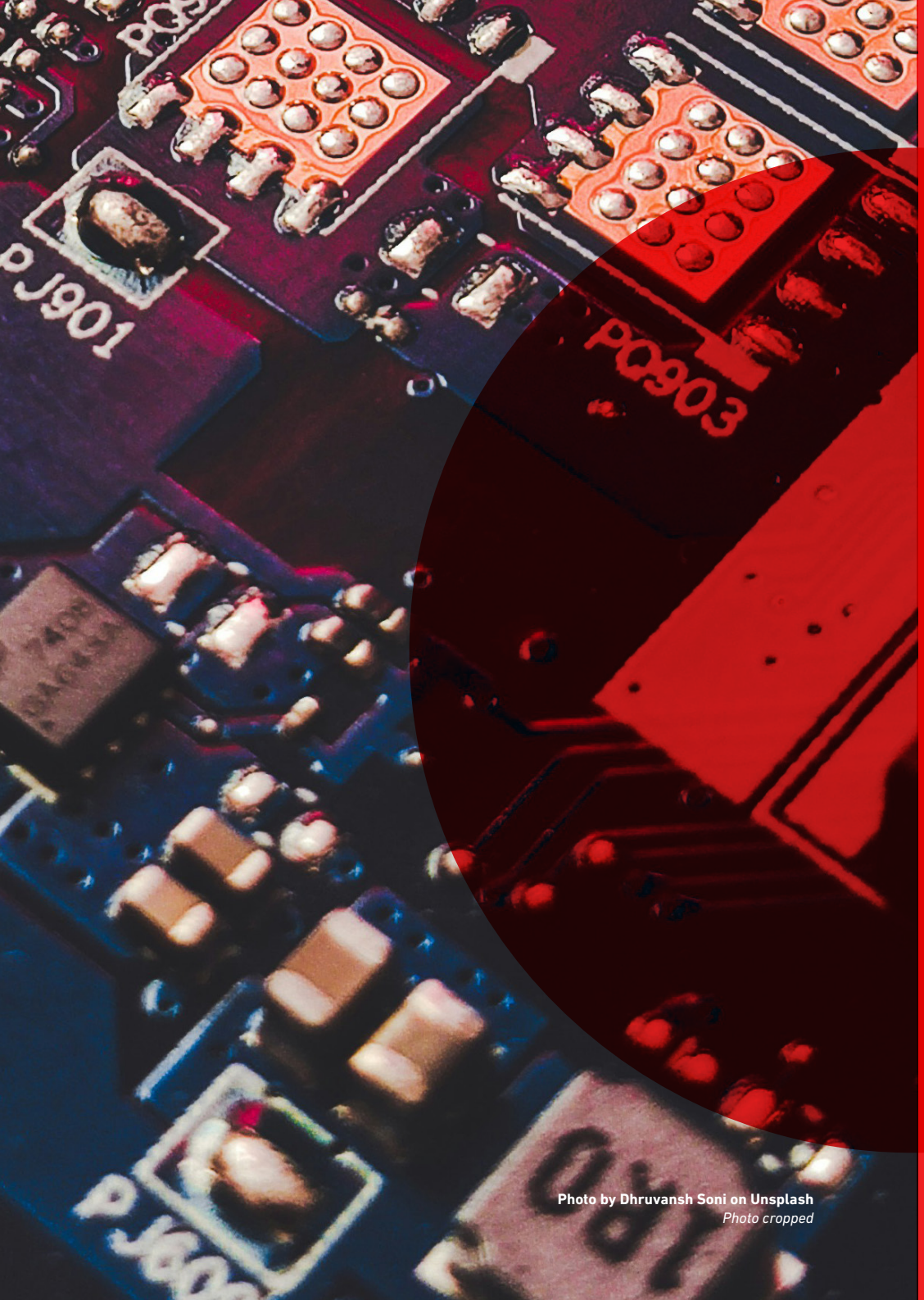


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International Social Contract

Social Mobility, the Social Contract, and the Tech Industry in the United States: Modern Policy Problems Require Modern Policy Solutions



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EXECUTIVE SUMMARY

There is a growing sentiment in the United States that social mobility has a hard cap, that the highest rung of the modern social order is simply unattainable. Residual issues in social mobility have been underaddressed by American politicians for decades, and populism has filled the gaps in their complacency. The current administration has pointed the finger at immigration as the real blocker of social mobility, but that is a contributing factor at best. While the tech industry has helped to abate or dampen social mobility conversations for some time, simply by nature of its perceived existence as an uncommon intragenerational enabler of upward social mobility, that field has seen a slowdown in hiring following the release of various generative artificial intelligence (AI) systems beginning in November 2022, in concert with a post-pandemic lull. Democracies should learn from the mistakes of the US case: decouple healthcare access from employment to lower the risk floor for would-be entrepreneurs, lower antitrust notification thresholds for dominant firms to slow killer acquisitions, and invest in reskilling infrastructure similar to Trade Adjustment Assistance. Without these, the next 5–10 years risk locking in a labour market in which AI-driven productivity gains accrue almost entirely to capital, hollowing out the middle-tier occupations that have historically underwritten upward mobility: and with them, public faith in the social contract itself.

INTRODUCTION

Over the past few decades, the United States (US) has seen an upward trend in perceived lack of social mobility: even within the past decade, the shift has been stark. The "American Dream", a common, layperson's term for domestic American upward social mobility, has increasingly been seen as "out of reach", rising from 17% to 30% of total Pew respondents in just seven years (S. Smith, 2017; Borelli, 2024). This perception is shaped in part by two findings: that many Americans underestimate overestimate social mobility (Chambers, Swan and Heesacker, 2015), and that upward mobility has substantially decreased since the post-World War II era (Chetty et al., 2017). Legislators and policymakers have failed to meaningfully change or reverse this trend in perception, despite it being a common topic of political conversation. President Trump's political durability is then consistent with empirical literature linking perceived downward mobility to populist support (Protzer, 2021; Kurer and Van Staalduinen, 2022; Liñeira and Rico, 2025).

A not-insignificant part of the modern social contract is the given that the systems in place must provide adequate social mobility: while governments do not possess a direct policy lever to accommodate this, almost anything that a government does indirectly affects social mobility in some small way. Notably, "floor" policies that provide social safety nets increase the sort of risk-taking behaviours that enable social mobility (Hombert et al., 2020; Wang et al., 2025). But countries with these floor policies are often accused of stagnating, of not being innovative enough, even though that understanding is not well-supported in the literature (Hajighasemi et al., 2022). The US in particular is often criticised for a lack of effective social safety nets despite its social spending (Adema et al., 2014). In its private sector, OpenAI spearheaded much of the research and development for

the current focal point of tech innovation, generative artificial intelligence, emerging onto the larger public scene with ChatGPT in November 2022.

Since the development of generative artificial intelligence is so tightly knit with the field of software development (or software engineering), software development becomes a useful case study in understanding the effects that artificial intelligence is having on the labour market as a reflective effect. For some time following the Great Recession in 2008–2009, in most developed and developing markets, software engineering was often viewed as a guaranteed path to reliable middle-class living in labour markets that had far stricter requirements for jobs of similar social mobility (e.g. lawyers, doctors, etc.) (British Computer Society, 2018). However, in more recent years, post-pandemic hiring patterns have struggled to fully rebound following the initial post-lockdown demand shocks and the overall number of software development jobs has flattened or even declined in some markets (Nezaj, 2024).

Taking the market of the US, we can see a number of different pre-existing effects, including: lower social mobility due to market competition (and market concentration in turn), lower social mobility owing to high levels of income inequality, and lower social mobility due to higher social inequality (Wilkinson and Pickett, 2010; Mitnik et al., 2016; Bukodi and Goldthorpe, 2018; Pechdin et al., 2023).

THE CASE OF THE UNITED STATES

Many in the tech sector have long speculated that generative artificial intelligence has had a dampening effect on the labour market, at least in the field of software development, and a March 2026 Federal Reserve Board staff paper supports this, though its authors note that coder employment continues to grow, just at a markedly slower pace than pre-2022 (Crane and Soto, 2026). Firms in that line of business aiming to grow their productivity are looking at making their teams more efficient by incorporating AI into their workflows, rather than increasing headcount. This is happening in tandem with increased post-pandemic offshoring driven in part by increased remote working patterns (Erickson and Norlander, 2022).

While the US has enjoyed strong growth in the tech sector in past decades, domestic component manufacturing is notably not a part of this (despite the incumbent administration's attempts to turn that around), and subsequently, the innovation track has offshored along with it. As component manufacturing is the downstream source of much innovation in the tech sector, it should be no surprise that the decades-later effect of offshoring has led to economic returns for China and Taiwan among others, that the talk of this year's CES (formerly Consumer Electronics Show) was how advanced China's electric vehicle and renewable energy production has become.

For US-based start-ups, a perspective has changed concerning "making it big" in the tech industry: while at one point building sustainable businesses was the goal, today's start-up industry is largely based around being acquired. The share of start-up exits that were acquisitions rather than initial public offerings (IPOs) jumped dramatically over recent decades, from barely 10% in the mid-1980s to nearly 90% in 2019 (Ederer and Pellegrino, 2023). When this acquisition-exit model dominates, the wealth generated by successful start-ups flows disproportionately to a small set of incumbent acquirers, founders, and early investors clustered in a few metropolitan areas, rather than being distributed across the broader public shareholder base that an IPO would create (Feldman et al., 2021). This is complicated by many firms seeking to stifle competition by acquisition and taking the product off the market, so-called "killer acquisitions"

(Cunningham, Ederer and Ma, 2021). Employees wait longer for a payout too: as start-ups postpone exits, their equity stays illiquid unless the company arranges a tender offer (Broughman, Wansley and Weinstein, 2025). These structural shifts in how start-up wealth is distributed compound the labour-market squeeze described above.

This is ultimately a one-two punch as the labour market slows in the generative artificial intelligence era: not only are current start-up ventures seemingly locked out of reaching the highest echelons of the economic order, but fresh job-seekers to the field are having trouble finding an entry point. Even mid-level and senior tech workers are experiencing difficulty pivoting between jobs, where this was once quite normal. This is all happening in the field that was often viewed as one with some of the highest social mobility.

For minority groups, the tech industry especially was often seen as a reliable path for upward social mobility, despite heavy gender- and race-based biases in that industry (Neely et al., 2023). That is, regardless of social inequality persisting through the tech industry, there was, at least previously, still a general optimism about upward social mobility. Amid the current immigration conversation in the US over the past year, this optimism about the American Dream more broadly has shrunk at least with regards to its mechanism: that while the aspiration still remains amongst immigrants, the translation of hard work into social mobility is viewed with increasing scepticism and difficulty (Sanchez and Lopez Amaya, 2026).

As a final note, tech scepticism, or hesitancy in tech adoption (especially as it concerns AI), is growing in the US. It seems likely that this hesitancy is growing due to a number of factors: the perception that major tech companies have financially aligned with an administration whose commitment to democratic norms has been widely questioned; scepticism about whether business leaders are engaging earnestly with the public; and the speculation that some companies are embracing artificial intelligence primarily as a tool to save on labour costs (though firms argue these moves reflect productivity reallocation rather than displacement). As an example of that final point, Microsoft, one of the most vocal public AI proponents, undertook several layoff and restructuring cycles in 2025, cutting more than 15,000 jobs, while committing $80 billion to AI infrastructure; its chief executive acknowledged the "seeming incongruence", and some employees publicly said the cuts had damaged their loyalty to the firm (B. Smith, 2025; Nadella, 2025; Novet, 2025). Public hesitancy is growing at a time when stock market gains are increasingly underwritten by AI speculation and at a time when the cost of living is at the forefront of most American minds, being a primary concern in the previous election. There is considerable doubt that AI speculation can alone continue pulling along an economy that otherwise shows some signs of weakening. Erosion of public trust in the AI-tech complex is itself a mobility signal: when the dominant growth sector loses legitimacy, the perceived ladder to it loses rungs as well.

RECOMMENDATIONS

Firstly, governments need to ensure *effective* safety nets exist in their markets, so that risk-taking behaviours are encouraged. In the US, this most obviously looks like a lack of a universal public healthcare option, but even keeping private healthcare options feasible is a better solution than an otherwise completely private free market. We can see that policies like the Affordable Care Act (ACA) were positive drivers of entrepreneurial growth, as long as those potential entrepreneurs had faith in those safety nets (Blume-Kohout, 2024). Of all options available to the US, decoupling private health insurance from employment is probably most feasible, owing to political constraints and

expanding on principles established in the ACA. Encouraging risk-taking also looks like ensuring reskilling options exist, that workers can quickly pivot if their own interests change or if the labour market fluctuates, as with the advent of artificial intelligence. The former Trade Adjustment Assistance (TAA) programme from the Department of Labor could be revitalised to focus on AI displacement. That programme worked to retrain and provide income support for workers displaced by foreign trade and could straightforwardly be repurposed. Evaluations of TAA itself have found modest earnings impacts, suggesting that any AI-displacement variant would need stronger design than its predecessor. Some look at artificial intelligence as a potential reskilling tool itself, but more research needs to be done as to its reskilling efficacy before policy conclusions can be drawn.

Secondly, governments need to be cognisant of merger and acquisition activity, and how loosened antitrust regulations drive spillover issues. For a few decades now, antitrust has been relatively weak in the US: the Federal Trade Commission (FTC)'s 2021 study documented a systemic pattern of acquisitions falling below the Hart-Scott-Rodino (HSR) notification threshold, prompting calls from then-Chair Khan to reconsider those thresholds (Federal Trade Commission, 2021). Lowering this requirement for dominant firms could be a way to at least slow down some of the most frequent conglomerators. Since some of these below-threshold bids are intended as "killer acquisitions", the increased market competitiveness is good for the consumer market, as well (Cunningham, Ederer and Ma, 2021). After all, the economic viability of a product does not need to completely preclude the consumer value of the product, but in an environment where owner social mobility is determined by oligarchic competition, it is often the only perceived choice. Critics counter that aggressive antitrust would chill venture capital by removing the dominant exit route; the response is not to ban acquisitions but to scrutinise the subset that demonstrably reduce competition, which is what lower notification thresholds enable. Protecting these downstream markets also partially safeguards against innovation offshoring. As for artificial intelligence, we see that there are considerable risks to fully offshoring component manufacturing, as the domestic consumer market for computer parts has skyrocketed in response to heavy industry demand.

Lastly, governments need to ensure that social inequality across the board is addressed. While this is complicated and certainly has many moving pieces, the US has traditionally been a poor driver of social inequality solutions, and has as recently as last year repealed many initiatives attempting to correct this. For the US tech sector, fixing this can look like ensuring training programmes and education are evenly available, expanding demographic access to technical fields. If domestic manufacturing is to make a return, there is a good case to be made to prioritise this sector. Since this field was looked at as a somewhat unique enabler of social mobility, with that door seemingly closing due to AI, already marginalised communities may feel that they have access to fewer options. This is the potential cost of not properly addressing underlying issues: that someday the market may change and a socioeconomic crutch that a government and its people have been relying on may disappear without warning.

The three recommendations above are calibrated to US conditions, but each has analogues elsewhere. The UK has long decoupled healthcare from employment via the National Health Service (NHS), removing one major barrier to entrepreneurial risk-taking, but England has simultaneously significantly cut its further education and adult skills infrastructure since 2010, with college funding per student in 2025–26 around 8% below 2010–11 levels in real terms and classroom-based adult education spending projected in 2025–26 at roughly 54% below 2010–11 levels (Farquharson et al., 2026). The European Union (EU) has gone further than the US on antitrust through the Digital Markets

Act, which entered into force in 2022, requiring designated "gatekeeper" platforms to notify the Commission of all intended acquisitions in the digital sector: a direct attempt to close the killer-acquisition loophole that the FTC's 2021 study identified in the US (Carugati, 2022). East Asian democracies often have strong industrial policy and component manufacturing, but overall weaker labour market floors. The lesson is not that other democracies should copy US policy instruments, but that they should audit their own three pillars (risk floors, market concentration, and reskilling capacity) against the pace of technological change, because the US case shows what happens when any one of them is allowed to erode.

CONCLUSION

Despite the fact that many of the policy measures discussed here are known and well-researched, we can look at the state of the tech industry in the US as the cost of not implementing them, or in some cases the price of never having implemented them. The stagnation of that sector's labour market, despite an ever-increasing labour supply, shows how lack of governmental support for social mobility in favour of the free market has stifled the equation on the labour side.

It is not teleological or otherwise preordained that new technologies must replace labour. Earlier general-purpose technologies including electrification and computing eventually expanded employment by opening new categories of work, and there is a reasonable case that AI will do the same. But two caveats matter for policy. First, those earlier transitions unfolded over decades, and the workers displaced in the interim were largely not the workers who benefited; the long-run optimism offers little to a budding software engineer locked out of the field in 2026. Second, even in the most favourable historical cases, the gains were distributed unevenly. This brief is fundamentally about distribution and mobility, not aggregate employment, and on that question the historical analogy offers less reassurance than it first appears. Lack of adequate market protections can lead to labour's share of the business being sacrificed to capital (Acemoglu and Restrepo, 2020), and a weaker labour class will lead to greater income inequality and lower social mobility regardless of what the aggregate jobs number eventually settles at.

Without intervention, the next decade points towards a tech labour market in which entry-level paths narrow further, mid-career mobility stalls, and the wealth generated by AI flows to a shrinking set of incumbents. The social contract does not break loudly; it erodes through accumulated disappointments. Democracies that wish to avoid the US trajectory have a narrowing window to act.

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