Rights in the time of crisis

This Social Watch report goes to print in the middle of October 2008 in a moment of unprecedented global crisis and uncertainties.

Sixty years ago, the Universal Declaration of Human Rights solemnly proclaimed that "All human beings are born free and equal in dignity and rights" (Article 1) and that "everyone (...) is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity" (Article 22).

The realization of this right to 'dignity for all' has remained, however, an unmet aspiration. In 1995, shortly after the fall of the Berlin Wall, the leaders of the world met in Copenhagen and committed themselves publicly "to the goal of eradicating poverty in the world, through decisive national actions and international cooperation, as an ethical, social, political and economic imperative of humankind." Five years after, the Millennium Summit in New York made a time bound target out of this commitment: "We resolve to halve, by the year 2015, the proportion of the world's people whose income is less than one dollar a day and the proportion of people who suffer from hunger and, by the same date, to halve the proportion of people who are unable to reach or to afford safe drinking water."

Together with other time-bound targets, those commitments were summarized by the UN in an 8-point list known as the Millennium Development Goals that has since gained universal political acceptance.

The MDGs were criticized when initially launched as being too modest. In fact, as one of the key participants in the technical formulation of the list later acknowledged, the different targets to be achieved by 2015 were devised basically projecting into the future the progress rates of the social indicators registered in the 1990s and 1980s. No additional effort or acceleration was actually requested; just keeping the momentum would be enough to achieve them.

Yet, the Basic Capabilities Index (BCI) computed and published by Social Watch in 2008 as well as several other official and independent sources now largely acknowledge that meeting those goals will be impossible with a "business as usual attitude".

The World Bank remained the only optimistic scorekeeper. In spite of all evidence cumulating, in August 2008 its official position was that the MDGs, and in particular the Goal number one on poverty reduction could be met, on global average, by 2015. That position was announced in a paper titled *The developing world is poorer than we thought but no less successful in the fight against poverty*. But the authors of that paper (Martin Ravallion, director of the World Bank's Development Research Group and senior World Bank statistician Shaohua Chen) had published already in May 2008 a study called *China is poorer than we thought but no less successful in the fight against poverty*.

It does not require much examination to conclude that the world average is being highly influenced by China's performance and it is obvious that fast economic growth in China is reducing income poverty in that country. But what the global averaging done by the Bank hides is that poverty and inequalities are increasing everywhere else. And the 2005 data on which the Bank bases its optimistic view do not take into account the "food crisis" (a combination of food scarcity and sky rocketing prices) that has recently started and is submerging millions of people below the poverty line every week.

In fact during the last decade of the 20th century and the first years of this century, the rate of progress on all social indicators has slowed down and the targets that seemed easily achievable if only the previous trends had been kept are now harder and harder to reach.

What happened in the early 1990s that slowed down or reverted social progress all around the word? The answer is simple: deregulation of finances, privatization of social service delivery previously in the hands of governments, liberalization of international trade, opening up of the national economies to capital flows and investments. In one word: globalization.

Globalization – or at least some of its key economic components, like the deregulation of the banking sector and the lifting of all barriers to capital flows – is now being identified as the cause of the crisis that started in the financial sector of the US and is currently engulfing real economies around the world.

A failed architecture

Alan Greenspan, who was chairman of the Federal Reserve (US central bank) for 18 years until 2006, told the House Oversight Committee last October that his antiregulatory approach was "a mistake" and may have contributed to the crisis. "Those of us who have looked to the self-interest of lending institutions to protect shareholders' equity, myself especially, are in a state of shocked disbelief," Mr. Greenspan told committee members.

The specialists are still discussing if those words mean that he was taking at least part of the blame. The "nobody could possibly have foreseen the crisis" attitude, implicit

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in the “shocked disbelief” of the neoliberal gurus was satirized by a cartoonist as “who could have predicted that mixing gasoline and matches would lead to a fire?” In fact, the Social Watch report 2006 on the global financial architecture stated in its introduction that “capital flight, tax evasion, fraudulent intra-firm trading and the very governance of the international financial institutions (...) form part of a package, an architecture that badly needs to be redesigned”. Social Watch called the financial architecture *impossible* “both in the sense of impractical and in the sense of intolerable”.

The collapse of that architecture – or the timing of that collapse – may have been a surprise, but the negative impact of globalized finances on the wellbeing of the people was already obvious two years ago for the national coalitions that authored Social Watch reports in 50 countries.

In the first days of December 2008 the world will commemorate the 60th anniversary of the Universal Declaration of Human Rights and in Doha, Qatar, the world leaders will gather for a Summit on Financing for Development. That coincidence gives us an opportunity to explore the relation between human rights, development, and the globalized economy.

Have the deregulation of the banking industry, the dismantling of the welfare state, the privatization of public services and the opening of the borders to an unrestricted flow of goods, services and capital had a positive effect on human rights and democracy, as prophesized two decades ago at the times of the fall of the Berlin Wall? Or was that rise to power of “market fundamentalism” (a term used in the last weeks by financier George Soros, Nobel Prize winner Paul Krugman and even by John Williamson, the economist that coined the term “Washington consensus”) an obstacle for the consolidation of democracy, the strengthening of human rights and the realization of dignity for all?

Each national Social Watch coalition, looking at its own country, has found a variety of ways in which the macroeconomic frameworks affect human rights. Those findings are the heart of this report and they provide the bottom-up perspective of the people working with and from the grassroots.

This is not a commissioned report. Each national Social Watch chapter is made up by organizations and movements that are active year-round on social development issues. Their findings are not intended as pure research. They are used to draw the attention of the authorities to issues of concern and they thus help shape better pro-poor and pro-women policies.

Asked to explore the links between human rights and the economy, they decided on their own priorities and emphasis. To make the report possible, each group raises its own funds and defines its own ways to consult with the grassroots to gather evidence and validate their findings. They do not shy away from criticizing national authorities, policies, elites or governance systems whenever they feel it is necessary. And the voicing of critical views helps strengthen democratic processes. But even when the reports find that much can (and needs to) improve at home, they also point to international constraints that cannot be solved at the country level.

In October 2008, when the crisis hit the financial institutions and stock markets of the OECD member countries, their governments started a massive and unprecedented programme of government intervention, nationalizing banks, injecting massive subsidies into ailing institutions and re-regulating their financial sectors.

This response sits in direct contrast to the austere neoliberal policies pressed on developing countries by the World Bank, International Monetary Fund and developed countries for the past 30 years. Governments in the South, as abundantly documented in this report, have been pushed to liberalize trade barriers, deregulate financial and labour markets, privatize national industries, abolish subsidies, and reduce social and economic spending. The State saw its role severely reduced.

This double standard is unacceptable. The international financial system, its architecture and its institutions have been completely overwhelmed by the scale of the current financial and economic crisis. The financial system, its architecture and its institutions must be completely rethought.

In recent weeks, leaders worldwide have recognized the deficiencies of the existing system and the need to meet to address a broader set of proposals to reform the global financial system and its institutions. It is of course imperative to agree on measures to address the crisis, and priority must be given to responses to the impacts on ordinary employees and workers, low-income households, pensioners and other extremely vulnerable sectors. But no lasting and viable solutions can come from meetings where only a few countries are represented, are carried out in a rushed and non-inclusive manner, and as a result, do not address the comprehensive range of changes needed, or fairly allocate the burden of responsibility.

Though the crisis originated in northern countries, as it grows and deepens the impacts are starting to be felt in developing countries. The crisis has jeopardised everything

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HOW IS CHINA REALLY DOING?

The BCI 2008 includes 23 countries for which we know the current BCI values but lack the data to compute backwards a value for 2000 and thus establish a trend. China is one of these countries, and the total population of the countries without enough data is 1.6 billion people. Meanwhile, according to the new World Bank tables, China is the country that brings poverty figures down in the world, with 650 million less people in extreme poverty in 2005 than in 1980. Since those tables also say that the total number of extremely poor people in the world decreased by 600 million, in reality, according to the World Bank, the absolute number of the extremely poor (but not its proportion to the growing total population) actually increased in the rest of the world.

In fact, only one point in that evolution is known for China: the income poverty figures for 2005 and the previous values are estimates.

In fact, one of the conceptual weaknesses of the income poverty estimates is that, throughout the transition to a market economy, income may grow without peoples' life changing. Think of the commune system where millions of peasants were self-sufficient. They now receive a salary and have an income, but they also have to pay for the food they used to get free.

Should Social Watch similarly attempt to provide a guess for the recent evolution of the Chinese BCI? We think not. On the one hand the reliability of our index is based on its data being verifiable against those published by trusted international sources. On the other, the index should be used to deduct a trend and not the other way around. It could be assumed that the recent economic growth in China has been followed by a similar improvement in education and health statistics. But in an historical perspective there is also evidence for the opposite: Chinese economic growth seems to have started AFTER a basic improvement in health and education for all had been achieved.

We will have to wait for reliable statistics to be compiled to be able to determine a recent trend for China.

the United Nations has done to help the world's poor, warned UN secretary general Ban Ki Moon at a meeting of the UN's top officials: "It threatens to undermine all our achievements and all our progress," he said. "Our progress in eradicating poverty and disease. Our efforts to fight climate change and promote development. To ensure that people have enough to eat (…) It could be the final blow that many of the poorest of the world's poor simply cannot survive."

The developing countries have been affected by the falling prices of their export commodities, the devaluation of their currencies against the dollar, the rising interest rates on their debts, outflow of foreign investments and lack of credit. If the world is plunging into a global recession the result will be unemployment and with it an erosion of the rights and the standard of living of workers everywhere. It also should be remembered that during the financial crises a decade ago in South East Asia and the Southern Cone of South America, women had to carry an even heavier burden, forced to accept lower quality jobs, obliged to compensate for the deteriorating public social services and suffering from a rise in domestic violence. Poverty doubled in a few weeks and it took years for it to recede to pre-crisis levels.

It is therefore critical that all countries have a say in the process to change the international financial architecture. No equitable and sustainable solutions to transform the current system will come out of gatherings that are rapidly-prepared and exclude many developing countries as well as civil society. Such efforts are in fact more likely to further undermine public trust and confidence, and to further disenfranchise countries that are already opting for regional solutions over a stronger, more coherent and fairer international financial system.

Only an inclusive international conference convened by the UN to review the international financial and monetary architecture, its institutions and its governance, can be comprehensive in scope, and capable of tackling the full array of issues and institutions and transparent in its procedures. Many difficult issues will have to be addressed and agreed upon in the transition from the current system – which has fostered instability and inequity – towards a just, sustainable and accountable one, which yields benefits for the majority of the world's people. In such a system human rights must be the starting point and not some distant goal in the future, and a rights-based approach to development (with gender equality, decent work and human rights at its core) must be the main guiding principle. ■

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THE MDGs, EASIER SAID THAN MEASURED

In September 2000, building upon a decade of major United Nations conferences and summits, world leaders came together at United Nations Headquarters in New York to adopt the United Nations Millennium Declaration, committing their nations to a new global partnership to reduce extreme poverty by 2015 and setting out a series of targets that were later organized in a list of eight Millennium Development Goals.

The MDGs:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

United Nations Secretary-General Ban Ki-moon has highlighted, as many others did before him that "the MDGs set time-bound targets, by which progress in reducing income poverty, hunger, disease, lack of adequate shelter and exclusion – while promoting gender equality, health, education and environmental sustainability – can be measured."

The measurability of the MDGs is key to their success. Same as the Olympic Games (or any other tournament, for the matter) base their appeal in the simple notion that all players abide by the same rule and a set of impartial referees and scorekeepers guard the integrity of "fair play", the MDGs derive their capacity to motivate decision-makers and mobilize public support in their being time-bound and measurable.

In order to monitor progress towards the MDGs at a global level and country by country, the goals were subdivided in 48 indicators, ranging from the proportion of the population below USD 1 a day (adjusted by the purchasing power parity of their income) to the percentage of internet users. Since January 15, 2008 the list of indicators has been officially expanded to more than 60, so as to be able to include data on issues like employment that were not counted before.

In real life, though, for most of the developing countries there are no accurate or updated data for many, if not most, of those 60 indicators, and the set is too complicated for non-experts. Thus, the World Bank defined poverty line of USD 1 a day became the de facto yardstick with which progress was being measured. In 2000 the figure of 1.2 billion people living in poverty was massively circulated and quoted indirectly by the heads of state themselves in the Millennium Declaration: "We will spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected."

By October 2007 the number of people living in extreme poverty had been reduced substantially: "Nearly one billion people live on just USD 1 a day" said World Bank President Robert B. Zoelick in his address to the Board of Governors of his institution. "Globalization must not leave this 'bottom billion' behind", he added. By June 2008, the draft Accra Action Agenda on aid, authored mainly by donor governments and the secretariats of the World Bank and the OECD stated that "progress has been made. Fifteen years ago, one of every three people lived on less than one dollar a day; today, that figure has been reduced to one in five. Yet one billion people still live in extreme poverty".

All of a sudden, in August 26, 2008 the World Bank announced that poverty estimates had been revised and the number of extremely poor people was actually 1.4 billion in 2005. An overnight increase of almost 50%! How does that leave the affirmation that "progress has been made" (and therefore some adjustments might be needed, but not a major change in course)? Do not worry, says the World Bank. According to Martin Ravallion, director of the Bank's Development Research Group, "the developing world is poorer than we thought but no less successful in the fight against poverty". In order to substantiate such an optimistic view, the team led by Ravallion and Shaohua Chen revised the poverty figures all the way back to 1981 in order to claim that previous estimates were mistaken and that the proportion of poor people has been cut to half in the last 25 years and can therefore still be reduced enough to meet the MDG number 1 by 2015.

It took the researchers of the Bank eight months since the publication of the new Purchasing Power Parity tables in December 2007 to compute the new total of the poor of the world and they did not reveal the new number until the whole series back to 1981 was recalculated. Why? Because the World Bank is not just a scorekeeper, responsible for producing the measures of how the fight against poverty is going but also the major player, an institution with a budget several times higher than that of the whole United Nations based on its claim to work "for a World Free of Poverty". And in that regard, the **trend** is what ultimately matters. We can admit having produced dramatically wrong estimates in the past, so inaccurate in fact that the new tables decree that ten thousand academic papers on poverty produced in the last decade are wrong because they were based on false data. But we cannot admit an error in the trend, because the logical conclusion would then be that the course needs to be changed.

If a Central Bank realized that inflation forecasts had to be increased by 50%, say from 4 to 6%, drastic measures would be taken immediately. If the unemployment rates had been underestimated by 50%, a political scandal would ensue. But poverty estimates can be increased by 50% without any of the multiple multilateral organizations dealing with the problem calling for emergency measures, not even a reassessment of their policies.

Social Watch has argued repeatedly that the USD 1 a day indicator is the wrong indicator. But even if the concept behind that indicator had been right, we know now that the estimates were wrong. And even if the new estimates and their recalculated history are right, the trend of the last years is not a forecast of the future, among other things because, as the Bank itself recognizes, "the new estimates do not yet reflect the potentially large adverse effects on poor people of rising food and fuel prices since 2005".

Using three simple indicators available for most countries in the world and averaging them in a way that any secondary school student can repeat, the national and international trends in the fight against poverty can easily and convincingly be assessed. The resulting picture is not rosy. Policy makers need to understand that the credibility of their commitments relies, like in the Olympic Games, in honest scorekeeping, independent referees and rules that do not change in the middle of the game. An adverse half time result might be bad news for the coach, but it allows to change strategies for the second half.

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