Exposing Vulnerabilities to Improve Decision-making

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The 2010 World Summit on the Millennium Development Goals did not produce the 'acceleration' required to achieve by 2015 the minimum social development goals agreed upon in 2000. However, the leaders did add to their toolbox of internationally agreed language the concept of a 'social floor'.

Paragraph 51 of the Summit outcome document states that:

> *We consider that promoting universal access to social services and providing social protection floors can make an important contribution to consolidating and achieving further development gains. Social protection systems that address and reduce inequality and social exclusion are essential for protecting the gains towards the achievement of the Millennium Development Goals.* (UNGA 2010)

Until now, the strategies promoted to achieve the MDGs required attention to be focused on the 'bottom billion' – and, thus, the tools of choice were the focused delivery of social services or cash transfers to the 'poorest of the poor'. In contrast, the Summit outcome document introduces a new balance with emphasis on the reduction of inequalities and universal access. The experience gathered by Social Watch from the reports of its national coalitions around the world has indeed confirmed British economist Richard Titmuss' conclusion that "services for the poor end up being poor services" (Titmuss 1968).

In fact, analysis of the long-term evolution of the Human Development Index, computed by the United Nations Development Programme, or the Basic Capabilities Index, computed by Social Watch, both show that the progress of social indicators was slower in the first decade of the 21st Century than in the last two decades of the 20th Century – and this despite rapid economic growth in all regions of the so-called third world between 2000 and 2008. Thanks to a combination of abundant capital and high commodity prices, the economies of developing countries boomed. However, tax holidays and international rules imposed by trade and investment agreements curbed the ability of national governments to impose conditions on investors, such as requiring them to use local inputs. The resulting growth did not generate enough jobs or significant poverty reduction. Instead, disparities increased around the world, in rich and poor countries. In this context, assistance targeted to the poorest of the poor, while welcomed, by itself does not produce development, jobs or sustainable poverty reduction.

It is hoped that the notions newly endorsed last September, at the highest level, of universal social services and a social floor will provide a renewed consensus to defend the social sectors, which are under threat in so many countries. But, to be meaningful, these notions require the setting of minimum standards of what such a social floor could be at a certain time and in a particular social context. The Millennium Development Goals and the different targets associated with them can be read as a step towards setting these minimum standards at the global level: all births should be assisted, water and sanitation should be available to all, no child should be left out of primary education… a list to which the MDG Summit last September explicitly added 'productive employment and decent work', in recognition of the fact that creating jobs is indeed the best anti-poverty policy.

Europe actively promoted the social floor idea at the World Summit, and this is consistent with the mandate of the Lisbon Treaty, which states that "[European] Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty".

To put this principle into practice, the standards of the social floor have to be identified and defined. Minimum universal standards should be consistent with the notion of 'dignity for all' enshrined in the Universal Declaration of Human Rights and should certainly be higher than the 'one dollar a day' (currently $1.25, to adjust for inflation) standard set by the World Bank as the threshold of extreme poverty, initially defined as the minimum income needed to feed a person.

The definition of what is essential for a dignified life changes from one society to another and over time. To be consistent with what it preaches abroad, Europe needs to define its own European 'social floor' and formulate policies to achieve it. Some European diplomats have pointed out to representatives of Social Watch in informal discussions that the demand for such a minimum European standard – which is certainly going to be higher, much higher than any global floor – in times of crisis and scarcity could distract attention and resources away from those who need it the most in the South. The experience of Social Watch has been the opposite: Those that defend social expenditure at home are most likely to defend the development cooperation budget, which is only a tiny fraction of the funds spent on health, education and social security.

Social budgets are under threat worldwide. Trillions of dollars were urgently mobilised to rescue the financial industry and save the richest economies of the world from a second Great Depression, similar to the one of the 1930s. The G20 elevated itself from an obscure forum of finance ministers to a regular summit-level gathering, self appointed as the "premier forum for international economic cooperation", and initially agreed on the need for urgent and massive state intervention to stimulate economies (G20 2009). The Social Watch International Report of 2009, titled 'People First' (Social Watch 2009) analysed the social cost of the multiple crises and endorsed the conclusion that the stimulus packages worked best when it was channelled, mainly to the poor and vulnerable (as was the case in Brazil and China), while money put in the hands of financial corporations or already well-off individuals was saved or helped build assets in prevention of further economic contractions. It is not that the poor have a better understanding of the global economy or are more motivated to rescue the system, they just have no option other than to spend. And, thus, the ethically right thing to do matched what was economically sound – at least for a while.

As soon as the financial sector was back making money in late 2009 and early 2010, voices of concern began to be heard about the increasing level of government debt, which was accumulating rapidly as a result of the rescue and stimulus packages. Economists were no longer unanimous, and while some, including Nobel Prize winners Joseph Stiglitz and Paul Krugman, argue that even more money should be thrown into the economies than what the Obama administration and others are doing to fight unemployment rates in the double digits, others worry about unsustainable debt levels and call for cuts to government spending.

Research done by UNICEF, headed by Isabel Ortiz, using fiscal projection data published by the International Monetary Fund, found that a significant number of countries are expected to contract aggregate government spending

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in 2010–2011 (Ortiz et al. 2010). This is of concern, both in terms of GDP (44% of the sample countries are tightening) as well as the real value of total government expenditure (the real value of GDP is expected to contract in 25% of the sample countries). The research identifies common adjustment measures considered by policy makers, such as wage bill cuts/caps, reducing subsidies and targeting social protection, and highlights their potentially negative social impacts. Children and mothers are among the most likely to be hurt.

In times of economic contraction, individuals frequently postpone consumption expenditure to a later time. The money saved earns interest and allows for expenditure in the future. The expected advantages, one of which is the interest received from the banks that use the saved money, exceed the frustration and disadvantages of not consuming in the present.

Governments make similar choices when they cut their budgets. To 'make ends meet' when fiscal revenue drops as a result, for example, of the current crisis, governments have to either cut expenses or incur debt. As with families, cutting expenditure might be a reasonable option when the cost of borrowing money becomes too high, for example, as a result of creditors' belief that the country may become unable to repay its loans. What factors weigh in such a decision? If only short-term economic aspects are taken into account, the social sector might suffer and the very future of a country can be compromised.

According to UNICEF:

> *[T]he limited window of intervention for foetal development and growth among young children means that their deprivations today, if not addressed promptly, will have largely irreversible impacts on their physical and intellectual capacities, which will in turn lower their productivity in adulthood. This is a high price for a country to pay.* (Ortiz et al. 2010)

A careful assessment would be required of the risks facing vulnerable and poor populations. Policies to restore medium-term debt sustainability should be balanced with those to protect and support the socially and economically vulnerable in the immediate term. "Both are necessary to achieve a country's sustained growth and human development potential" (Ortiz et al. 2010). In practice, such an assessment hardly ever takes place. Politicians take their decisions based on opinion polls – and public opinion can be as volatile as the markets – or according to the pressure they receive. And, within this framework, children do not vote, nor do they have a powerful lobby.

In the name of recovering future economic growth, Europe seems to be leaning in this global debate to a solution that sacrifices social expenditure and development cooperation. Faced with imbalances resulting from a contracting economy, cuts are imposed on expenditure that may end up contracting the economy further.

This European Social Watch Report 2010 exposes the multiple vulnerabilities within European societies. It is our hope that understanding the social risks better will help improve the quality of decision making. ▪

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