, humans are much more socially embedded than neo-liberals ever imagined. In this social and political void comes a rampant extreme right. In terms of economic policies, it is in total continuity with the neoliberals, even more extreme: the electric saw against public agencies is shared by Milei and Trump. However, the *authoritarian liberalism*, if I am allowed the oxymoron, reintroduces its perverse notion of *fraternité*, of collective identity.

Once upon a time, there was a ‘us’ (for example, us the workers) and a ‘them’ (for example, the capitalists). Margaret Thatcher and the neo-liberals told everyone that society does not exist but only the individuals do, and they interact in markets, even world ones. However, this is a story that cannot fly for a long time. Humans, that is all of us, have intrinsically distinguishing social identities, a ‘we’ – possibly more than one, but certainly not anonymous bundles of solipsistic ‘preferences’ – and a ‘them’. Nowadays, the ‘we’ might be the ‘true Americans’, as well as the ‘true Italians’, or the ‘true Germans’. ‘They’, those responsible for the collective frustrations and fears are ‘the others’: the immigrants, the ‘diverse’ (also sexually diverse), the enemy from within (the communists, the *deep state*, the dissenters of whatever kind). All of us should re-read Umberto Eco lectures on *Ur-Fascism*, the Eternal Fascism. Between ‘us’ and its leader, there is an almost mystical union, in which the popular investiture – no matter how achieved – goes well beyond all constitutions, democratic checks-and-balances, independent judges, and all representative democratic institutions, which in fact are burdens and obstacles to the salvific virtues of the new regime.

And the contemporary tragic paradox is that the international neoliberal elite seems just able to answer with a reckless and suicidal call to a pathetic re-armament in an age of nuclear exchanges, which obviously are bound to have no winner.

Authoritarian-liberalism has won in some Western countries and got significantly stronger in others basically because there is no opposition able to re-discover the centrality of *égalité* and *fraternité*, while redefining the notion of *liberté*. The latter is *not* only *economic* freedom – which on the contrary has to be collectively managed, regulated, and curbed – or freedom of expression – which of course must be religiously defended, against both political interference and fake news manipulations – but also freedom from poverty and destitution, freedom from the insecurity in the domains of health, education, income, and simply the freedom from the fear of the future and the fear of (unidentified) ‘others’.

2. In France at the first round of the last elections 57% of the workers voted for the far-right and so did 50% of the workers in Austria (cf. Rydlinski 2024).

3. Indeed, in most European countries, the sense of belonging of workers to the working class did not dramatically fall. See, on Germany, Westheuser and Lux (2024). What fundamentally happened has been the profound mis-matching between the programs and practices of the center-left parties, on the one hand, and the actual or perceived interests of the workers, on the other: see Westheuser and Lux (2025), on Germany again, and the survey of the general evidence in Bandau (2023).

This whole scenario represents in itself an existential challenge to the whole socio-economic fabric as we have known it. However, this unfolds against the background of another major social challenge and another major looming doomsday.

4 WHAT TO DO IN THESE TIMES OF EMERGENCY? SOME DIFFICULT BUT URGENT PROPOSALS⁴

4.1 Rediscover social conflict

The economic and political elites have not disappeared. If anything they have become more concentrated, more cynical, and more reckless. It is high time to return to identifying ‘them’ as the enemies of any notion of *égalité* and *fraternité*. Together, one has to put back at the center of any progressive political program universal rights – which are *not economic goods* – such as health, education, freedom from poverty, and human dignity. We urgently need to redress the power balance between social classes and reverse the current explosion of inequalities. However, all this cannot be achieved without conflict. It is time to stop believing in the neoliberal fairy tales.

4.2 Bring back the loci of political decisions to the representatives of the people affected by the decisions themselves

After all, the American Revolution started on the slogan *no taxation without representation*: citizens must have the duty of paying taxes, but have symmetrically the right of deciding how these revenues are spent. On the contrary, the growing political and economic globalization has increasingly de-linked (a weakening) political domain and a (dominant) economic one. With that, especially in Europe, we witnessed a striking de-linking between popular representation and the loci of decision-making. An international technocracy without any political legitimacy claims to ‘know better’ because it has self-proclaimed to be more competent and more far-sighted. An outstanding example is the Draghi Report (Draghi 2024), but the story is longer. So we have in Europe a currency without any corresponding representative power on monetary and fiscal policies, and we risk even having an army with an unknown political command.

4.3 Militarization and war are not a way out, but just a shortcut to the abyss

The weakening of a hegemonic empire often drives toward a ‘Thucydides trap’:⁵ hit whatever real or imaginary enemy the moment you perceive to have a temporary advantage. All this is just irrational in a time of assured mutual destruction but also masochistic and stupid if undertaken by someone with no actual retaliatory capability such as the European Union or some countries thereof. European countries do not need any rearmament, most likely associated with further cuts in welfare, health, and research expenditures, but rather an ambitious New Green Social New Deal (an advocacy along these lines, unfortunately only in German, is in Tooze 2025).

4. In the following, I present only the major headings. A few more operational details are in Dosi and Virgillito (2019) and Dosi et al. (2025).

5. The expression, coined by Allison (2017), refers to Thucydides’ analysis of the Peloponnesian War as triggered in Sparta (the hegemonic power at the time) by the fear of the rise of Athens. The analogy refers nowadays to the USA and China. No doubt that the repeated emphasis on it adds to the risk it becomes a self-fulfilling prophecy.

4.4 Introduce a vast and socially just ‘Green New Deal’ with the urgency of a war

Wars, in any case, are too serious a business to be left to ‘the markets’. The USA, not more than three months after Pearl Harbour, had become nearly a centrally planned economy. Urgent political, military, and social tasks abhor economists and their cost-and-benefit analyses. On the contrary, objectives must be achieved at all costs. Full stop.

Revealingly, when Nixon decided to massively finance the National Institute of Health (NIH), he declared *war on cancer*. That was the most natural way of making a leap forward in collective health without any pathetic economists’ intrusion.

It is high time to *declare war on climate change and social inequalities*, with the same urgency as a conventional war. There is no trade-off between the two. On the contrary, the roots of the former are the highly exploitative trajectory toward nature, which are also at the roots of the latter. This is indeed the only war worth fighting.

4.5 Someone has to pay for all this, and it must be ‘them’

In the neoliberal discourse, taxation is evil, rarely a necessary one, most often a drag upon much more useful market-driven allocation of resources. And in any case, if any one earned more, it must mean that he deserved more. Hence, not surprisingly, the progressivity of tax rates has dramatically fallen in all Western countries, going hand-in-hand with the marketization of previously considered ‘rights’. It is high time to reverse all that. This is a win-win policy even for ‘liberal’ individuals facing social interdependencies and ubiquitous interactions (wherein of course wealthier members are bound to contribute more than proportionally to their privileges). An extremely sharp argument along these lines is in Stiglitz (2024): the road to freedom goes through a reconstruction of an inclusive, more just, sustainable social fabric.

5 WHO WILL DO ALL THAT?

This is the dramatic question to which these notes have no answer.

Indeed, the identification and nurturing of the actors to these momentous tasks is likely to be the hardest step.

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